

SEANAD ÉIREANN

Dé Céadaoin, 20 Deireadh Fómhair 2010.
Wednesday, 20 October 2010.

Chuaigh an Cathaoirleach i gceannas ar 10.30 a.m.

Paidir.

Prayer.

Business of Seanad

An Cathaoirleach: I have received notice from Senator Liam Twomey 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 Skills to clarify the action being taken to help 7,000 apprentices who are unable to complete their training because of the crisis in the construction sector.

I have also received notice from Senator Brian Ó Domhnaill of the following matter:

The need for the Minister for Social Protection to ensure appeals lodged to the social welfare appeals office are decided upon within a six week period, given that some appeals are taking in excess of one year for a decision to be made (details supplied).

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

The need for the Minister for Health and Children to clarify if there are any proposals to address the challenges faced by older nursing home residents who are approved under the fair deal nursing home repayments scheme but who, if they develop an age related disorder or deteriorate further, are in need of higher support.

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

Senator Donie Cassidy: The Order of Business is No. 1, motion regarding the proposal for a directive of the European Parliament and the Council on the right to information in criminal proceedings, to be taken without debate at the conclusion of the Order of Business; No. 2, Seanad Electoral (Panel Members) (Amendment) Bill 2008 — Order for Second Stage and Second Stage, to be taken at the conclusion of No. 1 and conclude not later than 1 p.m., if not previously concluded, on which spokespersons may speak for eight minutes and all other Senators for five minutes and Senators may share time, by agreement of the House, with the Minister to be called upon ten minutes before the conclusion of the debate for closing comments; No.3, statements on the Minister for Finance's announcement on banking of 30 September 2010, to be taken at 2 p.m. and conclude not later than 5 p.m., if not previously

[Senator Donie Cassidy.]

concluded, on which spokespersons may speak for 12 minutes and all other Senators for eight minutes and Senators may share time, by agreement of the House, with the Minister to be called upon ten minutes before the conclusion of the debate for closing comments and to take questions from spokespersons or leaders; and No. 35, Private Members' business, motion No. 18 regarding assistance for small and medium-sized businesses, to be taken at the conclusion of No. 3 but not before 5 p.m. and conclude not later than 7 p.m. The business of the House shall be interrupted between 1 p.m and 2 p.m.

Senator Paschal Donohoe: Today marks an unprecedented day for Irish politics. The leader of Fine Gael will meet the Taoiseach and the Minister for the Environment, Heritage and Local Government to review the crisis our country is in. This unprecedented day for our politics arrives during an unprecedented economic era. As this country's problems are so serious, today should not be a day for glib soundbites, or for spoofing about where our economy stands. It is a day for honesty and clarity. We need to create an environment in which the hope and confidence of our people can grow. I hope that as a result of the meeting, those on whom we depend for funding will have more confidence in where this country stands. The absence of hope is not just a problem in itself — it has also become part of the economic crisis we are in. At the end of 2006, approximately €77 billion was being saved by households and consumers in this country. As of the middle of this year, that figure has increased to approximately €85 billion because people have so little confidence for the future. If confidence was restored and half of that money was taken out of bank accounts and spent, it would give a greater stimulus to our economy than anything the State could do in the years to come.

The question of waste has been discussed in this House in recent times. We have learned today that UCD and the Higher Education Authority are in negotiations regarding the spending of €1.6 million that should not have been spent. Questions have been asked about the spending by the HSE of approximately €67 million on agencies. We are aware that the Taoiseach's special advisers cost the taxpayer €800,000 per annum. All of these matters have to be addressed. Expenditure of that nature is no longer appropriate to the era we are in. We need to state honestly that dealing with the manner in which public moneys are spent and wasted is not enough in itself, although it is an important start. Fairness demands that everybody should give according to his or her means. The environment we are in means everybody is likely to be asked to play his or her part.

During his election campaign, the President of the United States remarked that there is nothing false about hope. It is now apparent to many of us that there has been something false about the hope this Government has given us with regard to where the Irish economy has stood up to this point. I hope today marks the end of that. I hope the Taoiseach has the confidence to give clarity to the country regarding where things stand and what the future is likely to hold. Both sides need to be involved in the process of reaching out and achieving consensus. I hope the Government initiates such a process today.

Senator Joe O'Toole: I would like to speak about an issue that arose in the North in the last week. I refer to the question of apartheid in education, which I have been raising for many years. It has always been a problem in the democracy in which we live. Last week, Peter Robinson proposed the adoption of a ten-year plan whereby all the children in the North are educated together.

Senator David Norris: Hear, hear.

