



## SEANAD ÉIREANN

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*Dé Céadaoin, 29 Márta 2006.*  
*Wednesday, 29 March 2006.*  
 —

Chuaigh an Cathaoirleach i gceannas ar 10.30 a.m.

—  
*Paidir.*  
*Prayer.*  
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### Business of Seanad.

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

The need for the Minister for Education and Science to clarify when Ardattin national school, Ardattin, County Carlow, will be approved for a new school extension under the devolved school grant scheme.

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

To ask the Minister for Social and Family Affairs the number of schools in Dublin Mid-West that are involved in the provision of free meals for pupils and students; the number of Dublin Mid-West pupils and students that benefit from the free school meals schemes; and the percentage of the overall numbers of school-going children in Dublin Mid-West.

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

The need for the Minister for Community, Rural and Gaeltacht Affairs to clarify the position with regard to one-off funding for Kenagh community centre in County Longford.

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 Nos. 1, 2 and 23, motion 22. No. 1, Employees (Provision of Information and Consultation) Bill 2005 [*Seanad Bill amended by the Dáil*] — Report and Final Stages, to be taken on the conclusion of the Order of Business and to conclude not later than 12.30 p.m.; No. 2, Finance Bill 2006 — Committee and Remaining Stages, to be taken at 2 p.m. and to conclude not later than 5 p.m.; and No. 23, motion 22, to be taken from 5 p.m. until

7.00 p.m. There will be a sos from 12.30 p.m. until 2 p.m.

**Mr. B. Hayes:** One of the most difficult issues for young people today is trying to buy a first house. That problem will get worse over the next 18 months as mortgage interest rates rise. I would like to highlight to the House a particular practice in the housing market in Dublin that was brought to my attention last weekend. A certain auctioneer advertised that 50 housing units would be sold last Saturday and a large number of people queued up to put deposits on the houses in question. Having taken 25 deposits in an hour and a half, the auctioneer, on instruction from the developer, decided to halt the sales and advised people to come back the next day. When they came back the next day, the queue was twice as long and the cost of each house had risen by €28,000.

Whatever voluntary codes of practice are in place for the construction industry in the Dublin area, they are not working. Auctioneers are allowed to employ Wild West tactics when it comes to the sale of properties to first-time buyers. If the industry cannot regulate itself and cannot ensure fair practice, especially for first-time buyers, then the Government should intervene. There are too many incidents of misleading advertising in the property market. People are making money hand over fist due to the very significant demand that is there. The Government needs to intervene with a new, consumer-friendly code of practice to ensure that proper information is given to prospective buyers, as opposed to the nonsense that is currently going on in the Dublin housing market.

**Mr. O'Toole:** Senator Ross and I welcome the support of Senator Brian Hayes for an issue which we have been highlighting for the past four or five years. It is not a new practice and the last time I spoke on it I gave an example of an auctioneering firm, Pottertons in Trim, which walked away from a deal because it refused to do the same as the unscrupulous auctioneer mentioned by Senator Hayes. Pottertons should be credited for its behaviour. There are some decent auctioneers out there but we need to look at the situation. The housing market in Dublin is disgracefully organised at the moment.

We should also discuss the quality of houses in Dublin. It is the only place in Ireland where building takes place with cavity or hollow blocks. Building is organised through HomeBond, which is owned by the building industry and which allows a lower quality of house in Dublin than anywhere else. Since 1998, we have built a quarter of a million houses which will not meet the exacting insulation standards which are now required in every other part of Europe, but which we have delayed for another 18 months in deference to the building industry. Those people who queued last week to pay the extra €28,000 will

[Mr. O'Toole.]

find that when they want to sell the house in five years, they will have to provide an insulation certificate for heat loss but the house may not meet the standard that exists outside Dublin. Extraordinary things are happening in auctioneering, in the cost and quality of houses and the way in which we regulate the market. I would welcome a debate on the issue.

**Mr. Ryan:** Fine Gael's increasing disillusionment with the free market will make the negotiation of a programme for Government much easier.

**Ms O'Rourke:** Part 2.

**Mr. Ryan:** For the next Government to be successful in comparison with the incumbent, it will not have to do much. We have very little to compare with, except delay.

**Ms White:** The Senator should have been here yesterday to hear Senator Ross, who eulogised Fianna Fáil.

**An Cathaoirleach:** Please allow Senator Ryan to speak without interruption.

**Mr. Ryan:** There is a famous phrase, "Beware of Greeks bearing gifts." Fianna Fáil should be afraid when Senator Ross approaches.

**An Cathaoirleach:** The Senator should adhere to the Order of Business.

**Mr. Ryan:** Perhaps we might have a debate on something that emerged when we were off for a week around St. Patrick's Day. A group of secondary schoolgirls from County Laois appeared on the main evening news to demonstrate how easy it was to buy instruments of torture and small arms over the Internet. In a country that is in crisis regarding public fear of gun crime and the widespread use of weapons, the idea that a group of schoolgirls should be able to find out in ten seconds where one can buy limitless quantities of small arms without any real check on one's identity should have produced an immediate response. It is horrible that something of this nature can occur, and it is a great credit to those young people that they identified the problem. It is a reflection on the Government and the girls' so-called superiors that it was up to them to demonstrate what older people did not know. I hope we can debate the use of the Internet to access legal drugs and weaponry and investigate the degree to which it is a route to the importation of weapons.

Last Monday an article in the British newspaper *The Guardian* stated that most EU leaders backed reviving nuclear power and that only Germany and Austria had explicitly rejected the nuclear option in secret summit talks. Apparently, Ireland did not do so. This illustrates the

point that I have just made. We are told explicitly that the Government is absolutely and categorically against introducing or using nuclear power. That is the official position. However, it is apparent that the silent official position is to keep one's head down, say nothing, and let the others get on with it.

**Mr. MacSharry:** If it was in *The Guardian*, it must be true.

**Mr. Ryan:** *The Guardian* was responsible for exposing more of the scandals of the present Labour Government than all the right-wing press in Britain put together.

**Mr. MacSharry:** It is the cornerstone of the republic.

**Mr. Ryan:** They lay down before Thatcherism for 15 years and ignored the sufferings of the British people. If we want to go on about British newspapers, we can do so.

**An Cathaoirleach:** We will not do that. Let us stick to the Order of Business.

**Mr. Ryan:** Perhaps the Senators over there——

**An Cathaoirleach:** The Senator should not let himself be provoked.

**Mr. Ryan:** I am old, mature and sensible enough to ignore Fianna Fáil, having learned to do so a long time ago.

*(Interruptions).*

**An Cathaoirleach:** Order.

**Mr. Ryan:** Of the decisions I have made in my life, the wisest was to walk away from Fianna Fáil.

**An Cathaoirleach:** That is not relevant to the Order of Business.

**Mr. Ryan:** Perhaps I might return to the fundamental problem of our having previously been told that we were categorically against incineration, which we now have. We were categorically against waste and service charges. Every local authority and member of the dominant party in Government voted against them, but we now have waste charges. Will we now find the same thing happening? There is categorical opposition to nuclear power at home but a deferential attitude of tipping the cap abroad that will inevitably lead to our being forced to compromise and give in on this, just as we have done on other important issues. We need a categorical assurance from the Government that approval and tolerance of nuclear power within the European Community are not on its agenda.

**Mr. Morrissey:** A few years ago, the Government very successfully gave a Minister of State, Deputy Brian Lenihan, responsibility for children. The Department of Health and Children has effectively tackled the issue of children by bringing together various strands from the Departments of Justice, Equality and Law Reform, Health and Children and Education and Science.

We read every week about migrant workers being abused by cowboy employers. I would like a debate on the notion of a one-stop-shop whereby a Minister of State would deal with migration. The various strands, from visas to work permits to education, could be brought under a single umbrella, and people coming to our shores would no longer live on the shadowy margins of society but be properly informed of their rights and know where to go. Instead of turning to various Departments, they would have a one-stop-shop.

**Mr. Finucane:** The Leader may recall that over four weeks ago I pointed out in the House that there has been no marketing or public information to advise people about the 31 penalty points being introduced from next Saturday, 1 April.

**Mr. Ryan:** That is April Fool's Day.

**Mr. Finucane:** If one gets a statement from the motor tax unit that one's tax is due, it would be logical to accompany it with an outline of the 31 penalty points. This week I received a reminder about my insurance that also put me in mind of penalty points. That too could provide an excellent example if one slipped in a sheet of paper describing the 31 new penalty point offences. I have seen no advertisements in any national, local or Sunday newspapers outlining the 31 penalty point offences and only the usual statements that they will be introduced from 1 April. That is totally wrong and comes from a Department that is trying to market road safety effectively. It is insulated by spin doctors and public relations experts but seemingly cannot advertise the relevant information.

While wishing Gay Byrne well in his position, I deplore the attitude and approach of driving testers, who are guaranteed overtime to clear waiting lists and yet have not agreed to contracting out work to ease a backlog of over 400,000 people waiting for a test. It is wrong in this day and age that any group should stop that from happening and block effective safety on the roads.

**An Cathaoirleach:** Many Senators are offering to speak so I ask contributors to be brief so I may accommodate them all.

**Mr. Leyden:** I urge the Cathaoirleach, the Leader and other members of the Committee on

Procedure and Privileges to provide that the portrait of Countess Markiewicz be hung in the main hall of Leinster House.

**Ms O'Rourke:** It is there already.

**Mr. Leyden:** I refer to the portrait depicting her in the full military uniform of 1916. Furthermore, I would like to see the stone bust of Countess Markiewicz brought in from the cold of Kildare Street.

**An Cathaoirleach:** I suggest that the Senator write to the Committee on Procedure and Privileges.

**Mr. B. Hayes:** There is a joint committee on portraits.

**An Cathaoirleach:** I beg Senator's pardon.

**Mr. Leyden:** In front of my peers, it is appropriate—

**An Cathaoirleach:** I have advised the Senator what to do, and I would appreciate his sticking to the Order of Business.

**Mr. Leyden:** Perhaps I might finish by saying that she was the first female Member of Parliament and the first female Minister in any government anywhere in the world. She should be properly recognised, and 24 April is the next deadline.

**An Cathaoirleach:** That is well known.

**Mr. B. Hayes:** There is already a portrait of Countess Markiewicz here, but she is wearing an evening gown rather than military uniform.

**Ms O'Rourke:** That is another portrait that the Senator does not wish moved.

**Mr. Quinn:** Only a small proportion of the population approaches pensionable age with provision for a proper pension in their declining years. Some months ago, the Minister for Social and Family Affairs, Deputy Brennan, flew a kite and suggested that it might be time to consider compulsory or mandatory pensions. However, that was shot down by various vested interests.

I raised the subject last week again during the social welfare debate. I was pleased the Minister announced on radio that he will bring forward the decision on mandatory pensions. Mandatory pensions are in place in other countries such as Finland, Germany and Sweden while Australia is also considering it. We have an obligation to do something about pensions and, while I do not know whether they should be mandatory, this topic should be debated in the House.

**An Cathaoirleach:** As I mentioned earlier, many Members are offering. Since then, four

[An Cathaoirleach.]

other Senators have offered. I ask Members to be brief.

**Mr. Mooney:** Will the Leader convey the thanks of the Irish diaspora to the Government following its announcement overnight that it intends to extend the presidential bounty, which is currently €2,500, to all centenarians, irrespective of their residence? Heretofore, one not only had to reach the age of 100 but one also had to be resident in the State to obtain the bounty. I welcome the Government decision, as does the diaspora. While the amount is a welcome benefit, it also recognises the contribution Irish centenarians living abroad have made throughout their working lives.

Will the Leader consider a debate on Ireland's UN role, particularly in the area of peacekeeping, in light of the recent announcement by the Minister for Defence that Ireland intends to participate in battle groups under the Petersberg Tasks, which must be sanctioned by the UN? However, as Ireland's increasing military role across the world is becoming more evident, the House could play a useful part by at least allowing the Government to state what is its future policy on our continuing involvement in the UN.

**Mr. U. Burke:** Yesterday the Tánaiste and Minister for Health and Children declared the accident and emergency department crisis a "national emergency", having had two years to rectify the problem. In tandem with her statement yesterday, consultants were appointed to review acute hospital services in the west and mid-west, particularly in smaller hospitals. Professor Drumm, the head of the HSE, maintains that the Hanly report is Government policy. There is total confusion between the Minister and Professor Drumm. Is it any wonder concern is being expressed by hospital action groups throughout the State about the future of small hospitals?

The Minister expects there will be no more than a six-hour delay for patients in accident and emergency department this time next year. This is two years after she declared waiting times in such departments would be eliminated. Will the Leader invite the Minister to the House to clarify this issue once and for all? The HSE has ordered reviews of hospital services despite the Minister calling for every element of the health service to be mobilised to eliminate the accident and emergency crisis.

**Ms Feeney:** Over the past 24 hours we learned that the files of at least 20 patients are to be examined in Our Lady's Hospital, Navan, to analyse the work carried out and procedures followed by certain surgeons, a number which ended in fatalities. Last week, Members called on the Leader to organise a debate on self-regulation and I reiterate that call. The time is right, as we

are in the run-up to the introduction of legislation to amend the Medical Practitioners Act.

**Mr. Norris:** The House has a tradition of supporting independent regulation of the professions such as the press, medical, Garda and so on. We should examine the legal profession, particularly in light of recent reports about difficulties clients have had extracting detailed accounts of their bills from solicitors. Mr. Justice Hardiman has criticised the behaviour of the profession in this instance and has expressed surprise that costs do not appear to relate to the work done. Recourse is available to the taxing masters, both of whom are solicitors. A case was reported in an article by Carol Coulter in *The Irish Times* recently in which man was charged €13,500 for work done and to be done in the future with no supporting breakdown offered. He asked for a breakdown of fees but was just given the global figure. He had to pay the fees because the solicitors held documents, including mortgages on his house. He said he was provided with no indication of the time spent on the case, the rate per hour, the basis on which the fees were calculated, the sum for stamps and telephone calls—

**An Cathaoirleach:** What is the Senator's question?

**Mr. Norris:** More significantly, the Taxing Master then turned around and, without dealing with these questions, attacked the man for complacency, selfishness and for being blinded by his own interests.

**An Cathaoirleach:** That is a statement.

**Mr. Norris:** Then the client said he could not see the work that had been done but that was because he received no breakdown. The reason I am calling for a debate on this is one could not have a greater illustration of the need for independent regulation of the legal profession.

**An Cathaoirleach:** The Senator should put a question. He has elaborated more than adequately.

**Mr. Norris:** The House should debate the need for an independent regulating system to adjudicate on the question of costs, given that the legal profession regularly refuses to give any breakdown whatever and the taxing system does not seem to work.

**Dr. Mansergh:** I am not sure I like engaging in political hare coursing but we will have to chase a few—

**An Cathaoirleach:** The Senator should ask a question on the Order of Business.

**Dr. Mansergh:** With regard to energy supply, which we should debate, Senator Ryan will not

march to Carnsore Point any time soon. There will be no nuclear power generation in this State for the foreseeable future.

**Mr. Ryan:** That is what the Government said about incinerators.

**An Cathaoirleach:** Does Senator Mansergh have a question for the Leader?

**Dr. Mansergh:** Yes. We should debate energy supply, including the bringing on shore of natural gas and the development of natural gas supplies in the interior in the north west, and not only alternative energy resources.

**Mr. Bannon:** Will the Leader invite the Minister for Education and Science to the House to debate the school transport system? Following the horrific accident last year in County Meath, we were promised the current fleet of buses would be phased out and replaced but, in many areas, the system is in complete chaos. The Leader may be aware that in our constituency children leave home at 7 a.m. to catch a bus and they do not return until after 6 p.m. because of a shortage of buses. Some buses must do two or three runs and this is not fair on pupils studying for the leaving and junior certificates.

The guidelines on school transport must be examined. The issue needs to be addressed, as it has been highlighted time and time again by parents and students. It is important the House should debate this issue, particularly where it relates to rural transport.

**Ms Ormonde:** I endorse Senator Morrissey's comments on a one-stop shop and the appointment of a Minister of State to deal with immigration. It is a major issue, which has been widely discussed by the Oireachtas Joint Committee on European Affairs. Perhaps we should broaden out the issue and discuss it. Will the Leader call for a debate on the subject?

**Mr. Ross:** I endorse what Senators Brian Hayes and O'Toole said about auctioneers, an issue Senator O'Toole and I have raised continually in the House. When we talk about auctioneers we are talking about cowboy country, an area that is not properly regulated. It is an area that is supposedly self-regulated, similar to the legal profession as touched on by Senator Norris. The rackets that go on in auctioneering have, unfortunately, not been resolved by the commission on auctioneering which was set up as a result of a debate in this House. I will give just one example because I know we are in a hurry.

As a result of the establishment of the commission, the use of guide prices was replaced by a new system of advised minimum values, AMVs. These are a charade and the same abuse is practised under the guise of AMVs as under guide prices. It is time the Government stepped in and

regulated the racketeers in a profession which is not properly regulated. This is an ideal issue on which the Minister for Justice, Equality and Law Reform could come to the House and explain why the necessary legislation to regulate auctioneers has not been introduced.

**Mr. Scanlon:** As a person with an interest in the auctioneering business, I would like to respond to some of the questions raised. It saddened me to hear Senator Brian Hayes say that after 25 out of 50 houses were sold the price increased overnight by €28,000. That is shocking. The reason this happens is that demand outstrips supply. I know that when people mention zoning land for housing, others look at them as if they have two heads. However, I suggest that we need to have more land zoned for housing, particularly in Dublin. The reason for what is happening is that there are too few houses available for the number of people looking for them.

I agree with Senator Ross about the advised minimum values. It is very difficult for an auctioneer to know the value of any house as the market will decide on the day. Sometimes it could be €100,000 or €1 million more than what is expected.

**Mr. Ross:** The AMVs are always under the price, never over it.

**An Cathaoirleach:** We will not debate house prices on the Order of Business.

**Mr. Scanlon:** I would like to point out that auctioneering is the only profession in the country where a person must advertise he or she is applying for a licence a month in advance, get a C2 from his or her accountant to ensure his or her taxes are fully up to date, and go before a court of law while anybody can walk in off the street and object to the issuing of the licence.

**Mr. Norris:** It sounds like marriage to me.

**Mr. Scanlon:** No other profession in the country has to do that.

**An Cathaoirleach:** We will have a debate on the matter.

**Mr. Scanlon:** We should support decentralisation because the more houses freed up in the city, the more houses will be available for those who need them. A person can still buy a three-bedroomed house in the west of Ireland that is ready to walk into for €165,000.

**Mr. B. Hayes:** Go west young man, go west.

**An Cathaoirleach:** Order please. We will go north now. I call Senator McHugh.

**Mr. McHugh:** I want to raise the important issue of the incidence of multiple sclerosis, MS.

[Mr. McHugh.]

Unfortunately, Donegal records the highest levels of MS in the country and due to the fact that we do not have a consultant neurologist in Letterkenny General Hospital, MS sufferers must travel to Dublin to see a consultant.

I know the issue of centres of excellence is close to Senator Norris's heart. We do not want to have specialties dotted all over the place in a haphazard form, but the north west needs a shared centre of excellence between Altnagevlin and Letterkenny General Hospital. The only way we can achieve that is through tapping into the political will on both sides of the Border. The will exists at grass roots level to share resources, whether health or infrastructure etc. However the will is not there at national level, be it London or Dublin. We need to step up the debate with regard to Northern Ireland and cross-Border resources.

There is urgent need for this debate because MS sufferers are given appointments for 9 a.m. in Dublin. This leaves them with two choices, either to go to Dublin the night before and pay outrageous hotel bills or leave Donegal at 4 a.m. That is neither just nor equitable. It is important to have a common sense approach to centres of excellence and to the treatment of patients, whether they are cancer sufferers, MS patients or others.

**Mr. J. Walsh:** I support Senators Morrissey and Ormonde in their call for a debate on the matter of a one-stop shop for immigration issues. Unless we ensure the proper integration of our immigrant population, now at 10% and forecast to reach 25% by 2020, we will end up like other countries with detached immigrant communities which would be bad for the country. Senator Morrissey's call was well timed as it is time to plan for this issue.

I also support the call for a debate on deregulation. Senators Feeney, Norris and Ross have made the point with regard to certain professions. With regard to the medical profession, the bad practices we have seen in hospitals are due in part to the self-regulating system. Senator Norris is undoubtedly correct about the legal profession. The exorbitant fees charged are attributable to self-regulation. If one appeals those charges, the case goes to others in the same profession to adjudicate and they have a vested interest in the result. It is a Pandora's box situation and must be tackled. There would be much support for a Government that took on all these vested interests in the interest of the public.

**Mr. Coghlan:** The situation described by Senator Brian Hayes regarding what happened to so many young people who wished to buy houses is appalling. None of us likes to see this happen. We need tighter consumer measures in the interest of young buyers and for that reason I will reintroduce the stage payments Bill. One of the

recommendations of the Government review group on the auctioneering profession is to abolish such practices and hopefully we will get all-party agreement in this House on the measures it proposes. It is wrong that people must pay in full long before they occupy a house. That is unbalanced, unjust and unsupportable. I hope we have all-party agreement on the measure which will be one step towards putting things right.

**Ms White:** I would like the Cathaoirleach to ask Senator Norris to withdraw the comments he made about Countess Markiewicz. He said she should have been hung long ago. He is a despicable man. He has gone too far.

**An Cathaoirleach:** I did not hear it.

**Ms White:** I heard it.

**An Cathaoirleach:** I did not hear it. I do not share Senator White's ears.

**Mr. Feighan:** I condemn the two armed robberies yesterday. However, I congratulate the Minister for Justice, Equality and Law Reform, the Garda Síochána and the Customs and Excise on their recent successful investigation into fuel and money laundering at the Border. This sends out a clear message that nobody is above the law and there are no longer any no-go areas in the country. This is welcome. Through the Leader I wish to thank the Minister, the Criminal Assets Bureau, the Assets Recovery Agency, the PSNI and the Customs and Excise. This was a major move against organised crime in the country and is welcome.

**Mr. Hanafin:** I support the call of Senator Scanlon for a debate on housing in Dublin. In particular, we must ensure that already-zoned land comes under the rule of "use it or lose it" so that there is an adequate supply of housing, thus preventing disgraceful situations, such as that brought to our attention by Senator Brian Hayes, from continuing in the marketplace.

**Ms Terry:** I join Senator Quinn in calling for a debate on pensions. The Minister for Social and Family Affairs is willing to facilitate that debate and we should discuss the report of the Pensions Board at an early date. Before considering mandatory pensions, which Senator Quinn appears to favour, many other actions must be taken. Many workers in this country have mandatory pensions. They had to join company pension schemes as a condition of their employment. Now, on the cusp of retirement, many are finding that their pensions are not worth the paper they are written on. Alongside mandatory pensions we must put measures in place to ensure that the pensions industry will deliver adequate pensions to subscribers. There should be no compulsion with regard to joining pension schemes.

Many women are coming up to or are in retirement and have no pension, including farmers' wives, women assisting relatives and women who had to stay at home because of the marriage bar. Under the qualified adult payment system, women who are entitled to a pension are not given one. The pension is given to their husbands instead. That is an area that merits examination. Women must be given their pensions in their own right and not treated as second class citizens.

**Dr. M. Hayes:** I support Senator McHugh in his call for a debate on health services in the north west. Cross-Border co-operation would be sensible and of great help to patients on both sides of the Border. Contractual and logistical difficulties can be overcome. I examined this issue in a review I conducted a number of years ago and found a considerable reluctance on the part of the Department of Health and Children to deal with the matter. It could be a template for the sharing of services across the Border, which would be helpful to patients on both sides.

**Ms O'Rourke:** Senator Brian Hayes brought up the awful situation which arose last weekend in Dublin whereby many people queued on Saturday to purchase a house. Many were not dealt with on the day and were told to return the following day, by which time the houses had gone up in price by €25,000. I am not interested in how much weight free market policies have in such situations. These people are vulnerable. They would have scrimped and saved, cajoled and begged their parents or the banks to get the money and overnight they had their hopes dashed. That is abuse of vulnerable people and it is good that Senator Brian Hayes has brought it to our attention.

Senator O'Toole said that this kind of thing has been going on for four or five years and that he and Senator Ross have raised the matter regularly. He is equally worried about the quality of houses built under the home bond scheme.

**Mr. O'Toole:** In Dublin.

**Ms O'Rourke:** He suggested that in five or six years time if the purchaser, who has paid whatever exorbitant price was demanded, tries to sell such a house, he or she may find out that the mandatory insulation criteria have not been met. People will then have to spend a lot of money to rectify that. The Senator maintains that we should be concerned about the quality as well as the quantity of housing.

Senator Ryan raised the matter of the school-girls from County Laois who demonstrated how one can openly purchase weaponry on the Internet. He also referred to the fact that Germany and Austria objected to a review of nuclear power in the European Union and wanted to know where Ireland's voice was on that matter. I am quite sure our voice was heard but often such

matters are not reported. The Senator said that we need reassurances regarding our ideas on nuclear power but we have no mandate, nor do we seek one, to ever go down the nuclear road. It is as well to say this very plainly. We have put that issue to one side. Whatever daftness overcame some people in the 1970s, we have not indulged in it since and will not do so.

Senator Morrissey raised the matter of migrant workers and cowboy employers and argued that there should be a one-stop-shop to deal with such matters. It is worth noting that Senator Quinn also raised that matter in the House some time ago and suggested that there should be a Minister of State in charge of all the issues relating to immigrant workers. I think that is a very fine idea and I will endeavour to organise an immigration debate where that particular issue can be aired more fully.

Senator Finucane pointed out 31 additional offences will be added to the penalty points system on Saturday next but there has been little advertising of the fact as yet. Perhaps there will be a major advertising campaign on Friday and Saturday. I certainly hope so. The Senator also raised the issue of driving tests, which was discussed in the House yesterday.

Senator Leyden made a valid a point about Countess Markiewicz. Senator Mooney passed a note to me reminding me that the women of both Houses were on a committee some time ago which sought to have the portrait of the countess in her ball gown located in the lovely position she occupies in Leinster House. However, that is not what the Senator raised, nor does he seek to remove that portrait from its current home. He seeks to have a portrait of her in the hall, with all of the other guys with their shiny brass buttons. Why should she not be there?

**Mr. Finucane:** He wants her displayed in her military outfit.

**Ms O'Rourke:** We will bring the matter to the attention of the Committee on Procedure and Privileges. We have talked a lot in recent times about women in 1916. People should be able to come to the Houses of Parliament and see the countess in her defence mode. I like to think we could do that because it would be a very fine thing to do. The countess was the first female MP elected to the British Parliament. Her coat hanger and her name are still there, although she never took up her seat. It would be worthy of her to do as Senator Leyden requests. The Cathaoirleach has asked the Senator to address his request, in writing, to the Committee on Procedure and Privileges, which I am sure he will do. I am equally sure that the Members from Sligo will be very interested in all of this.

Senator Quinn raised the matter of pensions. Senator Terry also talked about pensions, which is an issue she has raised on numerous occasions but Senator Quinn did not say he was in favour



[Ms O'Rourke.]

of mandatory pensions. He argued that there must be a wider debate on the issue. The Minister for Social and Family Affairs has told me that he would like to come back to the House, unlike some other Ministers —

**Mr. Ross:** Name them.

**Ms O'Rourke:** No. Deputy Brennan wishes to come back.

Senator Mooney raised the matter of the President's bounty being extended to the Irish diaspora. Do Members know to whom we can give the credit for that? I do not want to take away from Senator Mooney or the President, but it is Mr. Joe Duffy. There was a long debate on the issue on his radio programme around a year ago. He was like the country's ombudsman on the issue of the President's bounty being extended and I am glad that will happen. Senator Mooney also called for a debate on Ireland's peace-keeping role.

Senator Ulick Burke spoke about the accident and emergency departments and the declaration of a national emergency. I am glad it has been named thus. He asked about the review of the acute hospital services in the west and mid-west and the future of small hospitals. More beds are needed but everybody is afraid to say so. The large number of beds taken out of the system will have to be progressively reintroduced.

**Senators:** Hear, hear.

**Ms O'Rourke:** The Members should not shout too loudly in the affirmative. They will raise notions. Senator Feeney spoke about the hospital in Navan that is currently under review and she called for a debate on self-regulation, which I am endeavouring to organise.

Senator Norris spoke about the need to examine the legal profession. I received an interesting note on that matter. The Civil Law (Miscellaneous Provisions) Bill, which is on the A list and expected to be published in this parliamentary session, will provide for a legal services ombudsman, which will deal with those matters.

**Mr. Norris:** Oh good.

**Ms O'Rourke:** That is long overdue and I thank Senator Norris for raising the matter. Senator Mansergh asked for a debate on energy supply. A similar request was made last week by Senator Finucane for which he received great coverage on "Oireachtas Report". His call for a debate was equally urgent.

Senator Bannon called for a debate on school transport. This falls under the remit of the Minister of State at the Department of Education and Science, Deputy de Valera. It is a good time for such a debate because it will coincide with the

last school term before September. I share the Senator's concerns about people in the Longford-Westmeath constituency.

Senator Ormonde requested a debate on a one-stop-shop system for immigration. Senator Ross raised the issue of the abuse of guide prices by certain auctioneers. The AMV, advised minimum value, was introduced but now is open to abuse. Senator Ross spoke of abuse and racketeering and asked that the Minister for Justice, Equality and Law Reform, Deputy McDowell, come to the House and explain the lack of legislation in this regard. As he responded by establishing a review group on auctioneering practices following a call for it in the House, we hope he will do the same with the promised legislation.

As for Senator Scanlon, there is nothing like having the practitioners on the ball. He claimed that in the north west a three-bedroom house costs €165,000. I note he is still in the Chamber and has not gone off to sell one.

*(Interruptions).*

**Mr. B. Hayes:** It does not need any advertising now.

**Ms O'Rourke:** Senator Scanlon gave a simple lesson on demand outstripping supply. No matter what free market we are in, it does not allow abuse of people. I know the Senator would not indulge in such practice.