Senator Joe O'Toole: I am aware that the suggestion has received a cold reception from people in the nationalist community. It has not been accepted by the SDLP or Sinn Féin, where

such people tend to lodge their votes. This proposal should be considered on an all-island basis. Some of us fought viciously against the provisions of the Equal Status Act and the Employment Equality Act that facilitate appalling discrimination against teachers and other workers in the name of religion. It is appalling to think in a democracy there is a suggestion that if children from different religious backgrounds are educated together, they will taint each other in some way, undermine each other's religious beliefs or upset the choices made in the parental home. We need to debate this across the whole island. We should consider what kind of society we are trying to achieve in this democracy. If we want people in the North and South to share, live and work together, but we will not allow them to be educated together, what are we trying to do? We need to examine clearly the appalling mismatch that exists in that regard. I do not mean to reject the concept of parental choice of religion. The point I am making is that various parental choices can be respected and accommodated in schools where children from different religious backgrounds are being taught under the same roof. It has been done before in our history and it can be done again. My comments should not be interpreted as anti-religious, but as an expression of my desire to bring people from different backgrounds together. Not only should we support the point made by Peter Robinson, but we should consider taking it on board down here.

Senator Ivana Bacik: I join other Senators in welcoming the Taoiseach's attempt to engage the Opposition party leaders in talks on the extent of the financial crisis and the economic recession. The Opposition is right to approach the talks with caution. The failed economic policies of the Taoiseach and his Government colleagues, who have been in power for over 13 years, have brought about the crisis we are in. We have to be careful in how we deal with the Taoiseach's request for the Opposition to help him to solve this crisis, while he and his colleagues remain in office. Having said that, it is important for the Opposition leaders to engage with the Government in this regard.

I ask the Leader for a debate on prisons in the context of the economic crisis. Senator Cummins and I have been calling for such a debate for some time. The Chancellor of the Exchequer, George Osborne, in Britain will make a speech today about the spending cuts he intends to introduce. The UK Ministry of Justice will be among the hardest hit departments in that country. I understand that Mr. Osborne will propose a fall-off in prison places and a reduction in spending on prisons in order to cut costs. We can learn from that here because our prison places are extremely costly. Many people are serving time in prison for the non-payment of fines and minor offences even though cheaper options which are better for the rehabilitation of offenders are available to us. The recent disturbances in Mountjoy Prison may have taught us that we need to reconsider the issue of prison reform and the possibility of cutting the costs associated with our prison system a progressive way. I would welcome a debate on this issue, particularly as we need to know what is happening with Thornton Hall, which is currently no more than a road and a wall. Will the construction of this white elephant of a prison go ahead? If so, at what immense cost to the Exchequer will it be built?

I join Senator O'Toole in calling for a debate on education, with particular reference to the need for more multid denominational school places to be made available at primary and secondary levels. We have campaigned on this issue for a long time. I remind the House that the wishes of parents are not being respected in many ways. Under the Constitution, parents have the right to ensure their children do not attend a school with a religious ethos that is against their conscience and lawful preference. Given that over 90% of our primary schools are Catholic-run, we should face the fact that many parents are being forced to send their children to schools with an ethos with which they do not agree. We should have a debate on the reality of school provision and on the need to consider other models, such as the transformation of patronage model.

Senator Dan Boyle: I welcome today's meeting of the party leaders, at which the four-year budgetary strategy will be considered with particular reference to the forthcoming budget. I agree with Senator Donohoe that we should avoid comments about the "hand of history upon our shoulders". Today's talks will focus on what could be agreed, rather than trying to reach agreement. It is important that we all try to encourage those talks in where they might lead. When consensus is reached, it will be important to keep matters in their proper perspective. I accept that this is a serious situation and that policy mistakes have been made. I do not think the general atmosphere among the public is helped by pretending that an air of hopelessness exists. If we make the right and the difficult decisions, we can get out of this situation in a relatively short time and quite well. That is the political challenge which lies ahead of us.

Senator Bacik referred to the exercise taking place in the United Kingdom today where, proportionately, it will propose cuts higher than those we have put in place. When we think of ourselves as some type of economic island, we should also acknowledge that these decisions are being made in other jurisdictions.

I agree with Senator O'Toole on the need for a wide-ranging debate on education and how it is structured, particularly in the budgetary context in that it is the area which will need most protection in the decisions that must be made. The betterment of our society and the strength of our economy depends on making such decisions in the coming months.

Senator Jerry Buttimer: I join with Senator Bacik in calling for a series of debates on the economy in the run up to the budget. In welcoming the talks today, I wish the leaders of Fine Gael and the Labour Party well in their task of getting the truth from the Taoiseach and the Department of Finance because today must be about truth. Will we get the truth from the Government about the State's finances? Can the people have confidence——

Senator John Ellis: On a point of order, they will meet civil servants. I expect the civil servants will give them the proper information.

Senator Paul Coghlan: It is a meeting of the party leaders.

Senator Jerry Buttimer: Senator Ellis is wrong because the party leaders are meeting the Taoiseach today.

(Interruptions).

Senator Jerry Buttimer: Can we trust Fianna Fáil to give the correct information?

An Cathaoirleach: That is not a question.

Senator Jerry Buttimer: It is a question.

(Interruptions).

An Cathaoirleach: On the Order of Business, questions must be asked of the Leader.

Senator Jerry Buttimer: With respect to the Cathaoirleach, I ask the Leader to address that question. I ask that question given that we have now discovered the Minister for Finance has been wrong on each occasion. The Department of Finance knew the financial position last June. Why has it taken until now to get information?