I always admire Senator McHugh's passion on health issues. He raised an important cancer treatment issue in the House some time ago which led to the Tánaiste and Minister for Health and Children deciding to work with cancer specialists in Belfast. This morning he pointed out that County Donegal has the highest incidence of multiple sclerosis and that many sufferers must come to Dublin for medical treatment, some with appointments as early as 9 a.m. Senator McHugh asked for liaison and a common sense approach to cancer and MS treatment between Derry's Altnagelvin Hospital and Donegal. It is a frequent and sensible suggestion from the Senator.

Senator Jim Walsh raised the issue of the self-regulation of the legal profession. A forthcoming Bill will provide for an ombudsman. He also spoke about immigration but I always believe the approach should be one of integrating immigrants.

Senator Coghlan asked for tighter consumer measures and suggested he would re-introduce First Stage of the Housing (Stage Payments) Bill. What has happened to the Bill? I said yesterday I would accept it. It is now up to the Senator to produce the Bill.

**Mr. Coghlan:** I was corrected on the matter and received guidance from the Chair. It is with the Bills Office.

**Ms O'Rourke:** Okay. It is up to the Senator to request time for the Bill from me.

Senator White backed up Senator Leyden in suggesting the portrait of Countess Markievicz in her military uniform should be hung in the main hall of Leinster House. I did not hear what Senator Norris said on that issue. Senator White must have very keen ears.

**Ms White:** I have.

**Ms O'Rourke:** None of us on the Front Bench heard it.

Senator Feighan admired the Minister for Justice, Equality and Law Reform and the recent investigations undertaken by the Criminal Assets Bureau into "Slab" Murphy. Senator Hanafin asked for a debate on housing in Dublin which is necessary.

Senator Terry has consistently raised the issue of pension provision. Some months ago the Minister for Social and Family Affairs, Deputy Brennan, debated the issue following a similar request from her. It is necessary for another debate before a decision is made on mandatory pensions. Senator Terry also stated women should be given a pension in their own right under the qualified adult payment. I agree, as at times all may not be harmonious in a marriage. It is wrong for a woman to feel she is in a dependency situation. It is a solid and proper request from the Senator.

From his own experience, Senator Maurice Hayes backs Senator McHugh's call to have much closer liaison and co-operation on health services between County Donegal and parts of Northern Ireland. It is common sense to do so.

Order of Business agreed to.

**Employees (Provision of Information and Consultation) Bill 2005** [*Seanad Bill amended by the Dáil*]: **Report and Final Stages.**

**An Cathaoirleach:** This is a Seanad Bill which has been amended by the Dáil. In accordance with Standing Order 103, it is deemed to have passed its First, Second and Third Stages in the Seanad and is placed on the Order Paper for Report Stage. On the question "That the Bill be received for final consideration", the Minister may explain the purpose of the amendments made by the Dáil. This is looked upon as the report of the Dáil amendments to the Seanad. For Senators' convenience, I have arranged for the printing and circulation of the amendments. The Minister will deal separately with the subject matter of each group of amendments. I have also circulated the proposed groupings. A Senator may contribute once on each grouping. The only matters, therefore, which may be discussed are the amendments made by the Dáil.

Question proposed: "That the Bill be received for final consideration."

**Minister of State at the Department of Enterprise, Trade and Employment (Mr. Killeen):** The first grouping is amendments Nos. 1, 3 to 10 inclusive, 13, 17 to 19, inclusive, 23 and 25. The majority are technical in nature and arise from the enactment of the Interpretation Act 2005 which came into effect on 1 January 2006. The other amendments are grammatical in nature. I am indebted to Deputy Howlin for drawing the effects of the Act on the Bill to my attention. These could not have been dealt with in the Seanad because the Interpretation Act had not yet been passed.

**Mr. Coghlan:** I accept these amendments.

**Mr. Killeen:** The second grouping, amendments Nos. 2 and 26, deals with the definition of appointment of employees' representatives. The issue of allowing employees' representatives to be appointed arose on Committee and Report Stages in both Houses. It was also raised in bilateral discussions with the social partners.

Having given the matter much consideration, I formed the view that it is important to provide for the appointment of representatives to cater for situations where employees do not want a formal election process or feel it is unnecessary. I was anxious to accommodate those enterprises where there is already good practice in this area. Having listened carefully to the arguments put forward in both Houses and after consultations with the social partners, it is vital that where employees wish to receive information on consultation with representatives, there is trust and support for those representatives and they are truly representative of the employees.

I introduced these amendments to alter the definition of "appointment" to ensure employees have control over the process of appointing their representatives. There was agreement on all sides of the House on that principle. At the time I did not have a means for altering the definition. I believe these amendments are a suitable means of doing so.

**Mr. O'Toole:** This is an honourable compromise from all sides and moves matters forward significantly; it is important that people would have trust and confidence in each other. On the related issue of the way in which trust and confidence flows between various groupings, I wish to put to the Minister of State an issue that was also current when we debated this matter on the last occasion here. I refer to how this flow of information relates to employees and, in particular, the question of redundancy. Is the Minister of State aware of where the application for redundancy from Irish Ferries currently stands? He will recall there was a major row on the issue and that I personally took—

**An Cathaoirleach:** The Senator is going outside the terms of group 2.

**Mr. O'Toole:** No. It relates to this point.

**An Cathaoirleach:** We are dealing with amendments Nos. 2 and 26 and I do not think the Senator's remarks are relevant in that regard.

**Mr. O'Toole:** I will raise the matter under group 3, which may be more appropriate.

**An Cathaoirleach:** Yes. We will now deal with group 3 which deals with changes to negotiated and pre-existing agreements and is the subject matter of amendments Nos. 11, 12 and 14 to 16, inclusive.

**Mr. Killeen:** When dealing with this Bill in the Dáil, it came to my attention that the legislation as presented at that stage would not allow for existing employee representatives to approve a pre-existing agreement. That was because of the nature of the drafting which initially stated "These representatives must be elected or appointed for the purposes of negotiations under this Act." Pre-existing representatives would not have met that requirement, of course, so I brought in that provision to enable those enterprises that already have agreements to ratify them.

The other matter concerns the word "method". I wanted to ensure that it is not limited in meaning but only to the choice of direct involvement of citizens or information and consultation to representatives. As I outlined on Committee Stage, many different methods are in use in various enterprises, so I wanted to ensure that they were legal for the purposes of this Bill.

**An Leas-Chathaoirleach:** Group 4 concerns confidential information and is the subject matter of amendments Nos. 20, 21 and 24.

**Mr. Killeen:** Government amendments Nos. 20 and 24 are relevant in this context. Similar amendments were tabled by Deputy Hogan on Committee Stage in the Dáil. The confidentiality requirement for the employee or third party who receives information in confidence from an individual, which is defined in section 14(1), is general and not qualified. On the basis of advice received from the Office of the Parliamentary Counsel, I brought forward these two amendments to ensure that the duty of confidentiality referred to there means only a duty under this Bill.

On amendment No. 21, Deputy Howlin raised this matter on Committee Stage in the Dáil in an amendment which sought to delete the second part of section 14(5). After detailed discussions with the Office of the Parliamentary Counsel, I was advised that the provisions of Article 6.2 of the directive, which deal with circumstances in which an employer can refuse to communicate information, are achieved by section 14(4) of the Bill and the remaining part of subsection (5).

Therefore, the second part of subsection (5) was superfluous and the Parliamentary Counsel recommended its deletion.

**Mr. O'Toole:** It is probably more appropriate for me to raise my point about the flow of information as an example of confidentiality. I wish to illustrate the point with an issue so that we will have a greater understanding of how this matter operates. Taking the Irish Ferries situation, for example, perhaps the Minister of State could outline how a determination is made on that flow of information on something that may or may not be confidential. As regards the current situation with Irish Ferries, we are all aware of the fact that the company has been examining the question of redundancy. This raises the question of the State paying redundancy to a company that was sacking workers who were fully employed, to be replaced by other workers. The question arises as to whether that would be redundancy. How, therefore, does the flow of information and confidentiality on that issue operate? Will the Minister of State tell us what is the current situation regarding the Irish Ferries issue in this respect? My understanding is that there may well be an application for redundancy payments but, if so, who will make that decision? Are we aware of how it will be made? Will it be referred to one of the deciding officers in the Minister of State's Department who will consider or deal with it there? Has the Government taken a view as to whether this is redundancy as defined under the Act? Will Irish taxpayers be funding, re-funding or otherwise supporting Irish Ferries in sacking Irish workers in order to replace them with other workers as a scam? What is going on here? Can this clause be used in any way to keep under the counter anything that is happening in this area? How will this matter play out if there is an application from Irish Ferries? Is something being done about it at the moment and, if so, how will it be dealt with? Is it the responsibility of the Minister of State? Does the matter have to go to the Government and, if so, does the Government have to refer it to the Attorney General? At the time, we were told that redundancy might not be recognised in this situation and that the Attorney General would have a view on it. Did that happen and, if so, where will the matter now be decided? I know it can be referred either to the appeals board or the redundancy tribunal.

Confidentiality is the kind of issue people are worried about. Senators will want to know about it from a political viewpoint, although I recognise that it is not necessarily a public issue in a normal situation. This is something that galvanised the whole country two months ago but where does it stand now? Is Irish Ferries still working behind the scenes to try to get money from the taxpayer to pay for its disgraceful act of replacing Irish workers in that manner? That upset everybody in this country. What exactly is going on in that area now and where does the Government stand on it?

**Mr. Killeen:** Senator O'Toole is quite right in saying that a major redundancy situation begat a directive which led to the transposition in terms of this Bill. He is also correct in saying that the passage of the Bill through the Houses was informed or certainly otherwise affected by the redundancy situation at Irish Ferries. It has come to my attention that a redundancy rebate application was made to the Department through the on-line process at the end of last month. Under the customer service target, that would normally be dealt with within six weeks, although that certainly will not be happening. Many issues, most of which were referred to by Senator O'Toole, will come into play in that regard. My understanding is that section 39(16) of the 1967 Act might be the pertinent legislation in this regard. Clearly, however, we will need to obtain legal advice to decide how exactly to proceed and whether a redundancy situation exists under the terms of the various pieces of redundancy legislation. That is the current position and, to the best of my knowledge at this stage, that matter has not been adjudicated upon.

**Mr. Quinn:** I am very interested in what the Minister of State has had to say because that particular topic attracted everybody's attention. Does the Government have a position on this matter? That is the first time I have heard that an application has been made for a redundancy rebate. I would like to know if the Government has a position on it and, if so, what that position is.

**Mr. Coghlan:** This matter was not only topical but also very controversial. It is interesting to note that the Minister of State said the matter is still in the melting pot. It has not been decided or adjudicated upon. I think the Minister of State will agree that in the interests of everyone, we need to know what is the position. When does he believe there will be finality with regard to this matter? It was simply and solely a move to achieve a cheaper cost base but human beings were involved. As has been stated by other speakers, I do not think that anybody agreed with it. I support the points made by Senator O'Toole on this subject. I am sure the Minister of State would agree there is an absolute need to know what is happening. This matter cannot be allowed to continue indefinitely. When does the Minister of State think finality can be achieved in this regard?

**Mr. Killeen:** On various occasions when the matter was raised in both Houses during the earlier stages of the dispute, and when the matter was very much in the public eye, I tried to make it clear that the Government's decision would have to be within the parameters of the law. My understanding is that the implications of the redundancy rebate application are currently being considered. No final decision has been made in that regard.

I assure the House that the Government will adjudicate and decide on the matter on the basis of legislation and legal advice that must be obtained to achieve certainty on the issue. I probably gave the impression in the other House and perhaps here that it is open to the Minister to refer the matter to the Employment Appeals Tribunal along the lines suggested by Senator O'Toole. I gave the impression that may be where the decision would be made. I am awaiting legal advice and I am not certain that will be the process. I assure the House that the Government will make a decision on the basis of the legal advice and the provisions of the legislation.

**Mr. Coghlan:** Is it possible to authorise—

**Mr. O'Toole:** On a point of order, does that mean the jury is still out on whether this is a legal issue?

**Mr. Coghlan:** Is the Minister of State unaware of what will be the timeframe because legal advice is necessary in the first instance?

**Mr. Killeen:** The Department's customer service target is to turn around payments within six weeks. In this instance, the company is awaiting the rebate. From what Members stated they are extraordinarily sympathetic to the company's plight. Perhaps if there was a delay people would not be as concerned as they would otherwise be. At the same time, it is the intention of the Government to adjudicate within the parameters of the law. It is reasonable to obtain and act on legal advice to do so. To the best of my knowledge that is the stage it is at.

**Mr. O'Toole:** To recap so we understand the situation, the jury is still out on whether this will be dealt with as redundancy. The Government is awaiting legal advice and it is still in the lap of the gods. A decision has not been made on whether it will be decided within the Department or referred to the Employment Appeals Tribunal. This will be watched closely from Government Buildings on Merrion Street during the talks on social partnership. Will this issue raise its head there?

I do not doubt that the issue reverberates in the debate on labour law. Will it now be raised in Government Buildings and will this be delayed in some way to accommodate discussions? This is a critical issue with reverberations in all types of directions and I would understand if the Department was delaying a decision on it. Perhaps the Minister of State is not at liberty to explain that to us. He handled this issue with such adeptness to date on such programmes as *Morning Ireland* that we can only stand back in wonder at his capacity to deal with it. Will he give us a few hints on how he sees it? People listening to this discussion will want it put in context and will want to know whether that context involves the legal

[Mr. O'Toole.]

aspect, the Employment Appeals Tribunal, the Government or all three within the parameters of the social partnership discussions. Where will it play out eventually?

**Mr. Coghlan:** The Minister of State is good at diplomatic coded language.

**Mr. Killeen:** I strongly suspect that Senator O'Toole has more information than I do on some of what plays out in Government Buildings on partnership. The Government is bound by the legal provisions in place at present. When it receives definitive legal advice the Government must decide on how to proceed with this case. I do not doubt that the issues which arose in this case and in similar labour relations situations will impact on social partnership. I do want to state too much and prejudice the outcome. However, it is fair to expect and speculate that any outcome in this case might inform legislative changes arising from agreement at partnership.

As far as I am concerned, and perhaps I should not speak for the Government on this point—

**Mr. O'Toole:** Go on.

**Mr. Killeen:** —this issue falls to be determined on the basis of the legislation in place at the time the application was made. That may lead the parties to social partnership to form the view that the legislation or process must be changed. However, I previously gave the impression that a question of doubt was likely to be referred to the Employment Appeals Tribunal for its quasi-judicial judgment on whether it was a redundancy situation.

**An Leas-Chathaoirleach:** In group 5, the subject matter of amendment No. 22 is the internal dispute resolution process.

**Mr. Killeen:** I brought forward this amendment because the word “usually” in the Bill could have lead to uncertainty about the application of the internal dispute resolution procedures in the event of a first dispute arising, as there would be no history of using the internal procedures. The amendment was drafted on the advice of the Parliamentary Counsel and adds clarity on this matter. It was brought to my attention by Deputy Hogan.

**Mr. Quinn:** I agree with the amendment entirely and I credit the Minister of State with finding a solution to this matter because it had been left in a little doubt.

Question put and agreed to.

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

**Mr. O'Toole:** Yesterday, I raised the issue of the situation in France and I want to compare it to the situation here during the Irish Ferries dispute and the demonstrations three months ago. What happened in France yesterday was a sense of outrage among ordinary people that young workers would be treated in such a cavalier fashion. It is important to recognise that Irish management, unions and Government have ensured genuine protection is in place. It is worthwhile for all sides of the argument to recognise that.

This Bill copper-fastens the type of agreement in which management and unions are required to speak to and engage with each other and sort out their business. That is important because people are not allowed the dubious pleasure of meeting with their own group, stating what that group wants to hear and having their polarised position reinforced. They must engage.

I ask the Minister of State to bring the following important point to the attention of every group he speaks with, including business and union representatives and members of Government. This Bill is an attempt to balance and reflect the responsibilities we have to all groups. If anything else must be done in this area, such as with the Irish Ferries dispute, we must do it. We do not want anyone to run riot through it.

I heard some of my trade union colleagues on the radio this morning stating fair play to the French because they were not taking it lying down. However, what happened in France cannot happen here because on a partnership basis between business, labour and Government, we put in place protections for workers and seek to achieve a fair balance. I am not happy with the outcome because I believe it favours employers and business. My colleague, Senator Quinn, takes an opposite view and perhaps that is good because it is how we balance our arguments and progress. This Bill is part of the process to make those taking polarised positions engage with each other and force people to find resolutions through domestic redress and remedies, sharing information and problems and finding joint solutions.

I congratulate the Minister of State and his officials for the difficult work done. I am aware of the work done by people in ICTU and of the arguments with the Department over the telephone and across tables. It is work well done. People from other countries such as New Zealand wonder how the outcome of social partnership is achieved. This Bill is part of how it is done. It not easy and I am aware the Minister of State's advisers and officials spent long nights and had long arguments on these issues. Nobody is either completely happy or unhappy. As parliamentarians we believe it is progress.

**Mr. Quinn:** I do not always agree with Senator O'Toole but in this case I agree with his comments on social partnership through which a great

deal has been achieved. Opinions on this differ, for example, in regard to the problem in France, Senator O'Toole said it could not happen here. That is not correct. There is a difference here but we must work hard because what happened in France could happen here. It is difficult once one has given something to take it away again.

The French have a serious problem because their legislation makes it difficult to create employment. Some 24% of young people are out of work in France, partly because employers are loth to give them a job for life when they know that in a risk-taking entrepreneurial marketplace jobs for life are no longer guaranteed. The French Government is attempting to encourage employers to take on new employees in the knowledge that if it does not work out they can let them go again.

The Minister of State has pursued the correct policy in this legislation, in making sure there is compromise and an agreement to discuss, talk and inform before steps are taken. I congratulate the Minister of State and his officials on their determination to ensure they listened to all sides in bringing this legislation to its conclusion.

**Mr. Coghlan:** I too congratulate the Minister of State and his officials on a job well done. We all agree with the amendments he has brought to us from the Dáil. Regardless of whether, as Senator O'Toole put it, one is on the ICTU side or the IBEC side, with Senator Quinn, the truth is that in this country we believe in social partnership, the worker shareholding agenda and the importance of workers being part of the team. In any business, right up to management level, Senator Quinn is a living example of how to achieve this. In his own business, he has rewarded the people he employed for their loyalty and so on.

We believe that workers are a vital component in any management team, in any business, and the provision of information is a vital component of any management strategy. The Minister of State has got it right and achieved the best balance possible. I wish the legislation well.

**Mr. Hanafin:** I welcome the Minister of State to the House and thank him again. He and his Department have facilitated a co-operative and positive approach by individual companies and their employees in meeting the objectives of the directive. This has resulted in a Bill which recognises the voluntarist tradition in Irish industrial relations which will assist companies and their employees in establishing effective and efficient information and consultation arrangements.

The Employees (Provision of Information and Consultation) Bill 2005 is without doubt a welcome addition to our employment rights and industrial relations legislation and represents an important opportunity to foster and deepen a customised partnership style approach to anticipating and managing change. The Bill affords an opportunity to meet the challenge of embedding

partnership at enterprise level and making it a reality for workers and employers. I commend the Bill to the House.

**Minister of State at the Department of Enterprise, Trade and Employment (Mr. Killeen):**

I thank the Members of both Houses for their co-operation during the passage of the Bill and remind them that I am transposing it a year and three or four days later than the date on which this should have been done. One of the reasons for the delay was that we engaged in long negotiations. I particularly want to thank the officials in the Department for the hard work they did in the background, liaising with the various interest groups and preparing the material for the various Stages in both Houses.

I tried to approach the transposition with an open mind but it was clear at an early stage that there were somewhat unrealistic expectations and ill-founded fears, which created difficulty for the social partners who strongly made their cases on the Bill. It will, however, improve individual workplaces and bring the partnership model, which has been successful at national level, into the workplace in a way that has not been the case heretofore.

I said many times that it is only about information and consultation but some people thought it should cover wider topics. It is a positive development and fears that people may have had about the impact of the legislation will turn out to be unfounded. I thank Members for their co-operation.

Question put and agreed to.

**Visit of Bahrainian Delegation.**

**An Leas-Chathaoirleach:** I have the honour to extend a warm welcome to a delegation from the Kingdom of Bahrain, led by the Chairman of the Shura Council, Dr. Al Mousawi. The delegation is very welcome and I hope they have a very enjoyable stay in Ireland.

*Sitting suspended at 11.55 a.m. and resumed at 2 p.m.*

**Finance Bill 2006 [Certified Money Bill]:  
Committee and Remaining Stages.**

NEW SECTIONS.

**An Leas-Chathaoirleach:** Recommendation No. 1 is out of order, being merely declaratory in nature.

Recommendation No. 1 not moved.

**Mr. J. Phelan:** I move recommendation No. 2:

In page 9, before section 1, to insert the following new section:

[Mr. J. Phelan.]

“1.—The Principal Act is amended in section 466A by the substitution of the following for subsection (2):

‘(2) Where in any year of assessment an individual proves that he or she is a qualifying claimant he or she shall be entitled to a tax credit (to be known as the ‘home carer tax credit’) of a sum equal to the higher of the amount specified in section 472 of this Act.’.”

This recommendation proposes the increase in the home carer’s allowance which was introduced a few years ago following the hubbub created after the introduction of individualisation. In a subsequent Finance Bill an attempt was made by the then Minister for Finance, Mr. McCreevy, to allay some of the fears and respond to representations possibly made by some of his colleagues. The home carer’s allowance of €770 was introduced. My recommendation seeks to increase the allowance to give it parity with the PAYE tax credit.

I have spoken before in this House on finance and other Bills regarding the importance of carers in our society. They are a greatly undervalued body of people. This recommendation attempts to restore some parity for those people who perhaps deliberately step out from the workforce to look after dependants in the home, whether rearing children or looking after old, infirm or ill relatives. These people provide a great service to the nation and ensure that costs which would otherwise be incurred by the Exchequer are in many cases not incurred and placed as a burden on the State. The increase in the allowance, in the overall context of the amount of money carers save the Exchequer annually, would be a good return on investment. I ask the Minister to consider the recommendation.

**Minister for Finance (Mr. Cowen):** This recommendation concerns the home carer’s tax credit of €770 which under section 466A of the Taxes Consolidation Act 1997 is granted to married couples where one spouse works at home to care for children, the aged and incapacitated. The recommendation proposes that the amount of the home carer’s credit should be the same as the maximum of the employee tax credit commonly known as the PAYE credit which by virtue of section 3 of this Bill, will amount to €1490 in the current tax year. In other words the recommendation would increase the value of the home carer’s tax credit by €720 per annum. It is estimated that to increase the home carer’s tax credit as proposed would cost about €42.8 million this year and €63.5 million in a full year.

As I indicated in my Budget Statement last December, the total cost of the income tax and levy changes I made is €887 million in a full year, which is some 30% greater than the previous year’s figure. The increases I made in the

employee tax credit and the personal tax credit in addition to benefiting all workers, including the spouses to which Deputy Phelan is adverting, were to ensure that all those on the minimum wage are fully outside the tax net, and the measures removed from the tax net almost 52,000 low-income taxpayers who would otherwise be in the tax net this year.

The changes I provided for in the Bill are generous by any standards. I am not in a position to accept Senator Phelan’s recommendation. The choices I made in the budget were fair and reasonable in the overall context. As I said, the overall tax benefits package was 30% greater than in the previous year. There will always be proposals or suggestions which are in addition or incremental to what I have announced in the budget. If people want me to provide €63.5 million in a full year for this recommendation, perhaps they might tell me what benefits they would like to reduce.

**Mr. McDowell:** It might be useful if the Minister gave us some indication as to whether he is a fan of this particular tax credit. It was clear that his predecessor was not a fan and introduced it only in the wake of the individualisation debate as a necessary balm to keep the Fianna Fáil backbenchers at the time happy and off the airwaves. As far as I know, the allowance has not been increased since it was introduced. I am not a particular fan of the credit myself but I wonder about the Minister’s feelings on the matter, or whether he sees himself increasing the credit in future years.

**Mr. Cowen:** As I recall, the biggest opponents of individualisation came from the back benches in Senator McDowell’s party, or indeed from the Front Bench.

**Mr. McDowell:** I changed my mind.

**Mr. Cowen:** This was despite the Labour Party claiming it is very much in favour of women participating in the workforce, which is what individualisation is trying to achieve.

Quite apart from the logical analysis one can ascribe to individualisation as a feature of the tax system, other societal values must be recognised. In my two budgets so far, in view of other priorities I have identified, particularly low pay, and widening the tax bands for all workers including families where more than one spouse is working, which have brought benefits to all families concerned, I have not made any change in the home carer’s credit. Whether I do so in the future is a matter for consideration at any time.

**Mr. McDowell:** I do not wish to wrong-foot the Minister but I had many disagreements with the previous Minister for Finance, Mr. McCreevy, about a range of tax reduction and reform measures — as he would call them — which he

introduced, including this one. I have not changed my mind on any of them except this one. However, I have changed my mind on individualisation and believe that Mr. McCreevy was essentially right, and that it is a necessary measure to incentivise female participation in the workforce.

I understand we currently have about 59% female participation in the workforce, which is above the EU average of about 56%. It is appropriate, therefore, that we should recognise that for women, particularly from when they leave school or college until perhaps they have a second child, their participation in the workforce is, at 89%, very high. In that context, it may surprise the Minister to hear that I believe the individualisation process was the correct approach at the time and should be completed. I am going to approach the Minister from the opposite point of view and ask if, as a matter of principle, he intends to complete the process. As well as the home care credit standing still since he became Minister, so too has the basic principle of the individualisation process, which has remained half done or half undone.

**Mr. J. Phelan:** I do not agree exactly with what Senator McDowell has said. He is correct that the home carer's allowance was introduced as a sop to backbenchers at the time of the introduction individualisation scheme. The Minister has pointed out that its amount at €770 has not been increased since it was introduced. If the proposal I have put forward were to be implemented the Minister says that it would cost €63 million per year. In the context of the efforts these people exert in the home by acting as carers, we should create parity for those who choose that option — in many cases it is not an easy choice to make as it is a selfless thing to do and this should be recognised. The purpose of my recommendation is to achieve a level of parity between those in that position and those in the workforce. For many people there is not an option. I agree with Senator McDowell that it is good for the economy that there are such high levels of participation by women in the workforce. However, this recommendation was designed to address those who do not have that option. The Minister has said we should look for areas from which we can get the €63 million to pay it. With all due respect, that is part of his role as Minister for Finance. There are ample areas where he could find that money. In the overall scheme of the Finance Bill it is a relatively small amount of money and would provide significant relief for those who find themselves in this position.

**Dr. Mansergh:** In reality the point of proposed recommendations in a Seanad debate is simply to allow particular matters to be discussed. There is no question of the Minister changing his budgetary arithmetic at this stage. I would always have been a supporter of the individualisation process because living in a household of women of differ-

ent generations, it seemed to me that there was a sharp generational divide in that any woman under the age of 40 who was in the workforce strongly supported it. Once joint income was above a certain level in practice the parties paid the higher marginal rate which acted as a disincentive. I am glad that Senator McDowell and the Labour Party have come around to a progressive——

**Mr. McDowell:** I am speaking for myself here——

**Mr. Cowen:** A Seanad parliamentary party.

**Dr. Mansergh:** I accept that Senator McDowell has always spoken honestly and to a degree for himself rather than for the Labour Party. Nonetheless, I compliment him on coming to a progressive position on this issue. Nowadays older women are going back into the workforce. In Government Buildings I once had a secretary who had been forced to leave the Civil Service on the marriage bar and returned under a special scheme organised by the Department of Finance and public service in her late fifties. I can accept, without any difficulty, the fact that the Minister had other very good priorities.

**Mr. Cowen:** In regard to the point raised by Senator Phelan, when responding to an identical proposal made in the other House the argument that the commitment to those families should be equated with increases in the home carer's credit is flawed. Significant improvements in take-home pay have resulted from the budgetary measures being provided for in the Finance Bill. Finite resources mean choices must be made. The spokesperson in the other House would claim I am spending too much money. How he is going to square that with his prospective Labour Party partners over the weekend will be interesting. The choices made in the budget were designed to take minimum wage earners out of the tax net completely this year.

As regards the question of putting a complete individualisation structure in place, one has to consider that in the context of the priorities at any given time. The cost of doing it would be in the region of €720 million which is a significant amount of money, quite apart from anything else one would want to do in terms of widening the bands or whatever.

**Mr. McDowell:** Is the Minister committed to it in principle?

**Mr. Cowen:** I am not committed in principle to completing the individualisation process. I will consider year on year whether and how I progress it, given the priorities at the time. One thing I have learned from the experience is that it was right to move towards this with caution and to recognise there are societal attitudes and



[Mr. Cowen.]

situations that have to be taken on board while at the same time ensuring we facilitate participation in the workforce to the maximum extent possible. We have also to take into account the societal reality that people want to see in the tax system. Some people's choices are deemed by some to be devalued by going for a pure individualisation model. That is a strong contention that was made at the time and there was a response to it which, I think, met the requirements of the situation while not undermining the move made by the Minister in the initial phase.

Recommendation, by leave, withdrawn.

**Mr. J. Phelan:** I move recommendation No. 3:

In page 9, before section 1, to insert the following new section:

"1.—The Principal Act is amended by the insertion of the following new section 15A:

'15A.—(1) In any year of assessment where monies are paid to any state or other body in respect of which the individual making such payments would be entitled to a tax credit or an allowance for income tax the Minister for Finance may direct that such state or other body shall make a return of such payments made by such persons in such format and shall be determined by regulations as shall be made by the Minister for Finance to enable a tax credit or deduction to be made or allowed.

(2) In respect of any such information provided to the Offices of the Revenue Commissioners no liability shall attach to the Office of the Revenue Commissioners or otherwise for failing to provide such tax credit or allowance to the person who made the payment.'"

This recommendation is designed to open up areas where a form of refund at source of tax allowable expenditure could be extended. A number of tax reliefs are refunded from source, for example, mortgage interest relief. Some of the reliefs are not taken up to any great extent, the most significant being the relief available on bin charges. More than 1 million people pay bin charges nationally, yet the take up on the relief is less than 200,000. Approximately three quarters of those who pay bin charges do not avail of the relief. There may be reasons for that but certainly there is a significant shortfall in numbers. The intention of this recommendation is that the refund at source practice be extended to reliefs other than those to which it already applies. Perhaps the Minister has a view on whether this can be adopted at some time in the future and if the Government intends to extend this initiative to other areas. I look forward to his response.

**Mr. Cowen:** The Senator is proposing that where moneys are paid to State agencies that

would subsequently qualify for tax relief, the Minister would make regulations that would require such State bodies to make returns of all such payments. The purpose of the return appears to be to facilitate the Revenue Commissioners in granting the appropriate relief to the taxpayer.

Regarding an amendment on the same point in the Dáil, the Senator's colleague, Deputy Bruton, referred to the possibility of granting relief in some instances by way of tax relief at source under the TRS system. The return proposed by the Senator would considerably increase and complicate the burden of administration on the PAYE system. It would also involve State agencies in determining whether clients qualify for tax relief, which is a function proper for the Revenue to determine. To involve State agencies in this area would have the likely effect of significant numbers of claimants being given relief in error which would subsequently have to be withdrawn. Checking the validity of claims would also increase the administrative burden on Revenue.

I would point out that Revenue is currently developing a self-service facility for taxpayers, particularly those dealt with under the PAYE scheme, which will greatly enhance their ability to make claims for relief by telephone or on-line. This will ensure that any necessary amendments can be made as soon as the individual taxpayer has identified their entitlement to it.

On the issue of trying to make sure that people make claims to which they are legitimately entitled, a considerable amount of work is being undertaken by Revenue to bring these matters to the attention of taxpayers. Ultimately, the responsibility for the tax return remains with the individual citizen. While every effort must be made to increase awareness, it is not possible to transfer the responsibility for submitting the tax return from the individual to the Revenue or some other agency. It is a matter for the individual to deal with but we must try to ensure that they are aware, to the greatest extent possible, of whatever reliefs to which they are entitled. The on-line system being introduced to the PAYE system will greatly facilitate that.

Revenue has greatly improved their mechanisms and customer support services in a range of areas, on which I commend it. I also noted recently that the Institute of Taxation in Ireland is also undertaking a major public awareness campaign as part of this *pro bono* effort to ensure citizens are aware of the six or seven most common reliefs sought and that they would have an understanding and awareness of their entitlements. This is being done through websites and documents which are being made available not only to practitioners but to the wider public through various communicative means. I welcome this initiative to promote the public good.

Various ideas have been put forward about this but the basic principles remain, namely, the responsibility of the individual for the tax return;

the availability of whatever means of communication technology are available, both by Revenue and others, such as the Institute of Taxation in Ireland and others who are prepared to try to ensure that to the greatest extent possible, people are not only aware of the general reliefs to which they should claim in all cases but also that they understand how to go proceed in the absence of them seeking the advice of accountants.

**Mr. McDowell:** It is an interesting amendment because TRS has been one of the serious improvements in the way the tax system is administered in recent years. It would be useful if it could be extended to other areas where people frequently do not make claims.

As I understand it — the Minister can correct me if I am wrong — what currently happens is that if one takes out a mortgage with a financial institution, one is required to complete a TRS form which is then submitted to the Revenue. I assume it in turn contacts the financial institution involved and tells it that it should deduct at source and pay the tax to Revenue. I assume that is the way it works and if so, there is no reason in principle it should not work with trade union subs, for example, or perhaps third level fees where people are paying a charge up-front which could be reduced by the amount of tax they would be likely to get back in any case.

I can envisage administrative problems but it strikes me that it is a serious improvement of real benefit to taxpayers when they do not have to pay over the full amount. Effectively, they pay it over tax free. Is any work going on in Revenue or within the Department to determine whether the system could be extended because it would be useful if that could be done?

**Mr. Cowen:** The points they raise on this issue is that for TRS to work it requires a small number of payees related to the number of payers. In other words, if a large number of people are paying a small number of agencies, the TRS system works but it does not work as well if there are different ranges and rates of service charges among local authorities. There is not a uniform entitlement.

The Senator's point about trade union subs is one that could be examined. From memory, the Revenue is open to considering in what way the TRS system could be more widely used in the areas where it has already been rolled out successfully. As the Senator said, it works well in mortgage and health insurance but there are not many other suitable areas as far as Revenue is concerned but we will keep the extension of it under review. I understand there are not any plans for extending it but I will bring the issue of considering where TRS might be worked in other areas to the attention of the Chairman of Revenue Commissioners when I meet him again, as I do fairly regularly during the course of the year.

This is not an idea to which Revenue is closed. It is a question of finding a system that is suitable where there is a small number to whom the payment is made and a large number who are required to make the payment. That is the best way it works because there are not so many outlets to which it is being paid. The local authority system is not uniform in that respect and therefore would not work.

**An Leas-Chathaoirleach:** Is recommendation No. 3 being pressed?

**Mr. J. Phelan:** No.

Recommendation, by leave, withdrawn.

**Mr. J. Phelan:** I move recommendation No. 4:

In page 9, before section 1, to insert the following new section:

“1.—A person, none of whose taxable income is chargeable at the higher rate, who makes a pension contribution within the limit set out in section 779 of the Principal Act, shall be entitled to receive a tax credit contributed to the pension scheme equivalent to relief at the higher rate.”.

One of the most controversial tax reliefs available concerns the area of pension provision and it tends to be one of the more inequitable examples of relief. This recommendation seeks to bring some degree of equity to those people on lower incomes who make provision for their pension into the future. By the nature of the relief, those on higher incomes who make larger contributions will get a higher relief.

In the four years I have been a Member of this House the area of pensions has been discussed on numerous occasions. Over half the working population does not appear to make any provision privately for their pensions and will be dependent on State pensions. The purpose of this recommendation is to encourage more people on lower incomes to make provision for their pensions. At the top end of the scale a person can earn up to €247,000 and get relief for pension contributions at up to 42%, which means that the taxpayer contributes €41,500 each year to that person's pension. If we compare that to the fact that many people are not making contributions or being encouraged by the system to make any contributions, it identifies an imbalance that should be addressed. Perhaps the Minister has some proposals to address that imbalance into the future.

**Mr. Cowen:** This recommendation is concerned with contributions to occupational pension schemes by those on lower incomes. It seeks a tax credit to be contributed by the Exchequer to the individual's pension scheme equivalent to relief at the higher rate of tax of 42%. I take it this tax credit is to be instead of relief that the individual

[Mr. Cowen.]

may be getting at the standard rate, assuming they are in the tax net.

A proposal similar to the one in the recommendation was made in the recently published national pensions review. The Bill provides for a once-off incentive for those lower paid with SSIA's, who are in the savings habit, to invest their SSIA's in pensions. Further work is ongoing.

The question of pension provision in the longer term is a separate one. The national pensions review produced by the Pensions Board provides a good base for the consideration the Government is giving to the overall pension situation but that consideration is a work in progress. Referring to the review, the chief of the Pensions Board stated:

Detailed analysis and costing of the pension situation are at least as important as the recommendations and should continue to be used as a frame of reference going forward. The Board understands that further decisions must be made in the context of employment interests, competitiveness and overall economic and social considerations....

The Pensions Board, therefore, acknowledges that its analysis and recommendations must be considered by the Government in a wider context. The Government has taken no position on any of the recommendations in the report at this stage, pending that continuing work.

The wider policy issues raised by the Pensions Board will require further and ongoing examination by the Government. Decisions about pensions are far-reaching, long-term and go to the heart of our tax structure. I presume Senators will want the Government to complete the necessary analysis before proceeding. While this recommendation is also in the Pensions Board review, which was published before Christmas, it is the subject of continuing further analysis and consideration. I am not prepared to accept the recommendation until that work is complete.

Recommendation, by leave, withdrawn.

**An Leas-Chathaoirleach:** Recommendation No. 5 is out of order as it involves a potential charge on the Revenue. Recommendation No. 6—

**Mr. J. Phelan:** A Leas-Chathaoirligh, should that not have been mentioned in the letter I received from the Cathaoirleach?

**An Leas-Chathaoirleach:** I understand the Cathaoirleach notified the Senator in writing.

**Mr. J. Phelan:** He did not.

**Mr. McDowell:** I have been notified in writing. I accept that the Cathaoirleach effectively carries out an administrative function in the House but he has ingeniously managed to rule out of order

all my recommendations, including some recommendations which were permitted in the Dáil.

**An Leas-Chathaoirleach:** The Senator knows he can query those rulings with the Cathaoirleach.

**Mr. McDowell:** I also know there is no point querying things with the Cathaoirleach.

**Dr. Mansergh:** The financial powers of the Seanad are different from those of the Dáil.

**Mr. McDowell:** Perhaps these recommendations are being ruled out of order simply because there was so little notice but we only had 18 hours from the end of Second Stage last night. There has always been a certain flexibility with regard to recommendations on the Finance Bill because almost anything can be construed as a charge on the people or on the Exchequer. It is impossible to deal with the Finance Bill without making a charge on somebody. There must be a certain amount—

**An Leas-Chathaoirleach:** Senator, the Cathaoirleach ruled in accordance with precedent.

**Mr. McDowell:** I understand that the Leas-Chathaoirleach cannot change the Cathaoirleach's ruling but a little common sense is required. Almost any recommendation put down for the Finance Bill can be ruled out of order; it is possible to find some way of doing it. I am disappointed the Cathaoirleach has managed, particularly in such an extraordinary fashion, to rule everything out of order.

**Mr. J. Phelan:** Can I raise this issue when speaking on the section?

**An Leas-Chathaoirleach:** Yes.

**Mr. J. Phelan:** It is an important issue and in the letter from the Cathaoirleach I did not receive a notification that this recommendation was to be ruled out of order.

**An Leas-Chathaoirleach:** I can give the Senator some latitude when discussing the section.

**Mr. J. Phelan:** Senator McDowell is correct. Every recommendation I have put down today could be construed in that way. Indeed, the Minister referred to the €63 million that would be required to pay for one of the recommendations. Of course, they place a demand on the State. That is the nature of the Finance Bill. Everything could be ruled out of order if that is the standard applied.

**An Leas-Chathaoirleach:** Not everything was ruled out of order.

**Mr. McDowell:** All my recommendations were ruled out of order due to being a charge on the people.

**Mr. J. Phelan:** I wish to raise this issue——

**An Leas-Chathaoirleach:** We must deal with the recommendation.

Recommendation No. 5 not moved.

**An Leas-Chathaoirleach:** Recommendation No. 6 has been ruled out of order as it involves a potential charge on the people.

Recommendation No. 6 not moved.

#### SECTION 1.

Question proposed: “That section 1 stand part of the Bill.”

**Mr. J. Phelan:** The issue I wish to raise has been raised on a number of occasions by different Senators. It is a commitment given by the Tánaiste, who was the then Minister for Enterprise, Trade and Employment, regarding the closure of the Comerama factory in Castlecomer, County Kilkenny, three years ago. At that time, the Minister gave a clear commitment to Members of both Houses——

**An Leas-Chathaoirleach:** That is a specific matter and it has nothing to do with section 1, as the Senator is well aware.

**Mr. J. Phelan:** It has. In fact, it is covered by section 1. The Minister gave a clear commitment at the meeting that the terms of the Redundancy Payments Act 2003 would be extended to include the 169 workers who lost their jobs in Castlecomer in December 2003.

**Dr. Mansergh:** Could this not be raised on the Adjournment?

**Mr. Browne:** It has been raised on the Adjournment.

**An Leas-Chathaoirleach:** Senator Phelan, there are other ways of raising the issue.

**Mr. J. Phelan:** It has been raised on the Adjournment on several occasions and has been raised previously on the Finance Bill. I daresay it will be raised again in the future.

**An Leas-Chathaoirleach:** I am sure it will.

**Mr. J. Phelan:** I am using this opportunity to raise it again. The commitment was clearly given by the Tánaiste and she reneged on it——

**An Leas-Chathaoirleach:** I have given the Senator plenty of latitude to highlight the issue.

**Mr. J. Phelan:** ——despite the efforts of many elected representatives in my constituency. It was

obviously a significant loss for the town of Castlecomer but this particular issue——

**An Leas-Chathaoirleach:** I have given the Senator a great deal of latitude at this stage.

**Mr. J. Phelan:** The Leas-Chathaoirleach will be interested in this issue.

**An Leas-Chathaoirleach:** It has nothing to do with section 1.

**Mr. J. Phelan:** The workers in Castlecomer took their redundancy in December 2003 because they were given a commitment by the Tánaiste that they would be covered by the terms of the new Bill. They could have continued in business until 1 January if they had known that they would not be covered by that Bill. They were deliberately conned by the Tánaiste in this regard and we have tried every avenue to highlight it. Senator Browne and I have raised it several times on the Adjournment, the Order of Business, the Finance Bill and with all legislation brought before the House by the Department of Enterprise, Trade and Employment. It has been brushed under the carpet each time, including by the current Minister, Deputy Martin. Perhaps the Minister is not in a position to give an answer——

**Dr. Mansergh:** I must protest. This is irrelevant to the Finance Bill and we have limited time to discuss the Bill.

**An Leas-Chathaoirleach:** I have given Senator Phelan a great deal of latitude. I must call other Senators. Does Senator McDowell wish to speak?

**Mr. McDowell:** I will speak on the next section.

**Mr. Browne:** I agree with Senator John Paul Phelan. We are blue in the face raising this matter. Why was it ruled out of order? Was it because of the possible cost implications?

**An Leas-Chathaoirleach:** It was ruled out of order because it would put a charge on the Revenue. The Seanad has no function when there is a potential charge to the Revenue.

**Mr. Browne:** Can I take it that this amendment would have been accepted in the Dáil?

**An Leas-Chathaoirleach:** That is a matter for the other House.

**Dr. Mansergh:** It is irrelevant to the Finance Bill.

**Mr. Browne:** It is not.

**Dr. Mansergh:** The Senator is talking about the Redundancy Payments Acts.

**Mr. Browne:** With all due respect to Senator Mansergh, at meetings I have attended it was suggested that the way to rectify this wrong is through an amendment to the Finance Bill. That

[Mr. Browne.]

is what we are trying to find out today. We are aware that the Seanad has limited powers in terms of amending the Finance Bill but could this have been done on Committee Stage in the Dáil? Will the Minister give a commitment that he will examine this matter seriously and seek to rectify the wrong in the context of next year's Finance Bill? A total of 14 Oireachtas Members—

**An Leas-Chathaoirleach:** The Senator has made his point. It is not covered in this section.

**Mr. Browne:** —and trade unionists all say they heard this. Will the Minister take on board the points we have made today on this issue and do something in next year's Finance Bill? Who does he believe, the Tánaiste or his backbench colleagues?

**An Leas-Chathaoirleach:** Senator Browne, that is immaterial to the Bill.

**Mr. Browne:** It is not immaterial; it is a very relevant point.

**Mr. Cowen:** The amendment has been ruled out of order. On Second Stage yesterday Senator Browne, untypically of him, quite unfairly asserted that my parliamentary colleagues, Deputy McGuinness and Deputy Nolan, given their membership of the Joint Committee on Finance and the Public Service, had it in their power to put down an amendment to the Finance Bill which would have been accepted by me. That is without any foundation or truth. The fact that this charge or assertion was made speaks more about the issue than, perhaps, the case itself. It clearly has a local political flavour that is being indulged by the two Fine Gael Senators.

**Mr. J. Phelan:** It has local political flavour for the people who lost their jobs.

**Mr. Cowen:** On 12 December 2002, following the announcement of the closure of the Comerama factory with the loss of over 160 jobs, the Tánaiste, together with officials of the Department of Enterprise, Trade and Employment, met with a SIPTU delegation representing the Comerama workers. From the official minutes of that meeting it appears that the main concern of the workers, many if not most of whom had already been made redundant six months previously, was that if a deal on enhanced redundancy rates under partnership was made, it should retrospectively apply to the workers concerned.

The official note of the meeting prepared by the official attending stated:

An Tánaiste said the talks were ongoing in relation to the statutory redundancy issue. She gave an undertaking that if the legislation is changed she would do everything she could to ensure that the Comerama workers would be

included in any amendment. Following that meeting, legal advice was obtained from the Attorney General effectively stating that the enhanced statutory redundancy payments require legislation in order to be brought into effect, and that if the payment of a statutory redundancy lump sum is a legal requirement on employers, it could not be imposed on them with retrospective effect. Employers are entitled to due notice — usually about two months — of the intention to require them legally to pay enhanced rates. That legal position was communicated to the Comerama workers.

We regret the fact that the workers in the Castlecomer plant lost their jobs. The fact is that 154 of them had been made redundant long before the new rates of redundancy came into effect in May 2003. They received substantially more than the then statutory rate in a settlement with the company. In fact, the amounts they received were in excess of the new enhanced statutory rates. Thirteen workers made redundant by the company liquidator since May 2003 were paid the new enhanced statutory rates by the Department. However, these amounts were less than the settlements received by the 154 workers who were made redundant before the company went into liquidation and received *ex gratia* payments.

There are no legal provisions for making additional payments from the public purse either to the 154 workers or to those made redundant by the liquidator. The alleged precedents which have been cited as analogous cases have been examined and the conclusion is that the circumstances involved were completely different from this case. The workers in Irish Shipping and in the hospitals trust were State and quasi-State employees who, having given exemplary service over many years, were rewarded a small, extra-statutory payment by their employer, which was the State.

**Mr. J. Phelan:** The workers in Castlecomer gave exemplary service as well.

**Mr. Cowen:** Comerama workers were never employed by the State and in any event, received substantial *ex gratia* severance payments in settlements with the company. The meeting between the Tánaiste and some former Comerama workers took place almost six months before the coming into force of the Redundancy Payments Act 2003. In that period, approximately 12,000 other workers were made redundant throughout the economy.

It would not be possible to make special legislative provisions for any particular group of workers. If these 12,000 people were paid the new statutory redundancy rates, the difference between the old and the new rates would cost around €75 million. Everything possible was done to ensure that the workers got their full statutory redundancy entitlements. No commitment was

given, nor could a commitment be given, to enhance retrospectively statutory redundancy payments. The Minister met with SIPTU officials and discussed all the issues raised, especially that of ring-fencing. It is not considered possible to facilitate the award of redundancy payments to one set of workers without extending them to many other workers before the new enhanced rates are introduced.

Senator Mansergh pointed out that there is an ongoing dispute concerning the levels of redundancy payments made to different groups in the factory. Redundancy payment issues are primarily a matter for the Minister for Enterprise, Trade and Employment. In view of some of the misrepresentations that have been ascribed to my Government and constituency colleagues, it is important to put those facts on the record.

**An Leas-Chathaoirleach:** Is section No. 1 agreed?

**Mr. Browne:** Can I have a chance to respond?

**An Leas-Chathaoirleach:** No. This matter has nothing to do with the Finance Bill 2006. Is section 1 agreed?

**Mr. Browne:** The Minister has spoken at length on it.

**An Leas-Chathaoirleach:** The Minister replied on the recommendation. Is section 1 agreed?

**Mr. J. Phelan:** No.

**Mr. Browne:** He never answered the question on whether this issue could have been dealt with when the Bill was going through the Dáil.

**Mr. Cowen:** Is the Senator surprised that I spoke at length on the issue?

**Mr. Browne:** I have no problem at all. That is outrageous.

Question put and agreed to.

## SECTION 2.

**An Leas-Chathaoirleach:** Recommendations Nos. 7 to 9, inclusive, are related and may be discussed together.

**Mr. J. Phelan:** I move recommendation No. 7:

In page 10, line 6, column (1), to delete "€32,000" and substitute "€34,000".

The Government's key priority in its programme for Government was to reduce the proportion of the workforce paying tax at the top rate to 20%. The Minister referred to this yesterday on Second Stage. Roughly 33% of the workforce currently pays tax at the top rate. Recommendations Nos. 7 to 9, inclusive, seek to reduce that number to

the 20% commitment given by the Government. The current figure is €32,000, which is little more than the average industrial wage. That wage has increased significantly and the Minister outlined this yesterday in his opening speech, but it is inappropriate that such a high proportion of the workforce would continue to pay at the top rate. It certainly flies in the face of the commitment given in the programme for Government that the figure paying the top rate of tax would be reduced to one in five of the workforce. Will the Minister introduce measures in the next six months to allow that proportion to fall dramatically?

I have no doubt that Senator Mansergh will state that average wages have increased and that the Government could not have foreseen that economic circumstances would be as they are now. However, I feel that the Government could have foreseen that. Every indication was there in 2002 that economic growth would continue at a reasonable level in the future and that as a result, incomes would increase steadily. How could the Government have been so far off the mark in its commitment to ensure that only 20% of the workforce paid tax at the top rate?

**Mr. McDowell:** Forgive me for commenting that these recommendations are obviously out of order, notwithstanding that amendments of this kind have always been allowed in this House. Senator Mansergh is right in that all we can expect to achieve in this House is to have a reasonable debate about issues during the course of the two and a half hours available to us. None of us is naive enough to think that the Minister will change the contents of the Finance Bill 2006 at this stage.

I just want to get a sense of where we are going on the issue of the standard rate band. It is stated Government policy to reduce the number of people paying at a marginal rate of 42% to 20% and this has been repeated in social partnership agreements. I have never been concerned about the marginal rate, as the percentage of people's income that is paid in tax is much more important. However, it is stated Government policy and as the Minister knows, the trend has been that more people are paying at the marginal rate every year. Is he committed to reducing the proportion to 20%? What timescale does he envisage for this? Is it a matter of basic principle or is it a matter of urgency?

The other issue that arises in the context of the standard rate band is the issue of individualisation. The Minister was extraordinarily careful in his last summing up. I hope I do not paraphrase him incorrectly, but I think he said that he is not committed in principle to doing it, but would review it at each budget. That is close to accepting that he does not regard individualisation as a principle, but is simply a matter of pragmatic consideration from time to time. Is he committed to arriving at a situation where individual bands exist for the standard rate? I appreciate

[Mr. McDowell.]

that he will not do it next year, but if he remains in his position in a couple of years' time, would he see this as something to achieve?

**Dr. Mansergh:** The Minister for Finance would not be doing his duty if he did not maintain the maximum flexibility for the future, including any unforeseen circumstances that might arise. I applaud him for not making commitments that would tie him down unduly. There is the old chestnut of indexing bands. It is far better that the Minister for Finance increase bands by more than the rate of inflation some years, as on this occasion, and less at other times when circumstances demand it. I do not believe that a Minister for Finance from any of the parties opposite would act or react any differently were they in Government.

The 20% target that Senator Phelan has emphasised dates from 1997 rather than 2002, but it too is a question of priorities. Great improvements have been made in the tax system and the level of take-home pay. We have moved from the situation where people sometimes went onto the higher rate when earning slightly less than the average industrial wage. This may be implicit in Senator McDowell's remarks. If one focused on bringing down the tax rate to 20%, one would skew the budget from an equity perspective. It depends on whether one's priority is to keep low-income people outside the tax net, ensuring that budgetary gains are enjoyed mainly by those on low or lower-middle incomes, or further up the scale.

The Senators opposite would be the first to criticise the Government if, when examining budgetary tables, they saw that percentage increases in income were larger further up the income scale. Election commitments and programme aims are important, but they should not necessarily override everything else. The Minister for Finance should act in the interests of the country and its people and not necessarily fetishise commitments made in good faith. Rigorous pragmatism is required. I entirely applaud the Minister. The 20% target is a long-term aspiration. I doubt how easily or quickly it will be reached, and to a degree I even share Senator McDowell's position, in that I am not certain that it is vitally important.

**Mr. Cowen:** I very much take Senator Mansergh's point in this regard. I agree with maximum flexibility and seeking to implement our programme to the greatest possible extent. If any party could tell me that it was able to implement every aspect of its programme within the period that it had set itself, I would buy its members a pint. That is not a big prize, but if they took a drink, I would do so. That is not to detract from our commitments. There is a genuine effort to implement the programme on all fronts, and we are enjoying great success in doing so.

I will stick to taxation issues, since those are what we are here to discuss. An Agreed Programme for Government stated the following regarding taxation.

The parties remain committed to the achievement of the taxation objectives set out in Action Programme for the Millennium. Over the next five years our priorities with regard to personal taxation will be to achieve a position where all those on the national minimum wage are removed from the tax net; to ensure that 80% of all earners pay tax only at the standard rate; to use the potential of the tax credit system to effectively target changes and to pursue further improvements in the income tax regime if economic resources permit.

The programme further states the following, "We will keep down taxes on work in order to ensure the competitiveness of the Irish economy and to maintain full employment."

Those statements are governed by an overarching commitment in the programme for Government on the need to pursue responsible fiscal policies and maintain the public finances in a healthy condition. The Sustaining Progress social partnership agreement states the following regarding taxation, in paragraph 3.3.2:

The scope for changes in the tax system to facilitate economic growth and employment creation will continue to be considered, as will the incentives for those on low incomes to take up employment. At the same time, the need to pursue responsible fiscal policies and maintain the public finances in a healthy condition will guide all taxation policy decisions.

It continues as follows:

... to the extent that there is any scope for personal tax reductions, progress will continue to be made over the three budgets contained within the lifetime of this Agreement towards removing those on the minimum wage from the tax net, moving towards the target where 80% of all earners pay tax at not more than the standard rate.

Taking those specific commitments and the context of the programme for Government and the Sustaining Progress social partnership agreement into account, to some extent the 80% target has been the victim of other successes, notably exempting taxpayers altogether. From one in four of a lower number, one in three of 2 million taxpayers has been removed from the taxation net. That is a greater step towards social justice than simply considering our having 80% of people on the 20% rate paramount.

**Dr. Mansergh:** Hear, hear.

**Mr. Cowen:** I have stated that they are set out in order of priority. If one considers the spirit of what we are trying to achieve and my prede-

cessor's introduction of the tax credits system, which gives the same value to every taxpayer regardless of remuneration, one sees that it is much fairer, since those at the lower end of the scale gain proportionately more from the tax credits system than from the tax allowance system. That is an indisputable fact, and I am very proud that a Fianna Fáil-led Government was involved in making those fundamental changes to our tax system, which everyone has now accepted.

Many spoke about it and got the opportunity to do something about it, but in different circumstances. I will not admonish anyone but say that when responsible we proactively made those changes. If one goes back to the 1997 commitment that 80% of people would be on the standard rate, one sees that under the tax allowance system that was an easier target to achieve than under the tax credits system. There are people present with detailed knowledge of how that works out without my going into greater detail. Those are facts regarding tax administration and its impact.

The criticism in the other House was aimed at nailing me on the 80% target. I could have gone in that direction to the exclusion of other targets if it had been the paramount consideration. Had I done so, I would now have 200,000 more low-paid people paying tax who are currently outside the tax net. I stand by my choice. I had several objectives, and the Sustaining Progress agreement is the most up-to-date statement of public policy on the issue. As well as removing people on the minimum wage from the tax net, we wished to move towards the target where 80% of all earners pay tax at the 20% rate.

It is not the position of other stakeholders that I must achieve the 80% target by the time this Government's tenure has ended, should it serve its full term. There is an understanding that those issues and priorities are not mutually exclusive. Progress has been made on some, and I stand by the far more definitive statement of tax policy that those on the minimum wage should not pay tax regarding its statutory level in 2005. From Easter 2006, the minimum wage will be increased as a result of the partnership process, and I have again removed those on it from the tax net. Whether one can do so while the minimum wage continues to increase is a matter for priority and decision by the Government and the Minister for Finance at any given time. People might ask why I am not extolling it as a principle. For example, Senator McDowell stated my response to individualisation does not suggest I regard it as a principle while the Fine Gael spokesperson stated the 20% target should be regarded as a principle. One man's principle, therefore, is another's pragmatism. In the context of the matrix involved and the impact tax changes have, particularly in the area of personal taxation, the overall thrust in my two budgets is clear.

The increase in the PAYE tax credit is another indication of how I can help thousands of workers in manufacturing industries that came to Ireland in the 1960s, 1970s and early 1980s. They are in the most exposed sector of the economy and we hope they will be a feature of our industrial landscape for as long as possible. The means by which I significantly increased the PAYE tax credit based on representations by trades union leaders and others, including my party colleagues, indicates where I stand on how low paid workers can be helped and ensures we make a contribution towards the competitiveness of their firms by exempting them from PRSI requirements by increasing the threshold to €400 per week. No specific commitments were given on those issues in the programme for Government but they were brought to my attention based on legitimate representations during the preparations of budgets, which I addressed.

I am prepared to be judged on the choices I made and future Ministers for Finance may make other choices. Members of the Opposition parties may take a different view if they take up my responsibility. That is fine because that is part of the democratic debate in which we are involved but I can stand over what I have done as a greater promoter of social justice with an emphasis on those at the lower end of the scale. In the times in which we live those in the higher and middle income groups are able to cope. They are in a much better position than previously while others, for a variety of socioeconomic reasons related to qualifications and opportunity, are not remunerated as well and do not have wider choices. One then decides to help them to a greater extent proportionately. When someone says I did not help him as much as someone on a lower income, I reply that is my choice and he can make a decision to support me afterwards. That is my choice and it is the right choice.

The ESRI stated it was the most progressive budget in years in this regard, which is precisely what I tried to achieve, and I stand over that. I can do that in better times than might have been the case for previous Administrations but I will not get into that debate. However, I can stand over the choices I made in the circumstances given the room for manoeuvre. This year's tax package is 30% higher than that for 2005. If we spent all the resources we used in the past four budgets on band widening alone, more than 200,000 fewer income earners would be outside the tax net today. As a result of what was done, more than 740,000 earners are outside the tax net, which equates to more than one third of all earners. A total of 360,000 were outside the tax net when we took up office. The number of people who do not pay tax has increased by 280,000. While that is good, it also suggests that a significant number of people are not on very high wages. We should, therefore, do whatever we can to assist them relative to those who are remunerated at a higher rate.



[Mr. Cowen.]

The assertions that the Government is not doing enough on taxation and we do not have a low tax economy do not stand up to scrutiny. More than one third of earners are outside the tax net in 2006. Assertions made about the numbers paying the marginal rate of tax have often been articulated but what matters is the tax a person pays. Since 1997 the average tax rate, i.e., tax, PRSI and levies as a proportion of income, has reduced significantly for all income earners. The average tax rate for a single average earner has reduced from 27% to approximately 15%. If that is not regarded as significant, I do not know what is.

With regard to tax bands and inflation, in budgets 2005 and 2006, I increased the bands by more than double the projected rate of inflation for those years. The bands have increased by between 10.8% and 14.3% whereas cumulative inflation for the two years is projected at 5%. In budgets 2003 and 2004, when we faced a much tighter budgetary environment, we chose to devote available resources to those on low incomes, helping us to move towards the current position where those on the minimum wage are outside the tax net completely. That move began during my predecessor's tenure, although his position has often been misrepresented. In international terms, Ireland is acknowledged as having the lowest tax rates on labour in the European Union. The more recent 2005 edition of Structures of the Taxation Systems in the EU, published by the European Commission, points this out. In addition, the most recent data available from the OECD highlights that in 2004 Ireland had the lowest tax wedge in the EU for a single person on an average wage and one of the lowest in the OECD. A low tax wedge makes it easier for employers to take on new employees. Our unemployment rate is half the European average and Members will be aware of the difficulties across the channel this week. They are no coincidence in terms of how the taxation system impinges on employability and the ability of employers to take on more workers.

The principal factor has been the significant increase for earners taken out of standard rate taxation and exempted from income tax altogether. Progress has been made in the other areas, although perhaps not as much as I would like, but one cannot do everything. It is important to send the right message.

**Mr. J. Phelan:** The Minister has missed the point. I complimented him in the House on the evening of the budget and his efforts to remove those on the minimum wage from the tax net should be applauded. When he made a similar change in this regard in the previous budget, my colleagues and I pointed out it would only take effect for a number of months until the national minimum wage was increased but he rectified

that in this year's budget, for which he deserves credit.

His argument make no sense. The Government entered into a commitment that it would remove those on the minimum wage from the tax net and it also made a commitment that only 20% of earners would pay tax at the top rate. At a time of unparalleled revenue buoyancy with billions of euro generated in tax surpluses every year, a choice did not have to be made to meet both commitments as the money was available. I appreciate 20 is an arbitrary percentage but approximately 33% of earners are still paying tax at the top rate and the Government is not moving nearer to honouring its commitment. This is not a zero sum game. The Minister was not faced with removing those on the lowest rung of the income ladder from the tax net or delivering on the commitment to reduce the number paying tax at the top rate. Given the additional billions of euro generated annually in tax revenues, both objectives could have been realised but the Government decided its priorities lay elsewhere, which meant increases in public expenditure across a range of Departments. Along with colleagues I sought this for Departments where increases in expenditure were necessary. However, there are many Departments where increases are unnecessary and where good money is thrown after bad on a daily basis.

I applaud the efforts of the Minister to remove those on lower incomes from the tax net. Everybody agrees that is the most effective way of improving their lot. The notion that it was an either-or situation does not stand up when one realises the pot of money available to the Minister continues to grow exponentially each year and the Minister has real options with regard to addressing a number of issues. He is in an enviable position because he has resources at his disposal available to none of his predecessors. The Minister has made some positive moves with regard to lower income earners. However, I do not accept his argument that it was a case of either-or. Both objectives could have been realised.

I do not expect the Minister to say he will proceed as I have suggested and that tomorrow he will succeed in having 20% of the workforce paying tax at the top rate. However, I would like some indication that we will move towards that commitment.

**Dr. Mansergh:** I thought at first that Senator John Paul Phelan was making the argument that a commitment should take precedence over equity.

**Mr. J. Phelan:** That is not what I was saying.

**Dr. Mansergh:** I accept that. What he was saying was that the Minister did not have to make choices. That completely ignores the macro-economic context. The Minister has increased expenditure in the revised Book of Estimates to the

order of approximately 13%, and tax concessions of €900 million were provided. If we put more than a certain amount into the economy, we run a significantly higher risk of causing inflation. Also, a substantial move of 20% would cost several hundred million or more.

While there are many demands on the economy, a certain amount of prudence is required. There is much criticism, including from the Fine Gael Party, that the economy is being run unduly in accordance with electoral cycles. Senator John Paul Phelan urges us to accentuate that.

**Mr. J. Phelan:** Not at all.

**Dr. Mansergh:** That is the effect it would have. If we put too much money into the economy we find that a year or two later we must cut back. We want steady progress rather than jerky, stop-go policies, particularly of the kind related to elections.

Many economists, having regard to economic cycles, argue that the Government should be running more of a surplus than it runs currently. Senator John Paul Phelan's argument ignores the macro-economic context of running an economy properly and prudently. Therefore, the case has not been made.

**Mr. McDowell:** The Minister has set out his priorities in an interesting way and I have no quibble with them. Can we take it that the commitment to reduce the higher rate of tax from 42% to 40% is also not a priority?

I invite the Minister to go a little further in terms of the PAYE tax credit. In principle I do not have a difficulty with this, but there is a problem, as the Minister knows, with regard to those who do not pay PAYE tax, principally people who live on pension income who do not get the increase in tax credit when it is focused largely on the PAYE tax credit. I appreciate we can get around this difficulty to some extent through exemption limits, and this has been the approach. However, this leads to a difficulty when people earn just above the exemption limit. While I do not have a problem in principle with increasing the PAYE tax credit, there is an inherent problem for people on pension income who do not get the benefit of that credit. We should not lose sight of that.

**Mr. Cowen:** I wish to make a further point. It was not a case of either-or. We more than doubled the tax band to improve the lot of people within the tax net as well as making the decision to exempt those on the minimum wage outside the tax net. We did not just decide to improve the lot of one section of the community to the exclusion of others. We did, however, crystallise the particular commitment I have outlined from the programme for Government and the social partnership agreement as indicating a priority direction I felt needed to be completed, based on

the promise my predecessor had made on making up to 90% of the minimum wage exempt from tax. He did considerable work in terms of tax reform during his highly successful tenure of office.

On the argument of the tyranny of the percentages, it should be borne in mind that in looking at the percentage of cases paying tax at the higher rate, it is more appropriate to talk in terms of income earners rather than taxpayers. In that regard we are talking not only about those who pay tax in a given year but also those who are exempt from taxation. The alternative approach, which considers only those who pay tax in the year, fails to take account of progress made in removing those on lower incomes from the tax net. Also, as I said earlier, under a tax credit system, the more people who are exempted from tax, the higher the percentage of taxpayers in the top rate, even if there is no increase in numbers.

We should look at it in that respect and apply the commitment. If we take more people out of the tax net, by definition the percentages paid by those in the tax net increases, even though the volume of taxpayers has not increased. This illustrates how we can sometimes slip into a rather superficial argument and not see the wood from the trees.

Considerable progress was made in the years 2000 to 2002 in reducing the percentage of income earners paying tax at the higher rate. By 2002, a position was reached where fewer than 27% of income earners paid tax at the higher rate. After budget 2005 that figure has risen to a projected 33.2% who will a higher rate of tax this year. However, with rebasing of the Revenue Commissioners' cost model, that has decreased slightly to 32.85%. With incomes forecast to grow in 2006, the position is that if there is no change to the value of the standard rate band, 36.3% of income earners are likely to pay the higher rate of tax this year. The changes we have made have taken more than 3% out of the higher band into the standard band.

These are the facts of the matter. Income growth must also be taken into account. We have a tax system which rewards people who work and incentivises them to earn more without being hammered on the tax end. Making the decision on the widening of bands which brought everyone on the average industrial wage onto the 20% band rather than people on the marginal rate having to pay tax was another priority or benchmark which helped govern the shape of the budget in terms of personal taxation. This was another example of how we tried to ensure that people on the average industrial wage should pay the 20% rate and was an intermediate posting towards the greater objective of getting 80% eventually paying tax at the 20% rate.

What we will do in the third of the three budgets for which I have responsibility during the tenure of this Administration is a matter on which I will decide closer to the time, based on the

[Mr. Cowen.]

returns and what the priorities of Government are deemed to be. We are a collective authority and there are pressing needs for continued investment in public services, not simply in resource terms but also in terms of reforms and service delivery models that are better than what we have achieved thus far. That requires the agreement of social partners and stakeholders.

Indeed, it is a test of the quality of our social partnership to be able to move beyond the commitments about reform of the delivery of public services to actual implementation and instigation on a sustained basis. It is an enormous challenge which has yielded many benefits to date. It has brought moderate wage increases, an ability to create room for manoeuvre for tax reform, increased employment and a sustainable basis for prosperity and social inclusion. We need to ensure that the social partnership model can deliver real reforms in public service delivery and an ability to be open about it.

I am concerned by some of the discussions I hear and some of the points raised because of difficulties that have arisen in recent months, which have prompted an understandable reaction but one from which we must move on. We need to be open about the role that the public and private sectors can play in delivering better services for our citizens. Everyone, whether trade union members, workers, company directors, self-employed people, professionals, trades people or whatever, uses our services and we need to provide a better quality of delivery than we have at present. It is a collaborative, co-operative process on which we all need to deliver.

There is too little preparedness to take on professional bodies and professionals in this country and too often emotional blackmail is utilised, as I saw when I was Minister for Health and Children, in an effort to obfuscate the issues, with people continuing to advocate the *status quo* plus rather than real change in terms of work organisation, methods and practices to deliver the quality of service people are entitled to expect. This is especially the case given the level of resources that they as taxpayers and we, as a Government, are willing to provide for the provision of such services. Regardless of who is in Government or Opposition in the next few years, that reality will not change.

We need to establish real methods of change in terms of public service delivery. That is a fundamental requirement if social partnership is to be deepened and widened in our society and I say that as a committed proponent and supporter. I hope it can be achieved, despite the background difficulties before negotiations began on a proposed new agreement. It is to be hoped that progress can be made in the coming weeks.

With regard to the specific point, it is not a question of either, or. This is a work in progress in terms of the commitments we have made but there is an overarching context. Decisions on

improving the delivery of public services, providing further tax reform or greater tax equity will have to be made on the basis of maintaining a responsible budgetary position. The fact that newspapers and media outlets throughout Europe are looking to the Irish model as being one which should be followed or considered by other countries which are far more powerful and resource-rich than we are, indicates that we are on the right track, although not every problem is solved, not everything is right and there are deficits which we have identified.

One can talk about €700 million or €800 million that could have been put back into the economy and the pockets of taxpayers but, as Senator Mansergh pointed out, that would have a consequent impact on inflation. The potential inflationary impact of increased spending on the economy is a consideration that must be borne in mind by all Ministers for Finance.

We have given significant priority to our infrastructural deficits. Our Transport 21 ten year plan was dismissed as having no real prospect of success. Ambitious it may be, but it is costed and a lot of work went into its preparation—

**Mr. J. Phelan:** They are guide prices.

**Mr. Cowen:** I hope we can proceed with its implementation.

We cannot have it every way. People may say we are not spending enough money in certain areas but fiscal policy involves a taxation policy and an expenditure policy and we are committed to a balanced overall budgetary position. Such a position gives us sufficient room for manoeuvre, as we had in 2001 and 2002. People had been saying that we should not have been building up surpluses but when the international recession came, the cushion of those surpluses allowed us to get through that difficulty successfully. Any comparison one makes with any other European Union country will confirm that. I now have five or six colleagues within the euro area alone who are in breach of their Stability and Growth Pact 3% deficit commitments.

We have sufficient room to manoeuvre in the event of imponderables happening. They exist, even as I am aware of the arguments in the NCB report. It describes an idyll and suggests that all will be well, regardless. There are imponderables related to exchange rates with the dollar and sterling and a range of other areas for which I do not have the answers. I am also sure that the benign international environment painted in that report is at the most optimistic end of the scale. The more measured ESRI report gives three options of what growth rates will be which is perhaps a more realistic assessment.

This economy does not run on automatic. Many long-term decisions are being taken by this Administration, rather than being sucked into exclusively electoral considerations, although if they are honest, all Governments will admit to

giving some cognisance to electoral considerations. The National Pensions Reserve Fund, the Transport 21 plan, which is a ten-year outline for capital expenditure, the strategic innovation fund for the university system and the child care programme, which involves a significant investment of €2.5 billion over the next five years, are all indications of attempts by the Government to meet immediate priorities and address long-term structural issues.

There will be other such issues, particularly care of the elderly, given our changing demographic profile, social changes, and shifts in parental and family support systems. Traditional solutions will not necessarily suffice in the future in terms of care of the elderly. The home setting may not always be the most appropriate option. We are all aware that the situation is fluid and has very serious implications for the Exchequer.

It is necessary to take all of these issues into account, as well as the fact that we are connected to the world and there are many imponderables, which is important given our exposure as an open economy. While we have enjoyed a good position in recent years, we cannot simply fritter and throw money like confetti to appease every demand that is cogently made from the narrow parameters in which it is promulgated. We must look at the whole picture. We are working towards specific objectives. Some we have already achieved, others we are continuing to work towards.

Next year's budget will give a final picture for the purposes of the remainder of the term of this Administration. Regardless of whether we meet specific commitments, even if people do not want to put them into the overarching context in which they are put, both in the programme for Government and in the Sustaining Progress agreement, the record of the last two Administrations is one of very solid achievement.

**An Cathaoirleach:** Is the recommendation being pressed?

**Mr. J. Phelan:** No.

Recommendation, by leave, withdrawn.

Recommendations Nos. 8 and 9 not moved.

Section 2 agreed to.

Section 3 agreed to.

#### NEW SECTIONS.

**An Cathaoirleach:** Recommendations Nos. 10 and 11 have been ruled out of order as they are merely declaratory.

Recommendations Nos. 10 and 11 not moved.

Section 4 agreed to.

Section 5 agreed to.

#### SECTION 6.

Question proposed: "That section 6 stand part of the Bill."

**Mr. McDowell:** We were commenting earlier on the ingenious nature through which the Cathaoirleach has ruled all my recommendations out of order. I do not propose to spend any more time on it.

**An Cathaoirleach:** There are reasons they have been ruled out of order.

**Mr. McDowell:** What is the total number of taxpayers claiming tax relief on trade union subscriptions?

**Mr. Cowen:** It is good and increasing. I gave them on Committee Stage in the Dáil but cannot give them today as I do not have the exact figures. If I recall, it was a couple of hundred thousand people. The details can be forwarded to the Senator. Again this year, I have increased the relief.

Question put and agreed to.

Sections 7 to 10, inclusive, agreed to.

#### SECTION 11.

Question proposed: "That section 11 stand part of the Bill."

**Mr. McDowell:** If one is claiming relief for interest on borrowings, one must be registered under the residential tenancies legislation. Assuming a taxpayer makes a claim on his or her annual return, is there a cross-check by the Revenue to see if the individual is registered with the Private Residential Tenancies Board?

**Mr. Cowen:** My understanding is that it is back-registered. Under the legislation, an individual making such a claim will be required to provide confirmation of his or her registration with the tenancies board.

**Mr. McDowell:** Do the Revenue Commissioners cross-check the presented certification?

**Mr. Cowen:** It will be the obligation of the taxpayer to register with the Private Residential Tenancies Board, which will confirm the registration in writing. That is then be produced to the Revenue Commissioners.

Question put and agreed to.

Sections 12 and 13 agreed to.

## NEW SECTIONS.

**Mr. J. Phelan:** I move recommendation No. 12:

In page 19, before section 14, to insert the following new section:

“14.—The Principal Act is amended in section 462—

(a) in subsection (1), by the deletion of paragraph (b), and

(b) in subsection (2), by inserting the words ‘unless in the latter case, one or other does not have a taxable income’ after the word ‘wife’ at the end of the subsection.”.

**Mr. Cowen:** The effect of Senator John Paul Phelan’s proposal would be to broaden the focus of the one parent family tax credit to apply not only to lone parents but also to cohabiting couples with dependent children where there is only one earner. The Senator wants the tax code to recognise the circumstances of couples in cohabiting arrangements.

The purpose, however, of the one parent family tax credit is to target relief at lone and widowed parents raising children on their own. If support of the tax system were to be provided to cohabiting couples, it would not be appropriate to seek to do so by broadening the provisions of the one parent family tax credit. Where a couple cohabits, each partner is taxed as a single person and each is entitled to the tax credits at the standard rate band appropriate to single persons.

On Committee Stage in the Dáil, I indicated that the issue raised by the Senator is wider than the tax code and extends into the area of social policy. The working group which examined the treatment of married and cohabiting couples and one parent families under the tax and social welfare codes reported in August 1999. It was sympathetic in principle to changes in the tax legislation to address the issues raised relating to cohabiting couples. It recommended the options it set out should be further considered.

However, it also acknowledged that a key issue is whether tax law should proceed ahead of changes to general law. Various developments have been made in the area. A consultation paper on the rights and duties of cohabitants was published by the Law Reform Commission in April 2004. The tenth progress report of the Oireachtas All-Party Committee on the Constitution, entitled *The Family*, was recently published. The Minister for Justice, Equality and Law Reform recently announced his plans to establish a working group to examine the area of civil partnerships and to prepare options on the various legislative choices available to the Government. Ultimately, decisions will be taken by the Government on the matter.

Child benefit is the main instrument to which support is provided to parents in respect of qualifying children. This is available to parents who

are either single, cohabiting or married. The Government has substantially increased child benefit since coming into office. Overall expenditure has increased by over 300%, from €500 million in 1997 to €2,044 million in 2006.

The Government has initiated a five-year strategy to address child care, involving measures to increase the supply of child care places. These include increases in statutory paid maternity leave, the payment of a tax free early child care supplement from €1,000 per annum to parents with children under six years of age, and an income tax exemption for childminding, provided it is carried out in the minder’s home and the income does not exceed €10,000 per annum.

I view as problematic and unwise a situation where changes in the tax code relating to the treatment of couples would set a headline in advance of developments in other relevant areas of public policy, for example in the legal recognition of relationships other than married relationships.

Under the circumstances, I am not prepared to accept the Senator’s recommendation. No data on the circumstances of cohabiting couples are readily available. Such data would facilitate an accurate estimation of the cost of extending the one parent family tax credit to cohabiting couples, if I was minded to do so. It is assumed that approximately 25,000 couples may be in a position to qualify for the proposed credit. The cost would be approximately €40 million per annum. The figure is based on the assumption that approximately one third of the estimated number of couples who are cohabiting would be eligible to benefit. It is, however, a rough estimate for indicative purposes only.

Recommendation, by leave, withdrawn.

**Mr. J. Phelan:** I move recommendation No. 13:

In page 19, before section 14, to insert the following new section:

“14.—The Principal Act is amended in section 469—

(a) in subsection (1), in the definition of ‘health care’, by deleting the words ‘but does not respect of include routine ophthalmic treatment or routine dental treatment’, and

(b) in subsection (2), by the deletion of that subsection and substitution with the following:

‘(2) Subject to this section, where an individual for a year of assessment proves that, in the year of assessment, he or she defrayed health expenses incurred for the provision of health care for any qualified person, the individual shall be entitled, for the purpose of ascertaining the amount of the income on which he or she is to be charged to income tax, to have a deduction

of the amount made from his or her total income.’.”.

This recommendation seeks to extend the reliefs available for medical expenses to include routine dental and ophthalmic treatment. In recent years, these treatments have become expensive. While specific repair work of a dental and ophthalmic nature is covered by the relief, routine treatment is not. What would be the cost to the Exchequer if the scheme was extended?

**Dr. Henry:** I support the recommendation as one who is old enough to remember campaigning for the extension of ophthalmic and dental benefits to the wives of insured workers. It is often underestimated how important this area is in preventive medicine. Whatever it would cost the Exchequer, it would be nothing compared to how it would benefit the citizens in preventive treatment.

**Mr. Cowen:** The recommendation relates to section 469 of the Taxes Consolidation Act 1997 which provides tax relief for certain un-reimbursed medical expenses. The relief is granted in respect of qualifying expenses which exceed €125 in a year incurred by one qualifying individual and in respect of such expenses in excess of €250 in a year incurred by more than one qualifying individual. The effect of the recommendation would be to remove the minimum amounts to be incurred and also to extend the relief to expenses in respect of routine dental and ophthalmic treatment.

This particular relief has been available since 1967 and has always been intended to provide relief where medical expenditure was significant. It was never envisaged that all outlay, irrespective of the type of treatment, should be covered. In this regard, I should point out that had the minimalist amount of €50 for qualifying expenditure, which was put in place at the inception of the relief in 1967, risen in line with increases in the consumer price index it would amount to approximately €900 in today's values. That would suggest that anything above €900 should be paid for by oneself. As I have said, the actual amounts are €125 for a single person and €250 for married or two qualifying individuals.

Following consideration of a similar proposal in the other House, I understand that the recommendation is aimed at making it easier for taxpayers to claim tax refunds to which they are entitled. While I support that aim, I do not accept that extending the scope of the relief in the manner suggested would necessarily achieve the objective. While certain exclusions apply, as at present, or if all medical expenditure as proposed were covered, it would hardly be a factor in whether a taxpayer makes a claim for the relief. The claim forms, MED 1 for medical expenses and MED 2 for non-routine dental claims, are straightforward and fully explained so their completion should not present difficulties. Indeed,

they are the claim forms most frequently requested by taxpayers.

It is estimated that to give effect to both aspects of the Senator's recommendation would cost in the region of €90 million in a full year. Approximately €50 million of this relates to the proposed removal of the minimum threshold for a claim to qualify for relief, while the remaining €40 million relates to the inclusion of routine ophthalmic or dental treatment.

The *de minimis* thresholds are intended to exclude a certain amount of expenditure from relief, given that the relief is intended to assist significant outlay only. In all the circumstances, therefore, I am not in a position to accept the recommendation.

**An Cathaoirleach:** Is the recommendation being pressed?

**Mr. J. Phelan:** Yes.

Question, “That the new section be there inserted”, put and declared lost.

#### SECTION 14.

**An Cathaoirleach:** Amendments Nos. 14 and 15 are out of order as they involve a potential charge on the Revenue.

Recommendations Nos. 14 and 15 not moved.

**An Cathaoirleach:** Recommendation No. 16 is out of order as it is merely declaratory in nature. That means it does not extend or amend existing law and its sole purpose is to elicit information, which could be obtained by other means such as tabling a motion on the Adjournment or making a freedom of information request. The same applies to recommendations Nos. 10 and 11.

Recommendation No. 16 not moved.

Question proposed: “That section 14 stand part of the Bill.”

**Mr. McDowell:** While I do not wish to argue about it, I must say that I am somewhat frustrated. The amendments I proposed sought to restrict the amount of tax relief available to a small number of people who have large pension funds by reducing the amount of the standard pension that would be available as part of an ARF. The amendments I proposed sought specifically to reduce the €5 million threshold to €2 million and the once-off, tax-free lump sum payment from €1.25 million to €500,000. It is beyond me how such proposals could become a charge on the people. Let us not go there, however. I will argue their merits, if I may, in the context of the section.

The review of the pension provisions was carried out internally within the Department. It is a fine section which is well set out and the job was well done within the Department. Its findings, however, were pretty scandalous.

[Mr. McDowell.]

When we changed the pension provisions five or six years ago, some concern was expressed that there could be abuse of this kind but none of us imagined that it could be quite as systematic as it has proven to be. The Department found in its review that of the approximately 1,000 ARFs in existence, there was little movement within the vast bulk of them. Rather than providing a more flexible way of organising a stream of income, most of them have simply become a fund into which money is stashed tax free and allowed to accumulate value tax free, no doubt with the intention sooner or later of being passed on by way of inheritance, which is also tax free. That is the way in which these ARFs have been used. The Minister has, quite rightly, moved to ensure they will in future be used for their intended purpose, namely, to provide a stream of income or a pension. That, after all, was the reason for the provision. In that context, I find it surprising that the Minister has opted for such high limits.

Elsewhere in the section an indicator is given of a multiplier of 20 as being the relationship of the annuity that would have been provided by a certain sum. Working on that rough basis, a fund of €5 million would allow for an annual stream of income — a pension or an annuity — of approximately €200,000. That strikes me as being pretty extraordinary. I do not see why the State should seek to revise the measure of quite generous valuable tax incentives it already gives, in order to provide such high pensions. People who can afford six-figure pension streams per annum can well afford to do so without the benefit of tax relief, at least on the marginal amount. Therefore, I do not think that a figure of €5 million, or anything remotely close to it, is justified.

The same argument applies *pro rata* to the lump sum. If people can afford to take out a lump sum payment of €1.25 million when they retire, should we really seek to give them tax relief to that extent? I have no problem with people getting a generous lump sum when they retire but a figure of €1.25 million is far too high.

I read the Department's report in detail and I know the motivation for the notional distribution figure of 3% but I wonder if it is high enough to produce the desired result. I know that figure will be phased in over a period of three years but it seems to me that people are using funds to acquire and assimilate assets, rather than to provide themselves with a pension. I am not sure that they will be diverted from that intent by a notional distribution of just 3%. Perhaps it will have the effect the Minister expects or hopes for but I am not sure that distribution figure is sufficiently high to produce that effect. I would like to hear the Minister's comments in that regard.

**Ms Terry:** I wanted to support the amendments tabled by Senator McDowell.

**An Cathaoirleach:** They have been ruled out of order.

**Ms Terry:** I understand that. As regards the section, I wish to compliment the Minister on the measures he has taken to try to eliminate in some small way the abuse of tax relief incentives for pensions. That is one of the abuses that has been used by wealthy people. Neither the current Minister nor any of his predecessors intended this type of tax relief to be used for that purpose. Tax incentives for pensions encourage people to pay into their pension funds, which is admirable. So many debates have taken place both here and in the other House about how we can provide for future pensions. What we have done to date, however, has not done anything to increase the number of people who have their own occupational schemes. Rather, the tax incentives have been abused by wealthy people to put money by for themselves.

I recognise that the Minister has reduced to €1.25 million the maximum tax-free lump sum for draw-downs from a pension fund made on or after 7 December 2005 but that is still an outrageous figure. I would have supported Senator McDowell's suggestion in that regard. Having a cap of €5 million on a pension fund for tax purposes is also far too high. Who are we trying to encourage or incentivise? We should be trying to incentivise the ordinary worker to provide for his or her pension. The money that could be saved in tax relief would be better spent on those people who are on State pensions. Can the Minister inform the House how much tax relief on pensions cost the State in 2004 or 2005? At least one individual drew down approximately €25 million as a tax-free lump sum. I am glad the Minister put a stop to it, but what did it cost in either 2004 or 2005?

We were unable to obtain from the Minister's Department the information about this individual, we got it from the Indecon report and that is not good enough. A parliamentary question was asked by a Member of the other House — we are unable to do so — regarding the largest amount any individual drew down as a lump sum. However, the Minister was unable to provide the figure.

In his next budget the Minister should reduce the amount that can be drawn down as a tax-free lump sum. It should be at least half of what is provided for at present. We will see greater savings in 2006 now that wealthy people can no longer avail of this tax incentive. It will be interesting to see the amount of savings made at the end of 2006. What is the value of allowing people to take out a tax-free lump sum? We know what it is in monetary terms to the wealthy. Financially, it is extremely worthwhile, which is the reason people used it. There was nothing illegal about what they did but it was an abuse.

We must consider the ordinary middle-income worker. We want to ensure he or she will have an

adequate pension on retirement. I appreciate that the Minister must obtain information but it is difficult——

**Mr. Cowen:** I want to have answers for the Senator on the issues she raises.

**Ms Terry:** It is difficult to make a point when I know the Minister cannot listen with both ears.

**Mr. Cowen:** I apologise.

**Ms Terry:** We want to ensure ordinary workers will have adequate pensions when they retire. Will the Minister outline his views on allowing those workers to withdraw 25% of the funds into which they paid during their working lives tax free on retirement, thereby reducing their funds by 25%? Does it serve the workers well?

We are concerned about the low incomes people will have to live on when they retire. One way to increase the pension is by doing away with the drawdown of the 25% lump sum, thereby keeping the pension fund at 100%. It will ensure people have a larger pension on a weekly basis. While this may not be popular, most people use their lump sum to put new windows on the house, pay for a son or daughter's wedding or take a nice holiday. That is welcome, but it is not what a pension is supposed to do. A pension is supposed to look after a person in old age. Will the Minister comment on whether we should examine this issue? I advocate that we do so.

We will have further debates on pensions in the House. Unless we can ensure that we can provide protection for pension schemes, fewer people will pay into them because far too many people have found the pension fund they paid into over the years was worth little when they came to retirement. If we want to provide incentives we must consider how we will protect such schemes.

**Mr. J. Walsh:** I must declare an interest as I have a small self-administered pension. The change made by the Minister is interesting and I welcome it. As was stated, this area has been subject to exploitation. I will not use the word "abuse" because Opposition spokespersons fail to remember that apart from the 25% tax-free lump sum provision, the rest of pension is a deferral of tax because tax is paid as money is drawn down from the pension fund. It is not paid when it goes in.

Some comments made regarding the maximum figure of €5 million were wide of the mark. Most people who have self-administered pensions retire at 60 or have provision within the pension to do so. I checked this with people dealing with pension funds. The annuity rate is approximately 2% to 2.5%. Putting €5 million into annuities means paying €100,000 per year. For senior company executives on €200,000, €300,000 or €400,000 per year that is not an overly significant amount.

Those of us in these Houses and those who work in the public service are fortunate because we have pension facilities and remuneration which cannot be bought in the private sector. For example, the purchase of a pension fund with €5 million would yield only a modest pension and would not be the equivalent of the kind of pensions available to those in the public service, which are index-linked. That must be borne in mind. The public sector has made an enormous contribution towards creating the policy climate which contributed to economic growth. It must also be stated that many in the private sector worked extremely hard, invested money, took risks and undoubtedly also made a significant contribution.

I do not agree that the figure should be further reduced nor that the 3% should be increased because that is the type of return obtained on the annuities market. On the question of abolishing the 25% lump sum as suggested by Senator Terry, we must remember that most employers have moved from defined benefit schemes to defined contribution schemes. That is the pot of money which will be there not just for executive workers but also for industrial blue collar workers. It is an incentive for people to participate. Less than 50% of our working population is in pension schemes. It is necessary to keep it attractive to increase that percentage. With demographic changes, it will become a significant problem in the future. I suggest we maintain the figures.

As it is probably too late to make changes at this stage, next year the Minister should examine the 3% distribution from the ARF applying from year one. The lump sum drawn down could maintain the person for a number of years. Reference has also been made to those who may have planned to retire at age 60, but because of the economic situation or their good health, they will continue to work until age 65. An argument could be made for a deferral period before distribution from the ARF would be triggered, such as a certain number of years or reaching age 65 rather than 60.

Tremendous improvements to pension funds have been made in the past decade. To some extent what happened in the United States, where people accumulated a considerable amount of wealth, may have influenced our course of action. My aspiration is that people in Ireland continue to accumulate wealth and that our children and grandchildren will have a better quality of life and far more assets than we do. That is how the country is progressing and we should facilitate it through the policy decisions we make.

**Dr. Mansergh:** I agree with the remarks made by my colleague, Senator Jim Walsh. It may be puritanical to state that the 25% lump sum may not be withdrawn. People are entitled to a little financial flexibility and to make choices when they retire. A good point was made on the difference between public and private sector pensions,



[Dr. Mansergh.]

which counters the argument that the figures are too high. The Minister deserves to be complimented on introducing the limits because the accumulation of vast crocks of gold has come to our attention. That is fine but does not need State support. The limit of €5 million is generous and I would not contemplate increasing it soon. It is not wise to change such figures every year. There must be a degree of predictability so that people can plan. Now that this decision has been taken it should be left as it is for some time.

**Mr. Cowen:** Prior to the budget, funds were being built up on a fully tax allowable basis and were capable of being distributed tax free or of attracting a long-term tax deferral. Now, however, there is a limit on the size of the fund which can be built up and on the size of the retirement lump sum which can be taken tax free, and there is no longer an option to use ARF structures for long-term tax deferrals. The new fund limit must be seen in this light.

Arriving at such a figure is a matter of judgment; some will think it fine, others that it is either too generous or too restrictive. One must consider that the return on annuity yields is running at approximately 3% or 4%. That is taxable in the hands of the pensioner at his or her marginal rate. The 3% enforced distribution per annum from the ARF corresponds to this annuity figure.

Given increased longevity rates a pension fund of €5 million less a lump sum of €1.25 million, or one quarter of €5 million, would give a male retiring at age 60 an annual pension of approximately €110,000 for life, which is significantly less than Senator McDowell's estimate of €200,000. A male retiring at age 65 would receive an annual pension of approximately €135,000. Based on the most recent Central Statistics Office data, the average life expectancy in 2001 for a male aged 60 was 19.2 years and for a male retiring at age 65 was 15.4 years.

There is a general consensus now that life expectancy will continue to improve and the CSO assumes that by 2030, average life expectancy for a male aged 60 will be approximately 25 years. The annual pension of €110,000 is not a large amount in that respect, given that almost 87,000 persons have a gross income of over €100,000 per annum now. That is where the judgment call lay. We had to take account of the need for an adequate pension and to what extent we would assist in providing that through our pension relief system. Thereafter, if people wish to add to that fund they can do so without the support of the tax system. It is not an exact science but it is necessary to determine the level of incentive one should provide, to provide for a deferred tax payment, as Senator Jim Walsh said.

In response to Senator Terry, the ability to take 25% of the fund tax free is not new. It is a long-standing benefit and this Finance Bill is the first

ever to put a cap on the tax free lump sum. It may not be a sufficiently stringent restriction for some but it is more progress than was made by any previous Administration and should be acknowledged as such. There is the question of people's entitlement to make that judgment, namely, whether they want to take out the 25%, as most do, or decide that they will live for another 25 years. That has been part of the carrot approach to encouraging people into private pension provision.

We are attending to the wider question of how to popularise the national pension review, with supplementary pension provision beyond statutory entitlement for ordinary workers. That report, which was issued before Christmas, was a work in progress and was acknowledged as such by the chief executive. The Government must take account of many considerations before deciding on the ultimate long-term policy. I advocate popularising pensions to all income groups.

The special savings investment account, SSIA, was a precursor to the general pension review for pensions policy. It provides people with €1 for €3, up to a maximum contribution of €2,000 to €2,500 by the State, for a maximum €7,500 from their SSIA proceeds to put into pension provision in order to begin a process of contribution in this area. The next logical step is to build on the benefits that people will have derived from the SSIA experience because one should seek to incentivise people, particularly those on the standard tax rate to consider this as a means of continuing a habit taken up by over 1.2 million account holders, as a result of the initiative of my predecessor, Mr. McCreevy. The Opposition regarded this as too generous but that is what informed my thinking on the sum.

These are significant changes for the better compared with the past situation. The fund limit of €5 million should be seen in the light not only of being limited but of reducing the opportunities to avoid or defer tax within the fund. Whether one could have picked a limit lower than €5 million is a matter of balance and judgment.

Increased longevity is a great bonus for those who live in the modern developed world but combined with low interest rates and modern lifestyle aspirations it gives rise to the need for the accrual of surprisingly large pension funds to provide for retirement. If a male enters a scheme for an index-linked pension, plus 50% widow cover, he will receive an annual pension of €110,000 for life on retiring at age 60. Some people might find that relatively low but that is because of the yield now available from such annuities.

I have moved to close off the real abuses of the system. I have left plenty of leeway for individuals to make a good living, provide for a good pension and be in a position to put money in to our economy throughout their retirement because the tax will be paid. Even if it goes into the ARF, the notional system of assessment ensures that those who use the pension relief would make

a contribution during their retirement to the economy, although they have retired from active participation in it.

People who have been hoarding this provision as a result of my decisions in these areas can and should expect to pay their share of tax on their pensions when the time comes. I will keep the situation under review so that any new abuses can be closed off should any emerge.

**Mr. McDowell:** I thank the Minister for his response and do not wish to dispute further the figures he has produced.

Will the Minister comment on the finding in his Department's review that essentially, these approved retirement funds, the ARFs, were not being used to produce an income flow, that only 6% of all ARFs in existence had been disturbed, in terms of distributions taken from them, and that most seemed to have been in terms of the lower value funds, with the upper value funds remaining untouched? The stark conclusion of the report is that ARFs have allowed the diversion of retirement provision into simple tax-advantage savings schemes for those who do not need to produce a regular income statement or stream.

The conclusion from the Department's own review is that ARFs are not being used at all for the purpose for which they were intended. That must surely be a source of concern to us all.

**Mr. Cowen:** The assumption was that when ARFs were initiated as a means of long-term pension provision, the annuities would begin to flow when people reached retirement age and that the tax would be paid. Using sophisticated taxation lawyers and other such individuals as we have in this country, people sought another mechanism to further defer taxation and perhaps ultimately transform it into a capital gains tax liability in terms of an inheritance tax issue on the basis that the person who built up the pension never took out the annuities, or was not in mind to take them out — and obviously did not require them, given the size of the lump sums involved and the tax-free element.

**Mr. McDowell:** They are using the funds to buy assets which they are then enjoying. There is some restriction on that now.

**Mr. Cowen:** The point I make is that the job of a governance mechanism at any time must be to see where the objective or foreseeable benefits are not flowing. One makes the changes necessary to stop a practice which was not envisaged when the arrangements were initially put in place. As far as its introduction was concerned, it was a bona fide provision, and once it became clear from the Revenue investigation that there was another use of ARFs, not envisaged when support was given to their introduction, we sought

changes, and I am making the changes in a transparent way.

Senator Terry made a point about the lump sum figure. That figure emerged from the Revenue investigation rather than from the Indecon report. Those compiling the report made reference to it, which is when it came to our attention. Confidentiality rules apply to Revenue in terms of not being able to move beyond that. When the Revenue was compiling a list in order to see how they were operating, they came across two instances where the tax-free lump sum was of the order of €25 million. We have now brought in a limit of €1.25 million, so the Government has acted on the basis of what has emerged.

Question put and agreed to.

#### SECTION 15.

**Acting Chairman (Mr. Mooney):** Recommendation No. 17 in the name of Senator John Paul Phelan is ruled out of order as it is merely declaratory in nature.

Recommendation No. 17 not moved.

Section 15 agreed to.

Section 16 agreed to.

#### SECTION 17.

**Acting Chairman:** Recommendation No. 18 in the name of Senator McDowell is ruled out of order as it involves a potential charge on the Revenue.

Recommendation No. 18 not moved.

**Acting Chairman:** Recommendation No. 19 in the name of Senator John Paul Phelan is ruled out of order as it is merely declaratory in nature.

Recommendation No. 19 not moved.

Question proposed: "That section 17 stand part of the Bill."

**Dr. Henry:** On Second Stage I spoke about the importance of the changes in the tax relief schemes which would benefit high income earners. I agree with the attempts being made by the Minister to have high income earners improve their own situation by these schemes, but he recognised in his reply last night that they will also affect philanthropy. While the universities, the National Gallery, some hospitals and other institutions have benefited from very generous contributions from high income earners, we will not be in the same position after 2007 to have similar benefits from people who earn over €250,000 annually. That would probably seem a lot of money to most of us here, but is not so to many wealthy people in the country.

[Dr. Henry.]

We have been encouraged within the universities to look at the American model whereby funds are raised from private sources and we have been quite successful in this at home and abroad. However, this initiative will affect us. In his reply the Minister said it was essential these tax relief schemes were looked at across the board, but he also said he would look at the area of philanthropy. Before this section of the Bill comes into play in 2007, I hope the Minister will see some way in which he could remove the provisions which will seriously affect our powers of fund-raising in the universities.

I had always thought we would be able to raise a great deal of money from our alumni, perhaps €1,000 from each of them on occasion, but this has not been so. We have had to rely much more on very generous, rich people to give us money. We will be seriously affected by the Finance Bill measure, as will our next-door neighbours in the National Gallery and some hospitals too. I hope that before 2007 the Minister will see some way in which this section could be ameliorated — the best word I can think of — so that what the Government is promoting on the one hand will not be spangled on the other hand by making it impossible to get money from these people who have been so generous to us in the past.

**Dr. Mansergh:** I am sympathetic to the objective of a greater habit of philanthropic donations but beyond a certain point they do not necessarily have to come from individuals, because almost all wealthy individuals are connected to companies and institutions where perhaps the same restrictions would not apply. I accept the argument the Minister gave yesterday that it is difficult to make exceptions in a particular area, but it also seems to me that the provision allows scope for very considerable generosity — nor does all generosity have to be concentrated in a single tax year.

**Dr. Henry:** Senator Mansergh points out that certain people are associated with companies, but some companies do not like individuals giving what they would perhaps see as the company's funds to what they would describe as a pet project, and would feel it is a private matter.

**Dr. Mansergh:** Perhaps we need to encourage a different corporate ethic such as exists in the United States.

**Dr. Henry:** Yes, but not all corporate entities are private, and shareholders sometimes have funny views.

**Mr. McDowell:** I made positive remarks about this section on Second Stage and repeat them today. It is a well worked-out section. However, I am trying to figure out how it will work in terms of the capital allowances. My understanding is that only those who have historically built-up

capital allowances from before we introduced the cap would be in a position to exceed half their income, based on the sort of limits in place in the section. We are talking of people who availed of the urban renewal scheme back in the 1990s, and so on and, as someone described it, the “long tail” of that continuing into the future. The section allows for rollover and my recommendations sought to do away with that into future years.

Are we not just then rescheduling historically built-up capital allowances so that the tax benefits to individuals over the course will be the same anyway? We are engaging in some optics here. We are saying they will pay tax this year but the tax benefit to them of the capital allowance is simply being rescheduled over a long period of years. They are not at a serious disadvantage in that sense which I why I tabled the recommendation. It leads to discussion to say that some of the capital allowance should be lost by introducing that cap.

I have some sympathy for where Senator Henry is coming from. When we use the word “philanthropy” perhaps we should be more careful to define exactly what we mean. Philanthropy, as I understand it, is wealthy individuals or corporations giving to good causes. We are just talking about that; we are also allowing wealthy individuals or corporations to give to good causes and to get a significant top-up from the Exchequer. They get to pick the pet cause and the Exchequer gives them a huge amount to subsidise it. I am more jaundiced than perhaps most people might be about allowing that choice to individuals. If the State is to give donations to universities, or whatever it might be, the State should just give them the money and make the decision for itself rather than have the decision made by wealthy individuals.

**Dr. Mansergh:** Many are off shore.

**Mr. McDowell:** Perhaps that is too jaundiced a view. I understand where Senator Henry and the other university Senators are coming from and the view they express.

**Mr. Cowen:** The consideration raised by Senator McDowell in his last point is a real issue. I can see both sides of the argument. At the end of the day I want to achieve an objective where, through the specified reliefs provision, we do not have high income individuals who pay no tax. There is a wider confidence issue here in terms of equity in the tax system that we need to keep to the fore in our minds. That means that if one is a high earner, regardless of how genuine or philanthropic one is, to what extent does it assist the standing of our tax system if people who have made profits and have remuneration should not make any contribution in taxes? As a public representative for the past 22 years it would be difficult to find many in my constituency who would believe that is a principle worth shedding. There-

fore, everybody in our society who has a taxable income should pay tax. In our taxation system, there are, quite rightly, tax incentives in respect of certain public policy initiatives which can be availed of and which promote certain levels of activities in certain areas of the economy which we have decided on, and voted upon democratically, even if at times we disagree on either their extent or their appropriateness. It is all legitimate and in accordance with the compliance culture being promoted. One then gets to the point of saying we must keep those principles. One may ask about the people who want to make donations. How can one argue against it? I have no problem if people want to use up some of their 50% remaining income that will attract specified relief; they can do so. As has been stated by Senator McDowell they can roll it over a number of years.

If one takes up all the reliefs available and one has a further good idea, which is to provide a donation to, for example, our august institution down the road, which Senator Henry would greatly support, is the Senator saying that should supersede the principle I am trying to establish, whereby every citizen who has an income would pay income tax, if the outcome is that the size of the donation is such that it would reduce the tax liability to nil? There is an argument for saying one should make that exception. What I want to establish is the first principle I have enunciated, that one would pay tax if one has a taxable income. No matter how clever one is, one will not get away with not paying tax. Everyone must be seen to make a contribution, allowing for the fact that one should also rightly avail of tax reliefs. As I said here yesterday, the great majority of our tax incentives and tax reliefs are availed of by the majority of taxpayers and the amounts are there for everyone to see. More than 85% of total tax reliefs are availed of by ordinary taxpayers. Mortgage interest relief, medical expense relief and so on are, quite rightly, availed of by hard-pressed working families. We have to be careful to ensure there is not an undermining of all the good compliance work being done and all the excellent tax administration that is taking place by a headline issue which offends people's common sense that some very wealthy people do not pay anything while everyone earning more than €14,200 or €14,400, the minimum wage, is in the tax net. It is very hard to explain that to ordinary people and even to extraordinary people.

My view is that one must abide by the principle that everyone must pay tax every year to the tax man. After that the choice is open to those who have the wherewithal to consider using the tax reliefs that are available, including donation relief which is not excluded. The points that have been raised here are about residents of this country who use up their reliefs in respect of every area of relief that is available but now wish to make a donation relief. That is the issue. That is a far narrower contention than the idea that there are

many who have been deprived of making significant donations. I do not belittle the genuineness of those who have wealth who make substantial donations. Yes, they obtain a relief for it. Given the size of the donations concerned perhaps it helps direct that level of income into that area. One can make the argument for and against the issue. I do not believe it is motivated simply by the provision of tax relief. We should not differentiate between those who donated €100 out of their wage packet of €400 when they saw the tsunami disaster on St. Stephen's day 2005 as against €100,000 donated by a person who can claim donation relief thereafter. When one gets into that area one is undermining the whole purpose of the exercise. In trying to be fair to everybody I have proposed a solution which does not meet every situation but meets the great majority of situations, consistent with the principles one is trying to enunciate and establish in the taxation system generally.

The principal donors to the universities are currently non-resident and for that reason the new section should not impact on the philanthropic activity of these individuals. That is not say there is not a philanthropic culture in its infancy here even if for obvious reasons we have not had a culture of much wealth here in the past. Some people have approached me about this issue, not on their own behalf, and have asked, given the levels of wealth that have been established, if there a philanthropic mechanism we can devise that will ensure that people who have created much wealth will have a view as to what is the responsible inheritance to leave to their children. A significant amount thereafter could be directed towards purposes for the public good if we can find a mechanism that would encourage that to happen in a more systemic way than simply an *ad hoc* individual approach. That is a public policy issue that is now coming to the fore and requires much careful consideration. It is an issue I did not move on in this budget for various reasons because I have not formulated a view on how one might try to proceed along those lines in a way that is not misinterpreted or misunderstood. It is something, however, to which we should all give contemplation because there is a great deal of wealth in the country and it may be the case that in future years we will miss opportunities to direct much of that wealth towards public causes we would all support and which would benefit society. That is something that would not have been on our radar screens in the past. It is a question of examining the comparative models elsewhere with a view to determining whether there is a place for it in our system.

I make that more general point in an effort to outline the context in which this discussion is taking place but having listened to the views of the contributors to the debate in the other House, we had to come up with a unanimous view as to whether one should include or exclude it. That is a better approach when one is introducing the

[Mr. Cowen.]

changes I am bringing forward to establish in the public mind the principle in the system in the first instance. We can then decide how it is working out. I am not closing off the prospect of trying to accommodate genuine situations in the future but it is better not to send mixed messages. We should allow people to see what one is trying to do from year to year and not try to do everything in the one year.

Question put and agreed to.

Sections 18 to 21, inclusive, agreed to.

## SECTION 22.

Question proposed: "That section 22 stand part of the Bill."

**Dr. Mansergh:** This section relates to the termination of the stallion tax exemption, which by the time it ends on 31 July 2008 will have been in force for almost 40 years and is probably one of the most successful tax incentives ever introduced here, as the Cheltenham Festival showed where we not merely won the Gold Cup but places one, two and three plus nine other races.

Our equestrian industry is at its peak and it represents the equivalent of multinational firms in counties like Kildare and Tipperary. It gives a good deal of employment, something that was well recognised by the late Labour Deputies, Joe Bermingham and Michael Ferris, when they produced a report on the subject. It can be argued that the relief has existed since 1939 when there was a fairly nominal form of taxation. In 1969 it was introduced in the context of what proved to be a very temporary removal of farm incomes generally from tax but that was reinstated four or five years later.

The Minister and the Government came under a good deal of pressure from Brussels to the effect that this was a state aid although that is a distinctly arguable point because if we abolish it and allow losses in what is a highly speculative business — losses under the current system are not allowed to be set against tax — what is supposed to be a state aid could in fact become a state aid in terms of this State having to allow losses which could be met in any given year. By all accounts the sums of tax due are fairly minimal and the amount of actual tax foregone on the figures available to us is very modest when one considers the support for other industries which do not give as much employment. It must be remembered that the vast majority of the raw materials are bought here.

Perhaps this question has to be seen in more than one context. The Minister spoke earlier under a previous section about everybody paying a certain contribution even though this relates to an activity rather than an individual. One needs to consider seriously the issues on which one

should come into confrontation with Brussels. An overly confrontational approach on a number of fronts can have its disadvantages rather than advantages.

The Minister, in his Budget Statement, said he would be entering into discussions — I am paraphrasing his comments — with the industry because this provision leaves a loose end. It indicates what will cease from 31 July 2008 but it does not indicate what will take its place. It is clear that every country has different ways of supporting its horse breeding industry, and that must be done because it is not necessarily an inherently profitable activity. It is a highly-speculative one but it is one that has brought great honour and advantage to Ireland and it provides prosperity in places which otherwise might not enjoy it.

I urge the Minister to bring his discussions with the industry and, inevitably, with Brussels to what I hope will be a satisfactory conclusion because this is not just a national matter. We are now part of the European Union and this is a flagship industry we have developed that is recognised by other countries. It is a flagship for the European Union, not just for Ireland. I am aware the Minister fully appreciates the importance of the industry and I am confident he will work out an appropriate regime to take its place which will consolidate the position that has benefited from 40 years of a fantastic visionary incentive.

**Mr. J. Phelan:** I do not agree entirely with Senator Mansergh but I agree in large part with the point he makes. This sector has benefited from this relief over the past 30 or 40 years and it is a flagship industry for the country. The Senator cited a few examples of where we have had great success in this area. The point he made at the end of his contribution is correct in terms of what is contained in the Bill. It leaves a large gap in terms of the future for people involved in the horse breeding sector. It may be that this relief has come to its natural conclusion but I urge the Minister, in the deliberations that will take place to determine the type of regime to be put in place in the future, to keep some mechanism in place to support the horse breeding industry. It is a vital component of life in many rural parts of Ireland. I represent a rural constituency. Like Senator Mansergh, I am on the agricultural panel in the Seanad. I represent Carlow and Kilkenny, a part of the country where horse breeding is a significant industry. I urge the Minister to consider this aspect when examining this area in the future.

The outrage people felt about the tax free status of stallion fees was directed at the few large corporate entities in this country that are involved in that sector. However, some mechanism must be put in place to protect the thousands of others who are involved in horse breeding on a far more reduced scale. I am not interested in sheltering the Coolmores of this world—

**Dr. Mansergh:** We should not rage at success. Coolmore Stud is the largest in the world. Should we not take pride in that instead of raging against it?

**Mr. J. Phelan:** I am not raging against anything but there should be some taxation on the huge profits that are made by some of the larger stud farms from the exemption for stallion fees. That would be equitable and it would be consistent with what the Minister has said. However, the smaller operations should continue to have an exemption in some shape or form.

Coolmore is certainly a flagship enterprise for the country and I respect the fact that it is a serious employer in the Senator's constituency. However, if we are seeking equity across the board, the expectation that there would be a tax charge on those fees is a real and proper one. Nevertheless, Senator Mansergh is correct that it is a speculative business for the vast majority of people in the industry. Small operations are greatly exposed and we should ensure they are protected. If we were to bring the full rigours of the system to bear on those people, many of them would not be able to operate in the future and only the large scale operations, such as Coolmore, would remain. That would be detrimental.

Horse breeding is a flagship industry for this country and I do not wish to see anything undermine it. However, in the interests of equity and fairness, a change had to be made. Now we must examine what the Minister will propose to put in place for the future and, in that context, there is room to ensure that the majority of people involved in this sector are looked after.

**Mr. McDowell:** I was watching the school children who were in the Visitors Gallery a few minutes ago and wondered what they were thinking. I am not sure they all had the presence of mind to appreciate that they were witnessing a seminal contribution from Senator Mansergh on the issue of equine sex. Certainly, the blank faces that were to be seen indicated they did not.

There is no point covering this ground again. The Minister is aware of the views my party has articulated in recent years on this issue. However, is the debate over or is it just beginning? The Minister has been clear about his intention to put in place some type of replacement allowance, relief or incentive. I assume he will go to the Commission relatively soon about this because it takes an age to get these things approved. Perhaps he will give an indication of what basis there will be for the new relief. I see from Mr. Murphy, the official accompanying the Minister, that he will not.

**Mr. Cowen:** I agree with Senator Mansergh that we should be proud of the Irish horse breeding industry. It has developed from being a cottage industry 40 or 50 years ago to being a world leader now. I was in Australia recently and, for

the second time in the last five years, I did not get an opportunity to see the excellent facilities Coolmore has there. It also has facilities in Kentucky as well as Tipperary. The horses are doing far better than the hurlers in Tipperary.

**Dr. Mansergh:** Alas.

**Mr. J. Phelan:** Long may it continue.

**Mr. Cowen:** Rather than being provoked into a response to Senator John Paul Phelan, Senator Mansergh should be aware that the inveterate love between Kilkenny and Tipperary probably motivated some of Senator Phelan's comments about Coolmore's success. The difficulty for a Kilkenny man to acknowledge Tipperary's success should never be underestimated, and *vice versa*.

With regard to the position of Senator McDowell's party, despite Deputy Burton's contentions to the contrary, my decision was not motivated by the fact that some have been seeking to remove this relief with a zeal I have often found difficult to comprehend, given the undoubted benefits that have derived to Ireland Inc. as a result of the development of the horse breeding industry in this country, and the tax exemption for stallion fees was no small contributor to that. It was simply because the EU Commission, having received a complaint about this relief three years ago, investigated it and discussed it with the Irish authorities, who tried to explain the various points in favour of this industry in terms of its widespread benefits for not just a small number of talented, world class leaders in the industry but for the many more throughout rural Ireland who have been provided with a family income. This is evident in the number of other stallions available and standing elsewhere, the number of mares that are brought here to stay and foal and the thousands who work in the racing industry. People should not underestimate the tremendous success of racing.

I also had to eliminate the exemption for stud fees for greyhounds, the poor man's horse. My family has had a close association with the greyhound industry for many years so my late father would not be too happy with me if he were alive to see it removed. In fairness, it was introduced by former Deputy and Minister for Agriculture, Ivan Yates, at the instigation of Bord na gCon. We have seen the tremendous success which that industry has enjoyed. It is one of the really great successes for a semi-State body in recent years, matching the excellence of the horse breeding and horse racing industry.

**Mr. McDowell:** The report suggested that it did not make much difference in the greyhound industry.

**Mr. Cowen:** In the same way as there was a *trop de zèle* in some political parties in this coun-

[Mr. Cowen.]

try about the exemption, there was also a *trop de zèle* in the EU Commission. I used all my persuasive and diplomatic skills, to no avail, to get it to look beyond what I considered to be a narrow, legalistic approach to this issue. Thankfully, in the European Council meeting last week we were successful in suggesting in one of the conclusions that state aid rules be examined in a global context rather than in an internal context.

The European horse breeders association, representing stallion owners throughout Europe, lobbied the Commission on this issue and asked it not to take the view it took on the tax exemption in Ireland because of the impact that could have on the European horse breeding industry. The real competitors are not in Europe but in Australia and America. In fact, many people consider that world class stallions standing in Ireland is an important part of their job in developing the breeding industry in France, Germany, Italy and elsewhere in Europe. Their mares can come to Ireland instead of being sent in transport airplanes to Kentucky or Australia. That is the reality of the industry. It is a global industry and Ireland is a world leader in it.

It is with reluctance that I had to take this step. The reason I talk about the need for a replacement scheme is that I am convinced that if there is one area where a tax incentive has proven itself, it is this one. The Indecon report, admittedly on behalf of Horse Racing Ireland, referred to a cost of €3 million per year. The Revenue Commissioners have come up with returns which have become available as a result of changes in tax information brought in by my predecessor to try to get a handle on this issue. The suggestion was made that hundreds of millions of euro were being denied the taxpayer, but the maximum potential cost is €7.1 million. There will also be offsets which will bring that figure down even further.

We have built a world class industry through tax incentives on the basis of an annual cost which would be less than €7 million and more in line with the Indecon estimate of €4 million, which was portrayed at the time as being a self-serving report. That was a serious castigation of a very professional and widely sought-after consultant company in this country and elsewhere. I could not find out who made the complaint to the EU Commission or what the motivation was behind the complaint, but a situation has been brought about whereby something that was of huge benefit must be removed by me because I have been informed by the Commission that it would uphold proceedings against Ireland if I did not withdraw the exemption.

The Commission based its decision on preliminary findings and I was given the legal reasons on state aid as to why that was the case. I tried to explain the context and I asked for a comparative cost-benefit analysis before we went down this route. Unfortunately, the Commission was ada-

mant that this file was opened and had to be dealt with in the way suggested. I have decided to do so on the basis that the Commission would then discuss with me how to replace this exemption with something that would have a similar effect, be it through a depreciation allowance system or whatever. The Commission made the point that under state aid, the exemption must be of a general character throughout the whole agricultural industry. I would then have to seek tax exemptions for boars, bulls and other four-legged animals. The whole thing was crazy.

We are where we are. I did not make this change for any politically correct reason.

**Mr. McDowell:** Perish the thought.

**Mr. Cowen:** It was imposed upon me by the European Commission and by nobody else. Unfortunately, the adverse publicity and the unwarranted assertions that were made about the nature of this industry detract from the high regard in which it is held internationally. We should be proud of that rather than begrudge it. It helped create the atmosphere which has culminated in us being told what to do in this area. I am not convinced at all that it is the right decision, but I have no option but to carry it out.

Section 35 of the Finance Act 2003 provided that details of exempt income from a number of sources, including from stallion stud fees, would be returned to the Revenue Commissioners. This information was included for the tax year of 2004 in the personal income tax returns file in October and November 2005. In the case of companies and corporation tax returns, the information was filed up to the end of 2005. It is regrettable that people are being triumphalist about the fact that this is going. It is part of the street theatre that passes for politics in this country, just like the ritual mention of the tent in Galway, which is where I am supposed to decide the budgetary framework, tax incentive schemes, pension reviews and so on.

**Mr. J. Phelan:** We did not mention it all.

**Mr. Cowen:** We really need to stop the nonsense. I cannot even get a decent tip in Galway when I go there. It is getting to the stage where I might not go there anymore.

**Mr. J. Phelan:** Why do they not just get rid of the tent?

**Mr. Cowen:** The Senator is welcome to come into the tent anytime and have a look around. The argument has been made for years about golden circles and millions being salted away. Unfortunately, this is due to the personal agenda of the man who brought forward the scheme originally. If someone else did it, there would not have been a word about it.

**Mr. McDowell:** Has the Minister been on to the Commission with a reply to the scheme?

**Mr. Cowen:** No, we will be doing so soon.

Question put and agreed to.

Section 23 agreed to.

#### SECTION 24.

Question proposed: "That section 24 stand part of the Bill."

**Mr. McDowell:** The next ten sections or so deal with the termination dates of the various schemes. We are beyond the point at which some of the expenditure has been incurred, so I presume we have an idea about the number of new schemes that are likely to be sanctioned before the end of the scheme.

**Mr. Cowen:** Can the Senator repeat that?

**Mr. McDowell:** I am looking at the next ten sections. I do not expect the Minister to give this information if he does not have it, but how many schemes are likely to qualify between now and the end of the termination date?

**Mr. Cowen:** We have transitional arrangements for existing schemes.

**Mr. McDowell:** I meant new projects rather than new schemes.

**Mr. Cowen:** I am informed that there is a detail in the two studies that will give the Senator an indication of continuing activity in the pipeline projects.

**Mr. McDowell:** It is a relatively small number of projects.

**Mr. Cowen:** There are other schemes that will not proceed even though planning applications were put in before 31 December 2004. When an end date was suggested, many people came forward with projects that were in their back pocket for the day when they might be required. However, the hotel industry is an example where

we no longer have under-capacity. Many in the construction industry who might have been interested in such projects would proceed with them in the absence of hotel management contracts that ensure the proper running of those hotels. It is not just a question of building them, but of running them profitably with a return to the investor.

Some projects will get through and will be of benefit, but for every planning application submitted, we will not see a project emanating in each case. The market will determine those that will go ahead and those that will not. In the absence of the consideration of market conditions, many of those projects that are tax-driven will not go ahead. We will try to give the Senator a more up-to-date response in due course.

Question put and agreed to.

Sections 25 to 33, inclusive, agreed to.

#### NEW SECTION.

**Acting Chairman:** Recommendation No. 20 in the name of Senator McDowell is ruled out of order as it is merely declaratory in nature.

Recommendation No. 20 not moved.

Sections 34 to 39, inclusive, agreed to.

#### SECTION 40.

Question proposed: "That section 40 stand part of the Bill."

**Mr. McDowell:** This is the——

**Acting Chairman:** We do not have time for further debate on this. As it is now 5 p.m., I am required to put the following question: "That sections 40 to 130, inclusive, Schedules 1 and 2, and the Title are hereby agreed to, that the Bill is reported to the House without recommendation, that Fourth Stage is hereby completed and that the Bill is hereby returned to the Dáil."

Question put.

The Committee divided: Tá, 28; Níl, 18.

Tá

Brady, Cyprian.  
Brennan, Michael.  
Callanan, Peter.  
Cox, Margaret.  
Feeney, Geraldine.  
Fitzgerald, Liam.  
Glynn, Camillus.  
Hanafin, John.  
Kenneally, Brendan.  
Kitt, Michael P.  
Leyden, Terry.  
Lydon, Donal J.  
MacSharry, Marc.  
Mansergh, Martin.

Mínihan, John.  
Mooney, Paschal C.  
Morrissey, Tom.  
Moylan, Pat.  
Ó Murchú, Labhrás.  
O'Brien, Francis.  
O'Rourke, Mary.  
Ormonde, Ann.  
Phelan, Kieran.  
Scanlon, Eamon.  
Walsh, Jim.  
Walsh, Kate.  
White, Mary M.  
Wilson, Diarmuid.



Níl

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

Hayes, Brian.  
Henry, Mary.  
McDowell, Derek.  
McHugh, Joe.  
Norris, David.  
Phelan, John.  
Quinn, Fergal.  
Ross, Shane.  
Terry, Sheila.

Tellers: Tá, Senators Minihan and Moylan; Níl, Senators McDowell and J. Phelan.

Question declared carried.

**Finance Bill 2006 [Certified Money Bill]: Motion for Earlier Signature.**

**Ms O'Rourke:** I move:

That pursuant to subsection 2° of section 2 of Article 25 of the Constitution, Seanad Éireann concurs with the Government in a request to the President to sign the Finance Bill 2006, on a date which is earlier than the fifth day after the date on which the Bill shall have been presented to her.

Question put and agreed to.

**Agrifood Sector: Motion.**

**Mr. Callanan:** I move:

“That Seanad Éireann:

- commends the Government for continuing to prioritise agriculture and providing leadership in meeting any challenges to our most important natural resource-based industry;
- maintains a strong agrifood sector as a vital part of a strong Irish economy and the cornerstone of a vibrant rural community;
- in particular, congratulates the Minister for Agriculture and Food, on the recent publication of a plan for the future of the agrifood sector;
- notes that the action plan is the response to the report of the Agri-Vision 2015 committee and also takes account of the material from a wide variety of other reports and sources such as the enterprise strategy group;
- affirms this plan is based on the sound conviction that the Irish agrifood sector can compete with the best in the world and sets out a new vision for the future of the sector in the light of new changes impacting on it such as the change to a decoupled payments regime, a more liberalised trade policy, changes in lifestyle, the

clear emergence of technology and research and development as significant market drivers and major changes in the structures of farming and retailing;

- notes that the plan focuses on three key requirements in the sector for success: competitiveness, innovation and consumer-focused marketing;
- welcomes the fact the plan presents not only the broad vision for the future of the sector but also contains 166 specific actions to be implemented in the near future; and
- commends the Minister's commitment to prioritise increased Exchequer funding for research and development in the National Development Plan 2007-2013, and welcomes the increase in research and development funding this year.

I welcome the Minister for Agriculture and Food, who has had a tough afternoon in the Dáil where she handled herself exemplarily. I congratulate Deputy Mary Wallace on her appointment as Minister of State at the Department while I acknowledge the work of her predecessor, Deputy John Browne, who served well, and I wish him well in his new ministerial role. The Minister for Agriculture and Food and the Minister of State at the Department, Deputy Brendan Smith, are also doing excellent work.

I am pleased to move the motion and, in doing so, I acknowledge the Government's commitment to the agriculture sector. I congratulate the Taoiseach on his efforts in securing €10 billion in CAP payments at the European Council meeting last December for the years 2007-13 and EU rural development funding amounting to €19 billion over the same period. The British Prime Minister was EU President at the time and he did his best to undermine CAP funding. We should all say “well done” to the Taoiseach for overcoming his tenacious efforts to scrap the funding. I also congratulate the Minister for her strong defence of the CAP and the European model of agriculture at the WTO negotiations in Hong Kong last December.

I will concentrate on three issues, namely, the WTO, bio-energy and the new action plan for the agri-food sector. With regard to bio-energy, last week's European Council meeting rightly focused on energy policy. This debate was timely in light of recent developments in energy markets. Increasing oil prices and the dispute earlier this year between Russia and the Ukraine regarding gas supplies have given fresh impetus to the need to promote alternative energy sources to meet our future energy needs. I will not dwell on this but I hope we will debate this issue at a later date. I supported the call for the Minister to come to the House for the debate for two reasons, one of which related to alternative land use. When I previously raised this issue, I referred to land for food and land for energy.

I have a particular interest in seeking to develop the biofuel sector. Agriculture and forestry supply most of the raw materials needed by the bio-energy sector. Oilseed rape, wheat and sugar beet have the potential to be used for the manufacture of liquid transport biofuels, while forestry by-products can be used for energy-heat generation. I noted the Minister's reply to a parliamentary question in the Dáil earlier regarding sugar beet and how it should be developed. Factors such as the increasing cost of oil, the need to reduce carbon dioxide emissions and the opportunity for farmers to explore alternative land uses following CAP reform mean that the potential of this area must be fully explored. Research and development is urgent and I urge the Minister and other Departments to take that on board.

In general, the production of energy crops for biofuels will be demand led. Production by farmers will only occur if the economic returns are greater than those offered by traditional crop enterprises. In the absence of fiscal incentives, the production of liquid biofuels from energy crops is not economic at current oil price levels. The budget announcement by the Minister for Finance of a major extension of the mineral oil tax relief scheme to cover, when fully operational, some 163 million litres of biofuels per year should further stimulate the production of crops for the manufacture of these fuels. This initiative will benefit the environment in terms of a reduction in carbon dioxide emissions, will enhance security of supply of fuels, and create jobs and outlets for the agricultural sector.

From an external perspective, the negotiations on the next WTO agreement, which are due to conclude this year, represent a significant threat to our and the European position. The negotiations are aimed at increasing trade liberalisation and at achieving substantial reductions in the levels of support and protection which can be provided for agriculture. The CAP reform and WTO negotiations are closely interlinked. Successive reforms have taken place to prepare or position the CAP for the negotiations.

The Government is committed to securing a new WTO agreement. However, I welcome the determination of the Taoiseach and Ministers that this will not prevent the EU and Ireland from enjoying the benefits of an active and supportive CAP and a rural development policy that protects farmers' livelihoods and ensures the continuation of vibrant rural communities.

The Government's overall objective is to ensure that any new WTO agreement can be accommodated within the terms of the 2003 CAP reforms and that further reform will not be required. This corresponds with the EU negotiating position as agreed in the Council of Ministers to which I subscribe. The European Union's agricultural policy should be decided primarily on the basis of a European judgment on what is needed for European agriculture. We should not be unduly influenced by others who, for their own reasons, pursue a different agenda. If I have time I will return to that agenda, but that will be up to the Cathaoirleach.

**An Cathaoirleach:** It is up to the Senator himself.

**Mr. Callanan:** There must be a balanced outcome to the negotiations. Agriculture is an important element of an overall agreement but not the only element. I do not accept that agriculture or farmers should pay a disproportionate price for a new agreement.

Specific areas of the negotiations are of critical importance to us and we take a particular interest in those areas. We want to ensure that the European Union's system of decoupled direct payments, which make a major contribution to farm incomes in Ireland, continue to qualify as non-trade-distorting payments under the so-called "Green Box" and remain exempt from reductions under a new agreement. With regard to export subsidies, we will continue to insist on equal treatment for all forms of subsidy and on flexible phasing-out arrangements.

Market access will be a critical issue in the negotiations and the Government's aim is to retain the maximum possible level of protection for our producers and exporters from increased imports. We will seek to achieve this through a combination of tariff cuts and other mechanisms, including the designation of products of particular interest as "sensitive products".

I will support the Minister for Agriculture and Food as she continues to take an active role in the negotiations to achieve the most beneficial outcome for the Irish and European agriculture sector. Commissioner Mandelson must acknowledge the special role of the family farm in the Irish and European agriculture system. Equally, he must ensure there is no sell-out to the ranchers of the southern hemisphere.

The CAP was set up to ensure a stable food supply for Europe. Following changes, up to 600,000 tonnes of beef rights have been given to

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non-EU countries in recent times to allow them access to our market. Commissioner Mandelson proposes that this should be extended to over 1.3 million tonnes of beef. This is unacceptable. If Commissioner Mandelson must walk the plank, let him do so.

**Mr. J. Phelan:** He is used to walking it.

**Mr. Coonan:** Shoot the messenger.

**Mr. Callanan:** With regard to the new action plan, I welcome ICOS back into the partnership talks. I am glad it has made the decision to return. I encourage the other two farming organisations to follow suit. It is important they should be there now that we have a new action plan.

Agriculture and the agrifood sector is in a period of major change. While the broad policy framework is in place, I am pleased the Minister has now finalised an action plan for the future development of the sector. Agriculture can and should encompass strong commercial farming as well as part-time farming as part of the innovative market-oriented and multidimensional agrifood sector which serves consumers and markets worldwide.

The recently launched action plan sets out a series of measures to drive the development of the sector in its new market-oriented circumstances. It reflects recent developments, both national and international, and details future plans and strategies for all commodities. It will enable the Department of Agriculture and Food and State agencies to work in tandem with farmers and the food sector to develop the full potential of this important industry over the coming years. I urge the Minister to develop a new approach for the beef sector where producers and processors can work in tandem to give consumers a reliable and stable product.

I am not flattering the Minister when I tell her she is a great person. I know she has the capacity to do what I will ask her to do. The Government should appoint an envoy to a small country in Africa. I shudder at the thought of men, women and children in Africa going to bed hungry or dying of starvation when we could produce the food to feed them. I ask the Minister to take on board the proposal to send an envoy to a small country and to urge other European countries to do likewise. I thank the Cathaoirleach for his indulgence.

**Mr. Brennan:** I second the motion. I welcome the Minister for Agriculture and Food, Deputy Coughlan, and her officials to the House.

Agriculture is in a place in the broader political agenda today where it has not been seen for many years. This is due to the challenges that have arisen in the sector, the CAP reform, decoupling of payments, avian flu, the beef industry, the nitrates directive, biofuels and diversity.

These issues are everyday issues for us because of the link between agriculture and many consumer and health issues. However, they also reflect the seriousness of the challenges faced by farms and farming families in today's open economy.

This motion and our discussion on the agrifood sector see agriculture as a key element of our economy and a cornerstone of our rural communities. It is evidence of the priority the Progressive Democrats and this Government assign to agriculture. The agrifood sector deserves the leadership the Government provides, in concert with the representations of the various dedicated farming groups that work in its interests on a daily basis.

I commend the Minister for her commitment to meet the challenges facing our most important natural resource-based industry. It is right that this motion and this House recognises that. We must also acknowledge the work of many of the farming groups which help farmers in difficult times. Such groups are often only in the news when a challenge arises and the agricultural sector faces a problem or when their members need them most. We must commend them for making the case on behalf of farmers and consumers.

The recent publication of the plan for the future of the agrifood sector is a most welcome and important development. The three elements at the heart of the plan, competitiveness, innovation and consumer-focused marketing, are synonymous with the policy approach of my party on these issues and will serve the agricultural sector well as it moves forward through the choppy waters arising from changes in farming and agrifood enforcement. These elements also underpinned our recent party seminar, chaired by Deputy Parlon, on biofuels as an alternative for Irish farmers. Approximately 400 people attended a lively discussion on the feasibility of crop production for the biofuel industry, given that Ireland needs to find alternative forms of energy production. The question posed was whether crop production for the biofuel industry offers a financially viable alternative for Irish farmers.

The same elements also informed the relevant section of the Progressive Democrats' energy policy discussion paper, launched earlier this month by Deputy Fiona O'Malley. This document makes specific proposals in light of the competitive difficulties now faced by Irish farmers in finding profitable outlets for traditional farm enterprises, including the development of energy crops.

The plan for the future of the agrifood sector also refers to a belief that has been central to my party's ethos on this sector, namely, that the Irish agrifood sector can and should compete with the best in the world. The plan comprises 166 specific actions to be implemented in the near future, in response to the report of the Agri-Vision 2015 committee.

Certain aspects of the plan are very welcome, particularly the consideration of a broad selection of reports and sources of information, including the work of the energy strategy group. However, I am concerned that the boast that the plan contains 166 recommendations could hold a hidden challenge. I am aware of another plan that boasts of 90 recommendations for a particular sector and its key stakeholders. In recent times, the large number of actions have become part of an explanation as to why it is taking so long for that plan to be implemented. I ask the Minister to try to ensure that expectations and timeliness are managed and realistic. If not, the plan could move from being a source of optimism and vision to one of frustration and impatience.

Successful operations in successful sectors have always been willing and able to embrace and exploit changes impacting on them. Changes in Irish consumer lifestyles and needs are often sought by innovative operators to allow them to exploit their talents. That is what the Progressive Democrats wishes for the Irish agrifood sector, that it be confident to embrace change and talented enough to adapt to it.

The Progressive Democrats have, for 20 years, stressed the importance of technology and research and development as significant drivers of enterprise, innovation and progress in all areas of our economy. It is an ethos that has served Ireland well in the information technology, pharmaceutical and software industries in particular. It is also one that will help Ireland's agricultural sector to prosper, despite the major changes in the structure of farming and retailing.

In that context, I congratulate the Government and the Minister for Agriculture and Food on prioritising increased funding for research and development this year and also under the National Development Plan 2007-2013. The agrifood sector is facing change and enormous challenges. The motion before us recognises this and sets out clearly the Government's vision as to how Ireland's agrifood sector can succeed, rather than struggle with enforcement. I commend the motion to the House.

**An Cathaoirleach:** I call on Senator Coonan to move the amendment.

**Mr. Coonan:** I welcome the Minister and her officials to the House. I feel sorry for the Minister this evening because her colleagues on the opposite side of the House have not done her any service by introducing this motion at this particular time. The tone, the tenor and the timing seem to be —

**Mr. Callanan:** It is a Rolls Royce job that is being done.

**Mr. Coonan:** I did not interrupt the Senator when he spoke and I would appreciate if he would show me the same courtesy. The timing of

the motion is questionable, given that farming has gone through a very critical phase and is now trying to come out of that. We should all be positive in that regard, in trying to help the farming community, rather than indulging in crow thumping, breast beating and self-congratulatory remarks.

**An Cathaoirleach:** Has Senator Coonan moved the amendment?

**Mr. Coonan:** I will do so now. I move amendment No. 1:

To delete all words after "Seanad Éireann" and substitute the following:

- condemns the Government for its failure to address the crisis in Irish farming;
- notes the damaging role played by the Government and the Minister for Agriculture and Food in the demise of the Irish sugar beet industry; the willingness by the Minister for Agriculture and Food to support proposals at the WTO negotiations, which will be hugely damaging for farmers and her failure to halt the flight from the land which results in seven farmers leaving the land each day;
- condemns the Minister's failure to publish an action plan in response to the Agri-Vision 2015 committee report for 16 months and the failure of the enterprise strategy group action plan to set out any recommendations for the agriculture sector;
- notes the lack of funding commitments in the plan, which will render the plan ineffective and unworkable;

calls on the Minister:

- to immediately address the huge decline in Irish farming by moving to implement the recommendations contained in the Agri-Vision action plan as a priority and to ensure that any agreement reached at the WTO talks does not further undermine Irish farming;
- to set out and fund at once the critical enablers under which the recommendations contained in the action plan will be delivered and to accompany these with set deadlines under which they must be achieved;
- to ensure that sugar beet farmers receive the maximum of compensation permitted under EU regulations and to develop a strategy to ensure a future for sugar beet farmers, including new initiatives to encourage the growth of crops for alternative energy; and
- to ensure that the action plan of the enterprise strategy group is amended to include specific recommendations for the

[Mr. Coonan.]

growth of the agrifood sector in Ireland which the Minister must implement for agriculture and other relevant bodies.

I reject the motion proposed by Senator Callanan. I recommend the Fine Gael amendment to the House and urge the Minister to take on board its recommendations.

In November 2004, the Agri-Vision 2015 committee, under the chairmanship of Mr. Alan Dukes, produced a report. Had Mr. Dukes been in charge over the past number of years, agriculture would not be in its current crisis. I mean nothing personal by that remark but would say "Welcome back, Alan, all is forgiven."

**Minister for Agriculture and Food (Mary Coughlan):** I did not realise he had left.

**Mr. Coonan:** The committee made 53 recommendations, covering all aspects of the agrifood industry. It reiterated the point that Ireland is in a weak competitive position when full economic costs are considered and the rate of productivity growth in agriculture is low in comparison with other EU countries. That is a reflection on the performance of the Government.

The Agri-Vision report took only ten months to compile, with part-time staff. It took the Minister and her mighty bunch of officials 16 months to respond to the report. She came up with 166 actions, although whether one could call them actions or rhetoric is open to question.

It is not very helpful that the Government parties and Senator Callanan did not provide the Opposition with a copy of the report. We had to chase it up ourselves.

**Mary Coughlan:** Had the Senator asked me, I would have provided him with a copy.

**Mr. Coonan:** While the Minister was compiling her plan, what was happening in agriculture? The Minister launched a glossy plan with three lovely glossy pictures of three lovely Ministers —

**Mary Coughlan:** Five Ministers.

**Mr. Coonan:** It seems to be a matter of self-promotion, but what was happening while all of that was going on in that 16-month period? I will tell the Minister what was happening. The sugar industry was wiped out, we had the debacle of the nitrates directive and the closure of Teagasc stations. We have heard much about research and development but research stations and Teagasc offices were closed across the country. We had a decline in the growth in forestry, serious continued threats arising from the WTO trade talks proposals and seven farmers a day leaving agriculture, which adds up to 2,500 per annum. That is what was happening.

We have an early retirement scheme that is not working and to which amendments were not

introduced. We have anti-farmer tax laws which are impacting on farmers' ability to consolidate their holdings. A penalty of 29% applies, comprising 20% capital gains tax plus 9% stamp duty. That is the penalty imposed by this Government and demonstrates its commitment to farmers.

The motion proposed by Senator Callanan is all about leadership and commitment to the agricultural community. I have not seen any such commitment from the opposite side of the House in the last 16 months. If one takes the sugar industry, 3,700 growers were gobbled up by greedy Greencore. Who is responsible for that? The Minister, the Department and Greencore.

**Mary Coughlan:** What about the WTO?

**Mr. Coonan:** The Minister is responsible for the closure of the sugar factory. She put —

**Mary Coughlan:** That is an infantile and egocentric viewpoint, typical of the Fine Gael Party which could have done no better.

**Mr. Coonan:** The facts are there to see. The sugar factory has closed. The closure of the Carlow plant directly led to the demise of the Mallow plant. During the closure of the Carlow factory, the Minister for Agriculture and Food claimed it would not affect its Mallow counterpart. How wrong she was. Where is the Mallow sugar plant now? Is that what we call commitment and leadership?

The €145 million compensation package is not adequate for the destruction of the entire sugar industry. It is now emerging from media reports that a much larger package was on offer had the Minister not chosen to fight to keep production.

**Mary Coughlan:** That is factually incorrect.

**Mr. Coonan:** She can refute it later. She fought the battle and lost.

**Mr. Callanan:** Which is it: that she fought to keep it open or fought to close it?

**An Cathaoirleach:** Order. Senator Coonan has one minute remaining so he must be allowed to speak without interruption.

**Mr. Coonan:** Due to the nitrates directive, many pig and poultry producers will follow the fate of sugar beet producers. They require large investments in their businesses to implement the directive's conditions. During that debate the Minister went to ground, forgetting about her flock, the farming community. She left it in the hands of the abrasive Minister for the Environment, Heritage and Local Government, Deputy Roche. Not only did he ride roughshod over the pig and poultry producers, he also succeeded in humiliating Teagasc scientists and management. He refused to accept their advice and questioned their scientific evidence. Teagasc is

now the cornerstone of the research and development plans of the Minister for Agriculture and Food. Yet in the past several years the Government has slashed its funding, resulting in the closure of research stations and offices.

Senator Callanan's motion is a negative one. At a time when we all should be working together in the interests of farmers, it is regrettable that he comes along crawthumping and backslapping. The action plan is geared for the next election but there is no funding for it.

**An Cathaoirleach:** The Senator has exceeded his time.

**Mr. Coonan:** The Minister claims the funding will be introduced between 2007 and 2013. That is designed to attract votes but she will not get away with it.

**An Cathaoirleach:** I call on Senator Bradford. Senator Coonan has exceeded his time.

**Mr. Callanan:** On what planet is Senator Coonan living?

**Mr. Bradford:** I second the amendment to the motion, presented so forcibly by Senator Coonan. I wish to share my time with Senator John Paul Phelan.

**An Cathaoirleach:** Is that agreed? Agreed.

**Mr. Bradford:** Last week, I called for a debate on the agriculture industry, particularly the tillage industry. In the immediate aftermath of the decision to close the Mallow sugar factory, the main focus was on the disappearance of the sugar production sector and the compensation package. The bigger picture of the tillage industry must be considered. As I said to the Minister for Agriculture and Food and the Taoiseach at a meeting last week, the future of the industry is at grave risk unless real leadership is shown in developing it. Alternative tillage crops such as those for biofuels must be considered. Sugar was a valuable crop both financially and in crop rotation practice. The majority of 4,000 sugar beet farmers will not be able to continue in the industry unless some aid is given to them.

Senator Coonan spoke about leadership. Agriculture needs leadership, not just from the farming organisations and Teagasc but also from politicians, more than ever before. In most debates in the House, the Government mantra is always "since 1997". However, it is never used in debates on agriculture. Since 1997, thousands of farmers have left the land. Hope in the future viability of agriculture has diminished. The debate is taking place at a time of the greatest uncertainty regarding the future viability of agriculture. Sadly, fewer young people see a future in agriculture. The political challenge for the Government is to provide leadership. We will take on board the published reports but we want action.

It is imperative that those who worked in the Mallow sugar plant will receive proper redundancy payments. It is also important that the bulk of the €145 million compensation package will go to the sugar beet producers and affected hauliers and contractors. The Minister claims advertisements will be placed in the national press advising people on how to claim compensation. I look forward to learning more about the scheme.

I welcome the introduction of the farm pollution control grants. From the point of view of planning permission, etc., a quick and easy system of application must be established. As the forms must be processed quickly, I ask the Minister to ensure sufficient staff numbers are in place for inspections. As the nitrates directive is frightening the farming community, hope must be offered through the farm pollution control grants.

**Mr. J. Phelan:** I concur with Senators Bradford and Coonan on the complete shutdown of the domestic sugar sector. Like Senator Bradford, I know many people involved in sugar beet production and who worked in the Carlow sugar factory. As much of the compensation package as possible must be directed to the producers rather than to Greencore's pockets. I urge the Minister to use whatever influence she has in that regard. The drawing up of the compensation scheme will be in her hands. On the balance of all that is moral and equitable, the package should go to those involved in production rather than into the hands of Greencore.

In the part of County Kilkenny I come from, many farmers' sons and daughters have no intention of becoming involved in agriculture. They are disillusioned with its prospects. It is important in any sector that young people entering an industry. It is important in politics to have new people coming through, although incumbents may not agree with that.

**Mr. Bradford:** We will not tell Deputy Hogan.

**Mr. J. Phelan:** Young people are simply not entering agriculture. I urge the Minister to take whatever measures she can to encourage more young people into farming.

The farm retirement scheme is not working. People entered the scheme ten years ago but their incomes have been greatly eroded. There needs to be a complete review of the scheme.

Senator Bradford correctly referred to the importance of sugar beet production for the tillage sector. The Department of Agriculture and Food needs to seriously examine the future of tillage farming. Beet was a vital rotation crop but other options may emerge in future, including the production of beet or other crops for biofuels. Earlier today, during the debate on the Finance Bill, the Minister for Finance spoke about his hopes that by 2008 some 2% of all fuels would be biofuels. That figure is entirely realisable but we should aim for something higher in order to

[Mr. J. Phelan.]

provide an alternative for people involved in tillage farming in particular.

Were it not for the situation concerning disease in South America, Irish beef production would be in a serious situation. We are in the happy position in that beef prices are pretty strong at the moment. That will not continue indefinitely into the future, however, so we must ensure we can market our products in the years ahead. We must also corner our niche to ensure that Irish farmers will continue to obtain fair payment for their products.

I agree with Senator Bradford's comments on the farm grant scheme, which is a welcome initiative. I also wish to raise the issue of avian flu. It is not directly related to the motion before the House but I would like to know what measures the Minister's Department has put in place to combat a potential outbreak of avian flu in Ireland. The infection is quite close to Ireland, although it has not spread in the past couple of weeks and there have been fewer outbreaks across Europe. If avian flu came here, however, it would have devastating consequences for certain agricultural sectors. I am anxious to hear the Minister's views on that matter.

**Mr. Scanlon:** I welcome the Minister and her officials to the House. I also welcome the comprehensive action plan for the future of the agrifood business, which was announced recently. The action plan is a response to the report of the Agri-Vision 2015 committee, which was chaired by Mr. Alan Dukes. I do not know whether Senator Coonan was in favour of Mr. Dukes going on that committee, or against it.

**Mr. Callanan:** He was in favour.

**Mr. Scanlon:** I am still not sure but as a former Minister for Agriculture, Mr. Dukes has vast experience in that sector and has much to offer. The committee comprised some of the most senior figures in the sector, including leaders from farming organisations and the agricultural industry. It also took into account a wide variety of other reports and sources, including the enterprise strategy group.

This plan is based on a well-founded belief that the Irish agrifood sector, including farmers and food and drink manufacturers, can compete with the best in the world when that objective is pursued with significant focus, determination and skill. The plan sets out a new vision for the future of the sector in light of new changes impacting upon it, such as the change to a decoupled payment regime, a more liberalised trade policy, lifestyle changes, the clear emergence of new technology, research and development, significant market changes, and major changes in the structure of farming and retailing.

The plan focuses on three requirements for success in the light of these challenges, namely,

competitiveness, innovation and consumer-focus marketing. Competitiveness is not optional for such an export-oriented sector and it is the primary objective on which this plan is based. In the modern high-tech food industry, technological progress and product innovation are unremitting and vital to the future of the sector. Meeting consumer demands on product presentation and price is also critical to our continuing success.

The plan presents not only a broad vision for the future of the sector but also contains 166 specific actions to be implemented in the near future. Action will be taken under a series of headings which, as the Minister emphasises, are focused on the objective of ensuring that the Irish agrifood sector compares with the best in the EU and beyond in terms of knowledge-based competitiveness, innovation and marketing.

As regards building the knowledge base and innovation, the Minister will prioritise increased Exchequer funding for research and development in the National Development Plan 2007-13. She has already shown her intent in this area by increasing research and development funding this year. The Minister has emphasised that competitiveness is literally a life or death issue for food firms and ultimately for the commercial future of our farms. For this reason, the longest chapter in the plan is on competitiveness, covering over 93 actions. One of the most important actions was announced last week — a substantial change in the milk quota system, which will commence in 2007. Arrangements are being made to introduce an open market system of transferring quotas designed to facilitate the consolidation of holdings, increase efficiency and contribute to more competitive milk production. This is an important development for commercial dairy farmers.

Many actions are also to be taken in other areas, such as small-scale enterprises, horticulture, the organic sector, forestry, renewable energy and rural development. I congratulate the Government and the Minister for Communications, Marine and Natural Resources, Deputy Noel Dempsey, for yesterday's announcement of grants for wood-burners. There has been a good reaction across the country to that announcement. It is the first time that people have been able to obtain a grant of up to €4,200 for installing such boilers.

The action plan for the future of the agrifood business sets out a positive vision for the future of the sector. It underlines the fact that delivering safe, high-quality and nutritious food produced in a sustainable manner to well-informed consumers and high-value markets is the optimum route for the future of the Irish food industry and therefore for the future of farmers in Ireland. It sets out 166 actions that are being, or will be, taken to fulfil this vision.

The large range of activities outlined in the plan makes it clear that the State and the taxpayer are doing their bit. It is vitally important that all private interests in the sector should also

participate. I am convinced they will and I look forward to the establishment of the agrifood forum announced in chapter 7 of the report, which will bring all the relevant interests together to focus on the achievement of a common aim. The sooner that happens the better.

It is the Minister's intention to introduced country of origin labelling this year. It will be a crucial step, particularly for the beef industry, and should be introduced as quickly as possible. Consumers should know the origin of food they are eating, which is the case in every other sector. One can purchase bottles of wine for €3.99, as Senator Quinn is aware. Other wines, which are also popular, are selling quite well at €8.99 per bottle. If people have a choice and know exactly what they are buying, including the country of origin, they will pay the upper market price for Irish products which they can be assured are the best in the world.

Senator Coonan referred to the nitrates directive and, in fairness, we have heard a lot about this issue. It is important to be honest with people, particularly the farming community. In 1996, the then Minister for the Environment, Deputy Howlin, and the Minister for Agriculture, the former Deputy Ivan Yates, together with the IFA, signed up to a document on good farming practice. I am not saying this because Fine Gael was in Government at that time.

**Mr. U. Burke:** That is what the Senator just said though.

**Mr. Scanlon:** I am saying that if Fianna Fáil had been in Government at that time it would have done the same thing. There was no choice in the matter.

**Mr. U. Burke:** The Senator did not say that at the time.

**Mr. Scanlon:** This country was being taken to the European Court and convicted. If action had not been taken somebody would have been obliged to pay serious fines. Who would have paid them? Ultimately, the farmers would have had to, so that action had to be taken as there was no other option.

The Minister has applied for a derogation on the nitrates directive to increase the limit from 170 kg of nitrogen per hectare to 210 kg. Will the Minister inform the House if there  
6 o'clock have been any developments concerning that derogation? I realise that the derogation could not be applied for until the nitrates directive was implemented.

I wish the Minister and her officials well. There is a lot of work to be done.

**Mr. Quinn:** I welcome the Minister to the House. I also welcome the new plan for agriculture and the agrifood industry. I wish it every success. I have had a bias for years, which is a

concern that agriculture and food need to be divided. I have confidence in the current Minister who is showing us the future in this plan. I ran into trouble some years ago. In 1994, shortly after I entered the House, I was on a committee called the expert food group, which became Bord Bia. We produced a good report and I am big-headed to speak about being on an expert food group. However, I produced a minority report on the one point with which I disagreed, namely, that the food business should be removed from the remit of the Department of Agriculture and Food. I shouted it loudly because I believed the agriculture lobby was always so strong that it weakened the food business. The future is in food business and when I read these plans I am delighted to see words such as "competitiveness" and a list of 166 actions. I do not know how we can disagree with the motion and I am sorry an amendment has been put forward.

Having said that, I am in some difficulty as to where we will go next. I confess that the temptation to say "I told you so" is strong, but I will do my best to resist, having just stated it. The difficulty I have in restraining myself comes from the fact that for more than 30 years I have sung only one song about the agrifood sector in Ireland—

**Mr. U. Burke:** The Senator would.

**An Cathaoirleach:** Senator Quinn, without interruption.

**Mr. U. Burke:** I could not resist.

**Mr. Quinn:** Senator Burke could not resist. He should hear the song. He has not heard me sing.

The agrifood business must focus on serving the customer instead of trying to squeeze more and more supports from the State or Europe in defiance of marketplace needs. The words "competitiveness", "consumer focus" and "innovation", all buzz-words of this new approach, have been part of my songbook for many years. I must admit that my efforts fell mostly on deaf ears, even though Ministers and Departments were anxious to succeed.

Regardless of how many times farmers were told they could not go on living in the past, how often it was pointed out to people who believed they were owed a living independently of the marketplace that the lavishness of State spending must be limited, or how frequently we tried to confront the farming community with reality, farmers kept coming back for more. Mine is a lone voice on this issue, particularly in this House.

The farming community was successful in its efforts. For more than 30 years, farmers succeeded in holding back the forward march of progress. For much longer than 30 years, I do not remember what happened before that, they carved out a privileged lifestyle at the expense of the majority of this country's citizens. For as long



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as any of us can remember, the farming lobby held successive Governments to ransom, and in doing so they also held the people of this country to ransom. They are tough words but it happened and I see changes.

If we take this new plan at face value, the game is up. The only way forward in the long term is the one I championed all along, namely, the way of the marketplace. From now on, the farmers of Ireland must become customer-centred and driven by customers and the market. Will this happen? That brings me to the nub of my question. Normally, when people are confronted with unwelcome change, they are persuaded into it by the dire consequences of the alternative. When one is presented with the alternatives of either changing one's approach or going out of business, the instinct for survival usually wins out. However, when it comes to agriculture nothing happens in the same way as in the real world.

We now have a situation where farmers are guaranteed a living if they do absolutely nothing.

**Mr. U. Burke:** Stop. That is nonsense.

**Mr. Quinn:** It is correct. They now live under a—

**Mr. U. Burke:** We must censor this immediately.

**Mr. Quinn:** Let us examine it.

**Mr. Coonan:** The Senator should check his facts.

**Mr. Quinn:** When I was chairman of An Post 20 years ago, I was told the biggest threat to farmers would be a postal strike because the cheques would not be delivered.

**Mr. Coonan:** That type of comment is a disgrace.

**An Leas-Chathaoirleach:** Senator Quinn, without interruption.

**Mr. Quinn:** Farmers now live in a regime where we pay them for being farmers and not for farming. On top of this guaranteed living, they also have the freedom to engage in market-related activity, if they so choose. Unlike most business people and entrepreneurs—

**Mr. U. Burke:** They sell an animal for €5 and Senator Quinn gets €15.

**Mr. Quinn:** —they can count on a fairly luxurious cushion to rest on if their business ventures fail. Their up side, if we are to believe this plan, is virtually unlimited. Their down side is extremely limited, because it is guaranteed by the State or Europe. This plan spells out the only

viable future for the agrifood business industry in Ireland.

I have always believed the sector potentially has a bright future which is why I welcome this plan. We have great natural advantages, a centuries-old tradition in farming and a world reputation as a green and pleasant land which is probably more than we deserve.

It was interesting to hear Senator Scanlon speaking about marketing. I remember going to the United States at the time of the threats of foot-and-mouth disease and BSE and listening to European farmers at a food marketing institute. I spoke about how good Irish meat was. The farmers told me French housewives and customers only wanted to buy French meat and Germans only wanted to buy German meat. They did not want to buy meat from anywhere else. It was not a question of identifying that we had better meat. Let us not fool ourselves that we have done a marvellous job in convincing the rest of the world that Irish meat is better than that which comes from elsewhere.

This is a splendid foundation on which to build a world-class agrifood sector, dedicated to top quality and producing goods fully in line with the tastes and preferences of international customers. An example is the new organisation CAIS, which represents 30 or 40 farmhouse cheese producers. There is virtually no limit to the value we can add to the natural advantages we enjoy.

For the first time in many years, the Minister for Agriculture and Food and my humble self are on the same page.

**Mr. U. Burke:** The Senator did not do badly out of it.

**Mr. Callanan:** Welcome aboard.

**Mr. Quinn:** We are dutifully warbling together the same hymn. This should, by any standards, be a cause for celebration, as long as no one has to listen to me sing. Why, therefore, do I still harbour a nagging doubt about it all? Is it because I somehow question the ability of members of the farming sector to get off their armchairs and grasp this opportunity? I sincerely hope that is not the case.

**Mr. U. Burke:** It is a long time since the Senator took a trip down to a farm.

**Mr. Quinn:** After all, we have seen the Department of Agriculture and Food change before our very eyes. Is it too much to believe that the Department can bring its client farmers along with it in this total transformation? I wish the Minister and her Department well and I hope they will be able to lead this revolution to success. If they do, I will be the first to applaud, even if they do not applaud my singing.

**An Leas-Chathaoirleach:** I welcome a former Member of the House, Deputy Wall, and his visiting group to the gallery. Does the Minister wish to speak at this stage?

**Mary Coughlan:** How many minutes do I have to speak?

**An Leas-Chathaoirleach:** The Minister has 15 minutes.

**Mary Coughlan:** Tá lúcháir orm a bheith ar ais sa Seanad arís agus páirt a ghlacadh sa díospóireacht seo. Gabhaim mo bhuíochas as ucht an mhéid a bhí le rá ag na Seanadóirí, is cuma cén áit a bhfuil siad ina suí.

I will deflect from my script on a number of issues if Senators do not mind. Agriculture is central to the economic and social life of this country. By and large, the Common Agricultural Policy has had a positive impact on Irish farming. Apart from the support and market opportunities it provides, it encapsulates a vision of agriculture that the Government, the farming sector and society in general share strongly. This is centred on sustainable family farming, protecting the rural environment and providing safe food. This is the basis on which the sector merits strong public support.

The agrivision plan of action is based on a well-founded belief that the Irish agrifood sector, including our farmers and food and drinks manufacturers, can compete with the best in the world when that objective is pursued with sufficient focus, determination and skill. The plan is, in part, our response to the report of the Agri-Vision 2015 committee, chaired by Alan Dukes, which comprised some of the most senior figures in the sector, including leaders of the farming and industry organisations. It also takes account of material from a wide variety of other reports and sources including the enterprise strategy group.

The plan sets out a view for the future of the sector in light of the major changes now impacting on it. These changes arise from a number of sources, including significant shift over the past 15 years in EU policy from market supports to coupled payment and now to decoupled payments. The Senator is referring to decoupling.

Changes in EU and international trade policy have increased competition on EU and world markets. Lifestyle changes have shifted the focus of people in developed markets to food products with greater quality, nutritional and convenience value. The emergence of technology and research and development are significant factors driving innovation and competitive advantage in increasingly sophisticated food and drinks markets. The major changes in Ireland due to our rising prosperity have transformed the labour market and led to significant changes in food preferences and in the structures of farming and retailing.

These are important changes and they contain major challenges for the sector, but they also

create market opportunities for producers and firms which can identify and take advantage of them. The question arises of how to respond to these changes in order to take advantage of those opportunities? This plan directs us to focus on three key points: competitiveness, innovation and consumer-focused marketing. The agrifood sector exports most of its products, therefore competitiveness is not optional but is the primary objective on which this plan is based.

Innovation is also important. The modern food industry is a sophisticated knowledge-based sector in which technological progress and product innovation are unremitting. Meeting the consumer's expectations on product, presentation and price is critical to continuing success.

Our vision for success is therefore focused on the objective of ensuring that the agrifood sector compares to the best in the EU and in the world in terms of knowledge base, competitiveness, innovation and marketing. Actions are required under each of these headings. There are over 160 such actions a few of which I will mention this evening. The future of the sector will be decided by its capacity to meet the demands of modern European consumers.

Consumers require guarantees on food safety. State agencies provide world class, effective food safety systems backed up by robust traceability systems. Food safety standards are the responsibility of everybody in the food chain, private and public. There is now an increased consumer focus on food quality, nutritional value and ethical production and we must move our production systems to meet that demand. We will ensure that consumers will have "country of origin" information on beef products and, as soon as possible, on other meat products. We will also revamp and relaunch the school milk scheme. The operation of the consumer panel will be reviewed and strengthened to ensure that an up-to-date consumer viewpoint is available on all Department activities.

The food industry spends only 0.3% of sales on research and development. This must change. The food industry is a high-tech sector and we must recognise this change in our investment patterns. The enterprise strategy group also identified this issue. Ireland has built up considerable research and development capability in functional foods. The consumer emphasis on health and nutrition will encourage growth in the functional food and ingredients sector. I have increased, not reduced, the amount of funding provided to Teagasc by 10%.

**Mr. Coonan:** How then does the Minister account for all the cuts in Teagasc?

**Mary Coughlan:** The State is playing its part, both through the direct research effort of Teagasc and the universities and through its competitive research funding programmes such as the food institutional research measure, FIRM, the

[Mary Coughlan.]

research stimulus fund, RSF, and the forestry measure, COFORD. Funding of food industry applied research is also available through Enterprise Ireland.

These developments must be further strengthened and the expertise gained rapidly disseminated to underpin a competitive and profitable agrifood sector. I will prioritise increased exchequer funding for research and development in the National Development Plan 2007-13. I have already shown my intent in this area by increasing research and development funding this year. It is vital that we ensure that we are as competitive as we can possibly be at every point in the value chain from the farm to the fork.

At farm level, land mobility and flexible quota management are important aspects of facilitating structural change. A combination of State taxation incentives and schemes such as installation aid and early retirement, as well as market pressures, has resulted in some structural change but at a relatively low level. The pace of structural change will need to accelerate in order to ensure farm viability and to meet the challenges arising from increased market access from third countries. Structural change is necessary to increase productivity levels, improve economies of scale and maximise income earning potential.

It will be possible to maintain a core of commercially viable full-time farmers with good incomes while at the same time giving part-time farmers the opportunity to supplement their farm incomes through off-farm work.

**Mr. U. Burke:** There will be no core soon.

**Mr. Coonan:** They will be forklift drivers.

**Mary Coughlan:** Competitiveness is literally a life and death issue for our food firms, and ultimately for farm incomes and the commercial future of farming. This is the longest chapter of this plan, covering over 90 specific actions including a substantial change in the milk quota scheme which will commence in 2007. The new arrangements will facilitate consolidation of holdings, increase sufficiency and contribute to more competitive milk production. There will also be a strategic plan for the competitive development of the sheepmeat sector. A high-level group of CEOs of the food agencies, chaired by the Minister of State at my Department, Deputy Brendan Smith, will be established to ensure and implement a fully consolidated approach towards the development of the food sector. I will also establish a food industry committee, again chaired by Deputy Brendan Smith, comprised senior representatives of the industry to identify issues impeding the development of the sector.

We will support Bord Bia in providing assistance to companies developing value-added business in continental EU markets and overseas. We

aim to double the value of food and drink exports to Asia over three years.

**Mr. Bannon:** What is the Minister doing about beef imports? They rose by 60% last year.

**Mary Coughlan:** Some of us on this side of the House wish to be positive about the industry. Consolidation has taken place at dairy processing level in line with prospectus recommendations but its main recommendations remain to be implemented. This is primarily the responsibility of the processing sector. We will continue to engage with the processors to achieve the optimum configuration within the sector, especially in terms of scale.

This is an opportune time to encourage the growth of rural-based food enterprises, specialising in artisan and speciality foods with a strong regional identity. The market for speciality food is valued at over €6 billion in the UK and in Ireland it is forecast to grow to €7.5 billion in three years. Several proposals in this plan specifically promote this area: Bord Bia will establish a centre of excellence focused on servicing the market development-related needs of small business, through a series of local and international specialist forums.

Farmers' markets, modelled on the Farmleigh experience, will be rolled out in co-operation with the Office of Public Works.

**Mr. U. Burke:** That is when the prices will really go up.

**Mary Coughlan:** Teagasc will put in place a specific programme to support people wishing to set up artisan and speciality food businesses. Grant support will be strategically provided for horticultural projects and aimed at improving the overall development and competitiveness of the sector. There will be direct support for organic farmers and grant aid for investment, both on-farm and off-farm, will be used to develop the critical mass of the organic sector.

**Mr. Bannon:** When will the Minister introduce the food labelling requirement?

**Mary Coughlan:** I intend to strengthen the processing and retail representation in this sector.

Apart from providing inputs for the agrifood industry, agriculture and forestry have a significant role to play in producing a variety of what are called "public goods". Exchequer and EU support for the agricultural sector is increasingly focused on paying for the production of public goods, which would otherwise be underprovided. Public acceptance of this role for the CAP requires continually assuring the consumer and the taxpayer of the real benefits it delivers. The Department of Agriculture and Food will publish, in conjunction with the Department of Community, Rural and Gaeltacht Affairs, a national

rural development strategy in mid-2006, following extensive consultation with stakeholders. This will set the principles for rural development support until 2013, including REPS, forestry, disadvantaged areas, early retirement, installation aid and on-farm investment measures. It is vital to ensure value for public money in all the measures included in the programme, and that public good benefits are clear and measurable.

It has taken a long time to bring this vision document together because it was done by consultation and took a measured approach with targets set appropriate to the sector's ability to develop. We must create a vision and give an optimism to the sector on the basis of change; instead of lying under the challenges of change we must take the opportunities presented and develop within the policy framework set out.

There are internal and external issues causing difficulties at farm level. With regard to the nitrates directive, if we had progressed further on the decisions of 1996 and had accepted proposals put forward by several previous Ministers for the Environment, Heritage and Local Government, we might not be in the current impasse. We are dealing with a water quality directive and must address it. Deciding how we do so and how we reduce the expense to the farmer is my job. I have done that in a new farm waste management scheme accepted across all sides of the House, which is vital. The Minister for the Environment, Heritage and Local Government and I are, under my instructions to Teagasc, bringing forward new science which Teagasc has advised us is available in order to reduce the current impact of the nitrates directive on farmers.

**Mr. Coonan:** That was available the first time around.

**Mary Coughlan:** Those meetings are taking place. Additional information has been sought by the European Commission. That has been prepared and we hope to bring this matter to an end. We must do so for many reasons. The most specific is that we need a derogation and we will apply for it as quickly as possible.

I deny the Fine Gael assertion that I am the person responsible for wiping out the sugar industry.

**Mr. Bannon:** Who else takes responsibility? Is the Deputy not the Minister for Agriculture and Food?

**Mary Coughlan:** I will take responsibility for my decisions. I make the decisions. There are a number of factors which nobody wants to appreciate. First, a WTO panel decision was taken against us. Second, we never reformed the sector. Third, we have major difficulties with regard to imports of cheap sugar, and the European Community had a much higher supported sugar price than the world sugar price.

All in this House know I fully supported the notion that we did not have to introduce reform prior to the WTO decisions, and that we had worked together and formed a blocking minority at the time on the basis that the proposals being put forward were unacceptable. I was advised by the farming sector that it would not grow sugar beet in any circumstances at a certain price. As a consequence I had to try to get a fair price in order to encourage people to grow sugar beet. That was not possible on the basis of a decision made at 2 a.m. on the day of the final discussions when a number of my colleagues who were part of the blocking minority removed themselves from that minority, and I did not have the political wherewithal to stop this.

I could either sit on my hands and go home or do something about it, which I did. We increased the diversification fund to €44 million and we will need to look at further opportunities in the tillage sector in order to address the rotational aspect of sugar beet. There is also an overall package of €310 million, with single farm payments giving the differential between the loss and what the cost of the sugar beet would be. The third item is a restructuring fund which is being paid for by the sugar companies now remaining in sugar.

I will make those decisions to the best of my ability in the context of the legal text available to me, in consultation with all the stakeholders, with independent advice being made available to me.

**Mr. U. Burke:** What about Greencore?

**Mary Coughlan:** It will be as balanced as possible on the basis of the legalities within which I must work. I would prefer if we could come together on the basis of an agreement. That may be difficult. I want us to have agreement as soon as possible and do not want us to end up in court. That would be a complete waste of everyone's time and energy. I have taken independent advice on the matter and will reflect it on the basis of the parameters set down by me. I cannot go outside them, but I appreciate that everyone has a view on the issue and is entitled to put it forward, to have it listened to and to be consulted.

That is why the issue of biofuels and looking to the non-food use of land is most appropriate. That is appreciated on all sides of the House. There are opportunities in the context of the sugar reform but particularly in the context of a new energy policy which has been accepted at the spring Council meeting — especially an acceptance by the Commission that €45 per hectare is inadequate — we should be able to develop and work towards a more prosperous energy biofuel sector. We have the potential for that.

We are at a crossroads — CAP reform, WTO talks, competition and the availability and ability of the sector, be it farmers or agrifood producers to compete. It is my job to provide the policy framework so that this can happen. This will be done in consultation with all stakeholders. In the

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end it is the stakeholders who will move forward. We must give direction and hope, and must afford people the possibility to progress and develop, be it from the farm to the fork or otherwise. I hope that in the policy framework I am putting forward, we will give direction and will stress the consumer and market-orientated way in which CAP reform is now reflected. We must drive research and development. In the context of primary processing, manufacturing in the agrifood sector is crucially important to the Irish economy. Though we may be led by the Lisbon Agenda and the knowledge-based economy, all of which is very much part of the sector, we must appreciate the vitally important role of the primary processor within the agrifood sector.

I see opportunities. I see the current need to give direction and support. That support is not necessarily money. It is direction, access to information, working together and a greater support mechanism involving all the stakeholders. Against that challenge, I intend we will provide a vision for agriculture. That vision is the only way forward. We must look at sustainability, competitiveness, innovation, nutrition and especially the ability of an export-orientated country to export at a viable price.

There will be challenges in all sectors but we must face them and provide opportunities. I will do all I can to ensure we have the most dynamic indigenous sector in this country. We can all throw political punches at each other but for the public good and the development of rural Ireland we need to work with a vision for agriculture, food and forestry. I intend that we will develop the 160 actions of the vision document, that we will work together to assure people and ensure it works. It is clear that the State and the taxpayer are continuing to do their bit but it is also important that the private interests in the sector step up to the mark. I am convinced that through the establishment of the agrivision forum, which I propose in chapter seven of this report, we will bring all the relevant interests together and focus on our common aim. It will be on that basis that we can achieve it.

I thank the Seanad for the opportunity to put forward a number of proposals. This is a fabulous sector, our most important indigenous one. It is not always appreciated for its role, for what it does in this country and abroad, and for the reputation that we could and should have as a nation to be the food island of the world. We are well fit to get that reputation, but must work a little harder. I hope this provides food for thought and that we will work at the further development of this vital cog in the economic wheel of this country.

**Mr. Ryan:** I could probably speak for two hours on agriculture and the astonishing case history of this country's inability to think or be led strategically. I was told I was a left-wing extremist of all

sorts of manifestations 30 years ago — I am still quite happy to have that appellation hung around my neck — when I and others suggested that fishing and fisheries had been sold out in return for the Common Agricultural Policy and that we were imagining things.

I never got a degree in economics but I was able to see even then something that, for some reason had to do with the possibility of lucrative consultancies, evaded most Irish economists for about 25 years after we joined the EU, namely, that any area of the economy that is based on a guaranteed price for limitless production will inevitably hit a wall. What I did not anticipate was that the wall was 30 years away. I thought it would be less.

It is astonishing the way the comfort blanket of the CAP survived two oil crises, a couple of recessions and the astonishing public revulsion at what it saw as vast amounts of food being wasted. It became an enormous political taboo. If one thinks that changing policy about the Irish language is difficult one should try talking about the possible limitations of the Common Agricultural Policy for 15 years as I did occasionally here and was told I did not understand. I understood very well.

I do not understand the intricacies of farming but I understand the intricacies of trying to run a business while pretending the market does not matter. By contrast with the Irish Congress of Trade Unions, Irish farming organisations appear to wrap a comfort blanket around themselves also.

The beginnings of Thatcherism in Britain galvanised the Irish trade union movement into recognising it needed to adjust its role and way of doing things to ensure it was still part of the equation as Ireland changed. At the same time my understanding of the farming organisations was that they stood like King Canute and told the tide it must stay out and were somewhat surprised when they got wet three or four times. While the Department, ably enough headed by the Minister and her predecessors, would have privately recognised it was an unsustainable position, the public view was that nothing would change. All of a sudden everything changes and people are shattered. When it changes again people are further shattered.

If I was a farmer in Ireland today, which is unlikely, I would be extremely wary of direct payments. There is not a scrap of evidence anywhere in any society in the world where direct payments which are not related to people's work last indefinitely, however generously they are made.

I remember when a former Taoiseach promised the workers in Clondalkin Paper Mills they would be paid their wages indefinitely after the factory closed. I remember some officials in the Minister's Department in the Land Commission being paid salaries for a function that was long gone. They were regarded as scandals.

If I was a farmer I would be very worried if my future was dependent on a cheque in the post based on what I used to do ten years ago. If we are going to behave strategically we have to see those direct payments as an assistance to transition, not as a permanent guarantee. I am not persuaded the matter has been dealt with strategically.

I am glad the Minister made considerable reference to food. I am pleasantly surprised at the scale of food production from micro companies. I was in Harrods in London recently and walked through its magnificent food halls and saw a wonderful display of cheeses from all over the world. There were a significant number of Irish cheeses on display. Without having checked, my recollection is that every one of the Irish cheeses I could see in Harrods was a product of a small if not a micro company. There was not a single product there from any of the big companies that would claim to "dominate" the Irish food market. That is a good showpiece of all the food quality of the world and in it one finds that the only Irish cheeses there are those that people produced in spite of, not because of, the Common Agricultural Policy.

I make no apologies for referring again to a meeting of the Joint Committee on European Affairs, of which I was a member, in or about 1998 when the IFA was in attendance and spoke for 45 minutes on what had to be done for farming. I remember asking the then president of the IFA, who is now a colleague of the Minister, how he could speak for 45 minutes about the future of agriculture and not mention consumers or the marketplace. We had an interesting dialogue. That was the reality. It is astonishing to me as a reasonably numerate, economically-literate individual that in 2006 I am reading that the plan must focus on three key points, namely, competitiveness, innovation and consumer-focused marketing. Thanks be to God we have noticed but it is astonishing that it took 30 years. That I why I want to ask a few questions.

I heard at a World Trade Organisation parliamentary assembly in Geneva in 2002 that the sugar regime was going to change and yet when I came back here literally nobody said anything. I have a question for the Minister. Why is it that Finland is retaining its sugar beet industry? A number of people have asked that question. There must be a reason and I would like to know it. No one I know is aware of the reason.

Why is it that we cannot emulate a country such as Sweden which has decided that in 15 years it will phase out oil dependency and will use biofuel to power its cars? What is the obstacle to us dramatically moving in that direction? Given that we have some of the most fertile land in Europe which people are paid not to use, what is the problem? I think I know the reason. The problem is the Department of Finance has never had the imagination to see where the world might

be and does not understand environmental issues. I could speak for a long time on this subject.

There is one question I want to ask the Minister that I ask every Minister. There are multiple thousands of farmers involved in REPS. Will somebody tell me what proportion of agricultural output is produced on REPS farms? Only where there is a REPS can one say that agricultural output is based on the best environmental standards. If that is what we want to achieve, most of our agricultural output ought to be from REPS-based farms. I believe it is not and that it is mostly from a large number of farmers in small scale production in peripheral areas. That is not the same as having a sustainable agricultural industry.

**Mr. O'Brien:** I am delighted to speak on the motion. I congratulate the Minister, Deputy Coughlan, and her team on the good work that is being done. I particularly congratulate them on the new action plan for agriculture for the years ahead.

Agriculture faces many challenges in the years ahead but working together, Governments and the farming sector can meet those challenges. As the Taoiseach commented recently, the agrifood sector has been and will remain the single most important contributor to the economic well-being of rural communities. Agriculture continues to represent the main options for rural economic activity. It continues to play a vital role in the Irish economy, with almost 10% of GDP coming from agriculture.

The Common Agricultural Policy has been reformed to take account of changing circumstances over the years. It is now better structured to meet the needs of the wider European Union. It now faces further challenges in the coming years, both internally and externally. A good outcome for Ireland at EU level was secured at the European Council last December where agreement was reached on the financing of the Union for the period 2007 to 2013. Ireland should receive over €10 billion in CAP payments and market supports over the next seven years.

Irish farmers deserve the maximum possible certainty on the level of direct payments in the years to come if they are to take full advantage of new opportunities and markets and to develop new products. Rural Ireland will also receive a special additional allocation of €500 million. The decision on the financial perspective still has to be finalised in consultation with the European Parliament but I understand our total rural development receipts will be in the order of €1.9 billion.

The December agreement includes a review clause and we can be sure that again there will be demands to adjust CAP expenditure but unanimity will be required for any decision taken under the review and I believe funding is secure for Irish farmers up to 2013. To ensure we are able to meet the challenges that face us in the future, the Government has put in place an

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ambitious plan for Irish farming and the agrifood sector.

There can be no doubt that agriculture and the agrifood sector are in a period of major change. Agriculture can and should encompass strong commercial farming as well as part-time farming, serving consumers and markets worldwide with pride and distinction. The success of our indigenous food industry must be built upon. That will help to strengthen Irish farming and secure jobs growth in the agrifood sector.

The Minister, Deputy Coughlan, is right to say that this plan sets out a positive vision for the future of the sector. It underlines the fact that delivering safe, high-quality, nutritious food produced in a sustainable manner to well informed customers in high-value markets is the right road for the future of the Irish food industry and therefore for our farmers.

A total of 166 actions are being taken to meet this vision. It is clear that the State and the taxpayer are doing their bit. I endorse the Minister's call for all private interests in the sector to step up to the plate, although she used the term "step up to the mark".

I congratulate the Minister. I welcome the new action plan and I support the motion. As Senator Quinn said, this action plan for agriculture will be a landmark in the future. I commend the motion and wish the Minister and her team well in the future.

**Mr. U. Burke:** I welcome the Minister, Deputy Coughlan, and her officials to the House. Most people throughout the country would warmly welcome the Minister's farm waste management plan. Of all the plans we have had in past years, this is the first to have flexibility with regard to anyone who wants to spend money in developing and managing their farms, whether it be for environmental or purely economic reasons. That is welcome. There is a "but", however, and that concerns the 10% differential between certain regions in the west, namely, Cavan, Monaghan and Leitrim, and other areas, particularly those that are disadvantaged, that need that additional support because of farm size and so on. That 10% might not be much to some people but it means a great deal to many others.

There are 166 points in the plan, 93 of which essentially deal with competitiveness. Some people cited the Minister as saying that the plan concerns competitiveness which is the life or death issue for farmers. Senator Quinn spoke essentially for those involved in the end product. My interpretation of what he said is that he had no regard for the efforts and endeavours of the farming community, that is, the producers. Everything he said concerned his own area, the end product that he could sell. It is a pity he is not present because I could remind him that a few years ago a farmer would have sold an Irish beef heifer for €500 or €600 at the farm gate yet at the

other end that animal was worth the equivalent of €1,500 or €1,800.

The Minister mentioned the concept of "from farm to fork". Senator Quinn was talking about the fork and had little regard for the other. If his vision of the agricultural plan is one of the farmer sitting in his armchair and that it is time for him to get up, he should take a trip to see where some of the food he sells originates. The people who claim they are talking about Irish quality product do not know its origins on the farm, where the Senator thinks farmers are sitting on their chairs. It was unbelievable, unacceptable and a gross insult to the farming community for a person who has benefited from it so much and for so long to have such a vision.

The Minister has given Teagasc a strategic position in this plan. I query that, for many reasons. Look at Teagasc's record over the years with regard to development in farming. Teagasc had research farms which were charged with the delivery of research and development, as well as trials, in agriculture. Teagasc sold the farms. It also sold the communications centres in many towns. Now, Teagasc is being reinvented and being brought centre stage in this plan. The Minister used the phrase "life and death". Teagasc had effectively died in the eyes of the farming community. I query its ability to drive the plan in a positive way because it is not seen in a positive light in the farming community at present.

Bord Bia, Féile Bia and labelling must also be discussed. The Minister referred to farmers' markets modelled on the Farmleigh experience and said they would be rolled out with the co-operation of the Office of Public Works. If there was ever a death knell for Irish farming, it is the idea of co-operating with the Office of Public Works.

**Mary Coughlan:** That is only for sites.

**Mr. U. Burke:** Yes. However, it was not long ago that food inspectors travelled the country closing down small enterprising food ventures on farms. If housewives, to supplement the family's income, were producing bread, cheese or other foods, they were told they could not do it because of EU rules, regulations and food directives.

**Mr. Coonan:** Poor old Dinny had to give up selling the free range eggs.

**Mr. U. Burke:** Now, the wheel is turning again with the arrival of farmers' markets where farmers can sell their produce in the open air. It is happening all over Europe and now we have decided we can do it here once more. Many people, some now gone from farming, attempted previously to be innovative but they were stymied in their efforts by over-enthusiastic regulators.

One of my constituents runs a top-class restaurant. He was approached approximately 18 months ago by a person who told him that to get

accreditation under the Féile Bia scheme he would have to get his meat from a particular source. I raised this previously in the House with one of the Ministers of State at the Department of Agriculture and Food. My constituent was already getting his meat from local farmers and knew the quality of his product. However, this person, who was representing Féile Bia, was forcing him into a situation where he would have to buy his meat from a particular wholesaler. It was well known that the wholesaler was importing South American beef and relabelling it as Irish.

My constituent refused to get accreditation from Féile Bia if that was what it involved. He reported it to the appropriate authorities and the person disappeared. There was no more about accreditation.

**Mary Coughlan:** What is the name of the restaurant?

**Mr. U. Burke:** The Minister can have it later.

**Mary Coughlan:** That is not the ethos of the Féile Bia.

**Mr. U. Burke:** It should not be but that is the reality. The man would appreciate a conversation with the Minister about the matter.

The Minister referred to forestry. The recently appointed Minister of State said in a statement that she was concerned there had been such a fall off in the development of forestry. Was there a change by the Department with regard to what happened last year with the cutbacks? We were told there would be a reduction from 20% to 10% and the Department was openly embracing the fact that we had held 10% and that the premia would be reduced accordingly.

Many people had accepted the idea that there was greater profitability in forestry in marginal areas, particularly in the west of Ireland, but they could not proceed. There are 500 applications in the Department awaiting approval and the farmers cannot proceed. The planting season will be over.

**Mr. Coonan:** It is the new computer.

**Mary Coughlan:** The computer is sorted.

**Mr. U. Burke:** If the applications were manually accepted, the people who intend to go ahead with forestry should be given an opportunity to do so. There should be some relaxation of the procedure to allow them to proceed. This is a productive possibility that is again being stymied. I ask the Minister to deal with this.

**Mr. K. Phelan:** When I attended the Fianna Fáil agricultural conference in Birr a number of weeks ago——

**Mr. Coonan:** Parlon country.

**Mr. K. Phelan:**——it was packed. It was hard to get parking that morning. I look on it as Cowen country. The Minister outlined the plan for the future of the agrifood sector. I was delighted the plan was published last week and I welcome its proposals. The reason a new plan is necessary is the changing circumstances now being faced in Ireland with regard to agriculture and food production. There is a fully decoupled payment scheme, trade is more open and less restricted and there are major changes in our lifestyles and those of our farmers and growers. We therefore must use the benefits of technology, research and development to continue to improve all aspects of our food production, whether it is for the home or the export markets.

There is great emphasis in the report on the need for the agrifood sector to remain competitive in the cost of production and the cost to consumers. Ireland has an export-driven food sector and if we price ourselves out of the range of consumers across Europe and elsewhere, we will be in serious trouble. Competitiveness is a major part of the plan because it will ultimately decide the future of the food sector in Ireland. The plan proposes 93 actions, one of which was announced last week with regard to milk quotas. By 2007, a milk quota system will be in place which will allow for the transfer of quotas. This is an important measure for commercial dairy farmers.

The Fianna Fáil motion before the House is not a report or a statement of what it would like to happen. The motion correctly refers to the fact that the plan contains 166 specific actions to be implemented in the near future.

The Fine Gael amendment is innocent stuff. It states that it notes the lack of funding commitments in the plan which will render the plan ineffective and unworkable. At every opportunity, we hear Members of the Opposition tell us that the Government should have more long-term plans before granting funding. The Minister and her team now have a great long-term plan but we are now being told that the plan is doomed because funding details are not provided.

**Mr. Coonan:** It is a great plan with no funding.

**Mr. K. Phelan:** The Minister for Finance will honour his word and will provide the necessary funding for this long-term plan.

**Mr. Coonan:** He will if he is there.

**Mr. K. Phelan:** He will be there. The Senator need not worry about that.

As someone from a rural constituency, I am aware of the importance and the success of the Irish agrifood sector. This is why I am delighted with the work of the Minister at European and international levels in sourcing new markets for our quality exports.

Looking through the plan, I was surprised to see the amount of opportunities available for the



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agriculture sector. The Irish market is worth €7 billion, but there is a potential €250 billion market in the UK and a wider EU market worth more than €1,000 billion. I have not even considered the emerging markets in Asia and the US. I am very confident for the future of the agrifood sector in Ireland. I compliment the individual farmers and the co-operatives that have brought forward a great deal of change in the sector. The food and drink industry employs 50,000 people in direct jobs and much more when we consider those employed on farms and in related services. This plan is very important for the future of our economy and I wish the Minister and her colleagues well in their work to push it forward.

The new waste management grant-aid plan announced yesterday has been widely welcomed. It will be of great benefit to many farmers. Senator Coonan is very relaxed this evening. While he said a few negative things, his body language would indicate that he would prefer to have the current Minister in power rather than Deputy Sargent of the Green Party.

**Dr. Henry:** We always like to hear what Senator Bannon has to say on agriculture, so I would like to share my time with him.

I welcome the Minister to the House and I congratulate her on the work she has been doing in the Department. I hope she looks at the remarks on this side of the House as further encouragement.

We must instil in our children the importance of agriculture and horticulture in Ireland. They must learn about where their food comes from.

*7 o'clock* We have been bad about this for some time and children have been eating the most appalling rubbish with no knowledge of what it consists and from where it came. Jamie Oliver made a great effort to improve school dinners in England and I give him credit for that. We should instill in our children a better understanding of the food they eat and why it should be nutritious.

**Mary Coughlan:** We just did a launch this morning with AgriAware.

**Dr. Henry:** That is a wonderful organisation and I applaud it for having made the effort to come to St. Stephen's Green with chickens, hens, a cow and a few sheep. Some city children have little notion of where food comes from. Leaflets are being sent out to the various schools about this and it is a worthwhile effort. There is a plague of obesity in this country which did not exist ten or 15 years ago. We have to make the connection between the production of good food and what people are eating. This has been done in French schools for a very long time and we noticed how fit those young people looked when rioting on the streets of Paris. Very few of them were fat and were well able to run from the water cannon. We

must make an effort to ensure that our children do not suffer from obesity. That is much worse for their health than running around the streets.

Farmers' markets were mentioned and they are very important. However, we must make sure that we know the source of food in our restaurants. Some 70% of the poultry used in our restaurants, fast food outlets etc. comes from outside the EU. Many people want to know the source of the food they consume and I hope the Minister can do more about that.

**Mr. Bannon:** I welcome the Minister to the House. She always comes in here smiling even though she has all agricultural enterprises in a very depressed state. In her short term in office, she has dismantled several sectors of the agricultural industry.

**Mary Coughlan:** If I smile, the Senator smiles too.

**Mr. Bannon:** Every recent Fianna Fáil Private Members' motion has loudly sounded the bells of the next general election. Each toll has heightened despite—

**Mr. Callanan:** The Senator has been nominated.

**Mr. Bannon:** — the attempts of this lame-duck Government to convince by self-praise, by spin, waffle and lies, all calculated to cover what will be the order of the day, weeks and months ahead. The Government has been completely inept in running the agricultural sector, which has suffered from ten years of wilful Government mismanagement.

Since this Government took office, an average of seven farmers per day have been leaving agriculture. The Government would have us believe that all is rosy in the sector. The motion states that Fianna Fáil commends the Government on continuing to prioritise agriculture and on providing leadership in meeting any challenges to our most important natural resource based industry. That is merely empty words and the desperate rant of a drowning Government.

**Mary Coughlan:** We can all swim.

**Mr. Coonan:** They should be thrown a lifeline.

**Mr. Bannon:** What has the Government done to merit this self-praise? It relaunched a report which had been gathering dust on the shelf for the last 15 months. The Taoiseach recently announced, with some fanfare, a blueprint for agriculture beyond 2015, an effort on which the Government is now lavishing inordinate praise. Something needed to be pulled from the hat to cover the large, white elephant the Taoiseach mistook for a rabbit when he proudly produced the agrivision 2015 blueprint, which had already been conjured by the Minister 15 months earlier.

In a comedy of errors, the Minister published the initial report on 15 December 2004 and stated that she would produce her response to that report in the new year. On 27 January 2005, in a reply to a parliamentary question, the Minister stated that an implementation plan based on the agrivision report would be forthcoming shortly. On 15 November 2005, in a further reply to a parliamentary question, it was stated that the action plan for agriculture, based on the Agri-Vision 2015 report, would be launched early in 2006. The Taoiseach, oblivious to all this and waking up to the crisis in agriculture, produced a report out of the hat which was another rehash. In a great spirit of enthusiasm and realising that agriculture was on its knees, the Taoiseach launched a 15 month-old report that was produced by a committee chaired by our former leader, Mr. Alan Dukes. I am glad the Minister acknowledged that.

**Mary Coughlan:** I said that I wanted an independent view.

**Mr. Bannon:** The Government sat on the report all that time, in spite of major threats to the Irish farming industry.

The average Irish farmer lost €3,899 in 2005. The average annual income to each farmer in Ireland—

**Mary Coughlan:** Farmers increased their income considerably last year.

**Mr. Bannon:** — is €15, 557, which included the single farm payment. When import costs of €15,478, Government stealth taxes and other charges totalling €3,978 are taken into account, farmers are losing over €3,000 per annum. The average farming family is operating at a loss of €75 per week and this has revealed that the crisis in farming is worse now than ever. Farming incomes are lower now than ever, and the Minister cannot deny that she has presided over that. Irish farmers are being driven off the land and their livelihoods destroyed by this anti-farming Government. However, the day of reckoning is coming very soon for the Minister, her party's Deputies, and the Government.

**Mary Coughlan:** *Touché.*

**Mr. Bannon:** I strongly condemn what the Minister has had the cheek to put before the House this evening, when all agricultural enterprises are on their knees. Shame on Fianna Fáil for the manner in which they have dismantled agriculture in this country.

**Mr. Callanan:** Perhaps I might start where I left off, having run out of time.

Before I do so, I pay tribute to the Minister for Agriculture and Food, Deputy Coughlan, also acknowledging the staff of the Department, who

have served this country and the interests of agriculture well, no matter who was in Government.

Earlier I made a special plea to the Minister that I hope both she and the House will endorse. I know of her compassion, leadership and strength of character. I could go on in such a vein, but I have a special plea to make. Those of us who watch television and see poverty, misery and death through hunger in Africa—

**Mr. Coonan:** The Senator should know that there is a great deal of poverty here too.

**Mr. Callanan:** I make a special appeal to the Minister to secure the Government's agreement that a special envoy with an understanding of people's needs be appointed to a small African state that we might adopt, dealing with health, education and food. If Senator Quinn were here, he would say that if one gives a person a fish, one will feed him for a day, but if one teaches a person to fish, one will feed him for a lifetime. However, we see children dying of starvation where there is only sand and desert, and one will never get food from such land. It breaks my heart to see that happen, as it must touch everyone. I ask the Minister—

**Mr. Coonan:** The Government did not acknowledge its commitment to overseas aid. It would not spend the money.

**Mr. Callanan:** The Minister of State at the Department of Foreign Affairs, Deputy Conor Lenihan, agreed €760 million for those countries, and he serves them well.

**Mr. Coonan:** It refused food. The only area in which the Government could agree cutbacks was in overseas aid.

**An Cathaoirleach:** Senator Callanan without interruption, please.

**Mr. Callanan:** I thought that it would have touched even Senator Coonan's heart, but that is obviously not the case. I am sorry to say that.

**Mr. Coonan:** The Senator should not be sorry.

**Mr. Callanan:** The appeal that I made was for unanimity on this issue.

**Mr. Coonan:** The Senator should save his own soul; I will look after mine.

**Ms Feeney:** Senator Coonan's is lost.

**Mr. Callanan:** Perhaps the Minister might take that appeal to Europe. Commissioner Mandelson must be stopped in his tracks regarding what he is doing to European agriculture, the purpose of which is to feed people. It is the bread of life.

**Mr. Coonan:** The Commissioner's accomplice is beside the Senator.

**Mr. Callanan:** The Minister has stood against Commissioner Mandelson in the past and held the line. However, if he is allowed his own way, manipulating the WTO talks, he could be responsible for bringing 1.3 million tonnes of meat products into Europe thus decimating the Continent's agriculture and food production.

**Mr. Coonan:** Is the Senator suggesting that the Minister for Agriculture and Food is a shrinking violet?

**Mr. Callanan:** I hope that you will not interrupt me on this matter.

**An Cathaoirleach:** The Senator should address his remarks through the Chair.

**Mr. Callanan:** I beg the Cathaoirleach's protection.

It is not for Mr. Mandelson to decimate European agriculture, of which Irish agriculture is part. Europe should adopt the same policy of continuing food production as we are doing. Any food allowed into Europe should meet the same standards as what we produce, with no doctoring, no messing around, no packaging with breadcrumbs or anything else, and no pretence that

it is a European or Irish product. Imported food must meet the standard of what we produce in Europe, but we should let in only a certain amount, since if we allow too much to be imported, it will decimate European agriculture. Equally, Europe should play its role in famine-stricken Africa. That is my appeal.

I congratulate the Minister on her presentation and excellent work, which I would describe as "Rolls Royce", and I know that Senator Coonan is cognisant of that too, never mind Senator Bannon.

**Ms Feeney:** Let us not get carried away.

**Mr. Callanan:** I thank Senator Coonan for his participation and for mentioning my name five times, which was very kind of him.

**Mr. Coonan:** I thank Senator Callanan for returning the compliment and mentioning my name seven times.

**Mr. Callanan:** Every Senator did his or her best, and we had a good debate. On everyone's behalf, I express our appreciation to the Minister and acknowledge her officials.

**Mr. Coonan:** One good turn deserves another.

Amendment put.

The Seanad divided: Tá, 17; Níl, 30.

Tá

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

Finucane, Michael.  
Hayes, Brian.  
McHugh, Joe.  
O'Meara, Kathleen.  
Phelan, John.  
Ryan, Brendan.  
Terry, Sheila.  
Tuffy, Joanna.

Níl

Brady, Cyprian.  
Brennan, Michael.  
Callanan, Peter.  
Cox, Margaret.  
Feeney, Geraldine.  
Fitzgerald, Liam.  
Glynn, Camillus.  
Hanafin, John.  
Henry, Mary.  
Kenneally, Brendan.  
Kitt, Michael P.  
Leyden, Terry.  
Lydon, Donal J.  
MacSharry, Marc.  
Mansergh, Martin.

Minihan, John.  
Mooney, Paschal C.  
Morrisey, Tom.  
Moylan, Pat.  
Norris, David.  
Ó Murchú, Labhrás.  
O'Brien, Francis.  
O'Toole, Joe.  
Ormonde, Ann.  
Phelan, Kieran.  
Ross, Shane.  
Scanlon, Eamon.  
Walsh, Jim.  
Walsh, Kate.  
Wilson, Diarmuid.

Tellers: Tá, Senators Coonan and Cummins; Níl, Senators Minihan and Moylan.

Amendment declared lost.

Question, "That the motion be agreed to", put and declared carried.

**An Cathaoirleach:** When is it proposed to sit again?

**Mr. Moylan:** At 10.30 a.m. tomorrow.

## Adjournment Matters.

### Schools Building Projects.

**Mr. Browne:** I welcome the Minister for Social and Family Affairs, Deputy Brennan, to the House. I hoped the Minister for Education and Science would be here, but I am sure Deputy Brennan will pass on my comments to her.

Ardattin national school was a small two-teacher school but following an explosion in attendance it now has three teachers and has consequently applied for a devolved grant to build on a new unit.

I compliment the Department of Education and Science on the trend it is following to move away from horrible prefab buildings. I was delighted to see from a parliamentary question reply that the Department only spends 5% of its budget on prefabs. While prefabs may be a short-term solution, they turn into a long-term problem. I taught in a prefab and found it unsatisfactory in terms of ventilation etc. When I was teaching in a prefab in a Dublin school, my first job each morning was to empty the mouse-traps.

Ardattin is a beautiful village in County Carlow with a proud record in the Tidy Towns competition. The school was offered a prefab by the Department, but it felt it would be unsuitable and take away from the overall appearance of the village. The school is beside a beautiful church and has done much work on its grounds. It has put in a basketball court and added a staffroom at its own expense. It was looking forward to getting a devolved grant to enable it to add on two extra classrooms that would blend in with the existing building but, unfortunately, that has not happened.

I appreciate the school was offered a prefab, but that would not be satisfactory to the school or the community particularly in point of view of the work done in improving the overall appearance of the village. I appeal to the Minister to reverse the decision and provide the money to build a permanent solution to the current problem that will enhance the village.

**Minister for Social and Family Affairs (Mr. S. Brennan):** As a former Minister for Education and Science, I understand the points being made by the Senator.

On behalf of the Minister for Education and Science I thank the Deputy for raising this matter as it affords me the opportunity to outline to the Seanad the strategy of the Department of Education and Science for capital investment in education projects, and also to outline the action planned to progress the application for capital funding received from Ardattin national school, County Carlow.

Modernising facilities in our 3,200 primary and 750 post-primary schools is not an easy task given

the legacy of decades of underinvestment in this area and the need to respond to emerging needs in areas of rapid population growth. Nonetheless, since taking office, the Government has shown a sincere determination to improve the condition of our school buildings and to ensure that the appropriate facilities are in place to enable the implementation of a broad and balanced curriculum.

In this regard the Government has invested in the largest school building programme in the history of the State. Between 1998 and the end of 2004, almost €2 billion was invested in school buildings, which represents a five-fold increase in capital allocations. In the region of 7,500 large and small projects were completed in schools in this period, including 130 brand new schools and 510 large-scale refurbishments and extensions. To build on this extensive progress, in 2006 over €491 million will be spent on school building projects, compared to just €92 million in 1997. The 2006 allocation, is an increase of over 9% in real terms on the 2005 allocation.

As the Senator will be aware, at the end of last year the Minister for Education and Science outlined her spending plans for primary and post-primary schools for 2006. With €491 million to be spent on school buildings, over 1,300 active projects will be embarked on in schools throughout the country. This significant investment will allow the Department to continue to progress its major programme of school building and modernisation, which includes improving equipment needed for new technologies and ICT.

It was not possible to include the proposed building project at Ardattin national school in the list of schools recently announced to receive funding for extension and refurbishment works, as a determination of the school's long-term needs, and hence its suitability or otherwise for such a scheme, had not been sufficiently advanced at the time decisions were required to be made on school selections for the schemes in question.

The application has, however, been assessed in accordance with the published prioritisation criteria for large-scale building projects and progress on the proposed works is being considered in the context of the school building and modernisation programme from 2006 onwards. In the meantime, I am pleased to inform the Senator that approval has been given to the school for the rental of temporary accommodation to meet its immediate accommodation needs.

### School Meals Programme.

**Ms Tuffy:** The matter I raise is self-explanatory and I will not add much except to say that I support the call for the extension of the school meals programme to more schools and pupils and for more funding for the programme. There should also be particular emphasis on healthy eating for the children involved. I look forward to hearing the Minister's response on this.

**Mr. S. Brennan:** I thank Senator Tuffy for raising this issue and appreciate her sincere approach to the matter.

The school meals programme operated by the Department provides funding towards provision of food services for disadvantaged school children through two schemes. The first is the long-standing statutory urban school meals scheme which is currently operated by 36 local authorities. The Department jointly funds the food costs on a 50-50 basis with the local authorities who also manage and fund the administration of the scheme.

The urban scheme is confined to primary school children and the decision on eligibility of individual children and schools rests with the local authorities, subject to the Department's approval. A total of 386 primary schools have benefited under the urban school meals scheme for the calendar year 2005, of which ten were in the Dublin mid-west region, all in Clondalkin. It is not possible to determine how many pupils benefited from the scheme in this region as the Department does not have that information to hand from the south Dublin local authority.

The second programme is the school meals community and local projects programme. Unlike the urban scheme, this scheme is non-statutory and provides funding directly to national schools, secondary schools, local groups and voluntary organisations which operate their own meals projects. Projects must be targeted at areas of disadvantage or at children with special needs. Funding under this scheme is for food only, which must be of suitable quality and nutritional value and be prepared and consumed in an appropriate environment. This scheme came into operation in September 2000 and has since been expanded to include preschools that are community based and which operate on a not-for-profit basis. The amount of funding allocated to a project depends on the type and number of meals provided. The current rates of funding for the various meal types are as follows — breakfast, €0.60; light meals, €1.40; and dinner, €1.90.

In the current academic year, 2005-2006, a total of 24 schools in co-operation with 12 organisations are involved in running food clubs in the Dublin mid-west region, benefiting 2,469 children through breakfast, lunch and homework clubs. I will arrange for a tabular statement to be provided to the Senator on the organisations providing these food clubs. I do not have information on the overall number of schools in the Dublin mid-west area so I cannot provide details on the percentage of schools and pupils benefiting from the school meals scheme.

There is ongoing liaison between my Department and the Department of Education and Science on school meals issues. In 2005 the Department of Education and Science initiated a new action plan, Delivering Equality of Opportunity in Schools, DEIS, which incorporates many of the Department's existing schemes which target educational disadvantage. A list of schools

identified for inclusion in its school support programme is being updated and will be available shortly. The Department will use this list to ensure that disadvantaged schools are prioritised for inclusion in the school meals programme.

The school meals programme makes an important contribution to ensuring that school children receive better nutrition and contributes to improved school attendance and quality of learning. The scheme also supports initiatives that target dispersed disadvantage and children with special needs.

### Community Development.

**Mr. Bannon:** I thank the Minister of State at the Department of Community, Rural and Gaeltacht Affairs, Deputy Noel Ahern, for taking this matter. I wish to impress on him the need to clarify the position on once-off funding for Kenagh community centre, County Longford, which was built at a cost of €662,000 in a small rural parish of approximately 700 people. They are finding it difficult to pay the outstanding loan of €240,000 on this valuable community amenity and are seeking funding from the Government to pay half of the loan amount.

Between 2000 and 2003, the Kenagh community centre committee worked hard to raise funds and sought to put in place a first-class facility for sport, recreation and entertainment, a place for the community to meet and grow. This type of facility has been provided in Kenagh and in other communities throughout the country to combat the drug and drink culture which we all know is responsible for an upsurge in violence, killings and carnage on our roads. Such a centre is the heart of any local community and an invaluable asset. This facility is now in place alongside Kenagh football club and the two compliment each other very well. Kenagh GAA club gave the site to the community on a 99-year lease, a very generous gesture that was much appreciated.

As with all such ventures, goodwill and funding are of greatest importance. The goodwill in the area was evident from the start and local support for fund-raising has been more than generous. However, funding at national level is required to support the outstanding voluntary effort.

The Kenagh community centre cost €662, 000 to build. The sports hall has a maple floor that cost €44,000 to install. The committee received a grant of €114,000 from the national lottery fund, €38,000 from the Leader II programme and €10,000 from Longford County Council. In effect, the local community has received approximately one quarter of the total cost, leaving three quarters for it to find itself. This is hardly an equitable situation, given the current national prosperity and considering the benefits that have accrued to the community from this project.

The parish of Kenagh has a mere 240 families, which amounts to approximately 700 people. The community relies heavily on the catchment area

for the use of this facility but this does not help it to pay off the loan, which amounts to €240,000 over a 15-year period. Last year the community centre committee laid a tarmacadam surface which cost €40,000 and installed an electric timer in the sports hall. The committee applied for a national lottery grant but was turned down because it was not considered a high priority, but these improvements were very necessary to the centre.

The Kenagh committee is seeking a once-off allocation, with no matching funding, and would be happy with an amount equal to half of the outstanding loan. Perhaps the Minister of State will consider this, given that small rural communities do not have large enough populations to finance projects such as this, which bring enormous benefits. I plead with the Minister of State to give the matter his consideration and ensure that the committee will be granted half of the €240,000 loan that is still outstanding. The local community will pay the remainder, if the Minister of State is generous with funding.

**Minister of State at the Department of Community, Rural and Gaeltacht Affairs (Mr. N. Ahern):** While I hear what the Senator is saying, I am somewhat at a loss as to why he has raised this matter on the Adjournment. The Department of Community, Rural and Gaeltacht Affairs does not have funding available and does not operate a scheme of funding for the building of community centres. I accept that there may be a need for such a fund, but at present, there is none.

The programme of grants for locally-based community and voluntary organisations, funded by my Department, supports the activities of local voluntary and community groups addressing disadvantage in their community. I stress that the scheme is particularly geared towards disadvantage. The programme has benefited thousands of locally-based community and voluntary organisations throughout the country.

Under the 2005 programme, I provided funding in excess of €5.5 million for over 500 groups across the country. This represented a sizeable increase of some €2 million over the 2004 programme. The organisations funded cover a broad spectrum of local voluntary and community activity but the common thread in all projects is that they aim to address disadvantage in their communities. Details of the groups which received funding under the programme are published on my Department's website at *www.pobail.ie*. I am sure there are groups in the Senator's constituency that received funding.

The programme includes a funding scheme for small-scale refurbishment of premises, including community halls. Grants of up to €40,000 are available for refurbishment purposes. Priority under the programme is given to disadvantaged communities with a greater priority accorded to self-help initiatives by disadvantaged groups and

communities over proposals involving direct service provision.

The programme is advertised widely in the national and regional newspapers on an annual basis. It will be advertised again before the summer, in six to eight weeks' time. However, as I said, funding is very much geared towards disadvantage and refurbishment of existing community centres. No application for funding was received by my Department under the programme from Kenagh community centre. Again, I must point out that the programme does not cover the construction of community centres and there is no funding available or scheme operated by my Department for retrospective funding of such projects.

With regard to Leader funding, I am advised by Longford Community Resources Limited, a Leader company, that funding of £38,092 was made available by it to Kenagh Community Development Association towards the construction costs of a new community facility in 2002. Grant aid of the amount approved was paid on completion of the work in November 2003. No further application has been made to Longford Community Resources Limited relating to the Community Centre. It is not possible to make Leader funding available retrospectively to meet any shortfall that has arisen.

I hear what Senator Bannon has said but I do not know that I have a solution. I do not know if the centre has any tenants or if any office space in the centre is rented to any Government-funded programmes. I have seen cases where offices were made available for Government-funded programmes and centres then had tenants who paid rent, which was of some financial help. The Senator mentioned the Department of Arts, Sports and Tourism. I do not know if the committee has approached that Department this year. How much did the Senator say the county council gave? Was it €8,000 or €100,000?

**Mr. Bannon:** €10,000.

**Mr. N. Ahern:** That does not seem overly generous. Who provided the site?

**Mr. Bannon:** The GAA gave the site.

**Mr. N. Ahern:** Some local authorities in receipt of development levies have been quite generous with regard to the provision of community facilities. Development levies were intended, in part, for such provision. However, the committee might have a problem there because of the fact that the centre is already built. There is no single agency that can bail the committee out. Is the loan from the local authority or is it a commercial loan?

**Mr. Bannon:** The loan is from the banks. Small rural communities need some sort of a centre where young people can congregate. That is lack-

[Mr. Bannon.]

ing in many communities. There should be some grant assistance available towards community centres.

**Mr. N. Ahern:** I accept there is a gap now. Many such centres emphasise the sporting element and approach the Department of Arts, Sport and Tourism. Other than my Department's refurbishment grant for such centres and community halls, there is a gap here. In recent years, the Department of Arts, Sport and Tourism seems to have adopted a purer definition of what is meant by "sport".

Either way, there will be a problem in obtaining funding for something that already exists. The Longford Community Enterprise Centre might be of assistance. Perhaps the committee has knocked on every door. If the committee wishes to apply for funding for refurbishment or repairs, the scheme run by my Department might be of assistance, but only up to a maximum of €40,000. However, that would be for something new within the centre or for refurbishment. Other than that, I am afraid that I do not have a solution to the Senator's problem.

**Mr. Bannon:** I mentioned the refurbishment works involving the installation of the timer and

the provision of tarmacadam outside the centre, which cost in the region of €40,000—

**An Cathaoirleach:** We cannot have a debate on this now.

**Mr. Bannon:** Would the Department's scheme cover that?

**Mr. N. Ahern:** The application system will be open for that scheme in the next six to eight weeks. I am sure that not everybody is rich in County Longford and there are some disadvantaged people in the community. In order to qualify for our scheme, the application would have to specifically outline how the project assists disadvantaged people.

I'm afraid I do not have a solution or a scheme which would match the requirements of the Kenagh community, apart from the various bodies I mentioned earlier. I advise the committee to approach the Longford Community Enterprise Centre, the Department of Arts, Sport and Tourism and the local authority. If the committee is unable to meet the debt repayments, an approach to the local authority for funding from the development levy fund might be of some value.

**Mr. Bannon:** I thank the Minister of State.

The Seanad adjourned at 7.50 p.m. until 10.30 a.m. on Thursday, 30 March 2006.