I believe Senator Harris found the road to Damascus on this morning's "Morning Ireland" radio programme and has been converted to the need to look after people. It is time we had a debate on the political class and how it can show leadership. I have no difficulty taking the

lead, as Fine Gael has done, by taking a pay cut and by looking at the trappings of power for Ministers and Ministers of State and at everything relating to the political class. Let us have a real debate on how the political class, led in the main by the Members opposite, has failed the people. I challenge the Leader to arrange a debate on the political class.

Senator Terry Leyden: It would be worthwhile having a debate on the RTE Authority and the relevant legislation. We should bear in mind that section 18 of the Broadcasting Authority Act 1960 states: “It shall be the duty of the Authority to secure that, when it broadcasts any information, news or feature which relates to matters of public controversy or is the subject of current public debate, the information, news or feature is presented objectively and impartially and without any expression of the Authority’s own views”.

As Members will be aware, we spend €190 million in television licence fees and we give €55 million per year from the social welfare budget to the RTE Authority. The director general, the chairman and the board of the RTE Authority should review the presentation of programmes. Deep concern has been expressed. It is in the national interest that RTE complies with the 1960 legislation and that we ensure impartiality and fair play in the presentation of facts and politics at this crucial stage.

Senator David Norris: I welcome the moderate and balanced tones of Senator Donohoe on behalf of Fine Gael. I also welcome his partial conversion to socialism because he said that in these circumstances, everyone should contribute according to his or her means. The old socialist maxim is from each according to his ability, to each according to his need. We need to bear the needs of the people in mind as well as the needs of the economy.

I again raise the subject of taxi drivers. I believe there have been 30 suicides in the past year among this group of people, which is very worrying. It is particularly worrying when we learn that the Taxi Regulator told an Oireachtas committee yesterday that she has a surplus of €20 million in her account while at the same time she is pursuing a policy where taxi drivers are compelled to get rid of their cars when they are nine years old, even though they have passed the national car test with flying colours. That means the national car test is rendered redundant. She also mentioned that the market would regulate this. We learned something about markets recently and the fact that they are suspended in the interests of the large people and that they crucify the small people. We must start to consider the human element in our society.

I spoke at a most interesting meeting in Athlone some months ago organised by the National Irish Safety Organisation. When doing research, I learned that the two most vulnerable sectors in terms of accidents are construction and farming. The number of accidents are completely disproportionate compared to other sectors. There were two tragic farm accidents yesterday. The head of the State organisation very sensibly called for farmers to conduct safety audits in their farms. I hope the Leader will urge the farming organisations to continue to act as responsibly as they have been and to try to ensue we avoid as many as possible of these very sad incidents by instituting safety audits on farms. It is very difficult because farmers are so familiar with the practices but they need to look at them with a fresh eye and be aware of the dangers to which they and their families may be exposed.

Senator John Ellis: We are all talking doom and gloom and it might be time we took a positive look at some of what is happening. When I became a Member of this House 30 years ago, 800,000 people were in employment in this country. There are now 1.8 million people employed. We should debate how we can come up with ideas which will help to create further employment. Employment is needed as much as anything else. Naturally, people who are dependent on social welfare feel neglected and left out. It is imperative we hold a debate as

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soon as possible on how employment can be created and that we allow everyone to throw his or her sixpence into the pot to see what comes from it.

I support what Senator Norris said in regard to the Taxi Regulator who has taken a decision to ban cars more than nine years old. Any vehicle which passes the national car test and the public service vehicle test should be entitled to be used. We should ask the Minister to go to the Taxi Regulator to see what can be done to reverse this decision. It is wrong that people will be forced out of business because their vehicles are too old. As far as the general population is concerned, age cannot be used as a mechanism to discriminate against someone, so it should be the same when it comes to cars. People should be entitled to use these cars as long as they meet all the safety standards.

Senator Ciaran Cannon: We are approximately four weeks away from the first anniversary of the horrendous flooding which affected this country last November. As we approach that time, we should pause to reflect on how we reacted as a nation and on our state of preparedness in case a similar flooding incident occurs this year or in subsequent years.

It is also important that we pause to reflect on how we reacted to the plight of many families throughout the country as a result of the flooding. Not long after the flooding occurred last year, the Government put in place a €10 million hardship fund, which was most welcome. It has transpired that only 10% of the €10 million was actually allocated to families, primarily for two reasons — first, most families were able to secure compensation through their insurance and, second, the conditions attaching to that scheme were fairly restrictive in nature. Households in Galway received the largest share of that fund, with 337 people being compensated to the tune of almost €400,000.

However, a number of families are still out of their homes a year later and these are the ones on whom we should reflect. They are unlikely ever to be able to return to their homes for two reasons: first, they cannot get insurance to reinsure their homes if they were to be in a position to rebuild or refurbish them, and second, they cannot get a mortgage from any institution that would allow them the funds to carry out that refurbishment or rebuilding. This is a very small group of people throughout the country and a fraction of the €8 million that remains in that fund could allow them to rebuild in a different location that would not be prone to flooding. As we approach that anniversary, it is important that we should reflect upon that small minority — I would argue at most 20 or 30 families throughout the country — who need the support of the State in being able to set their families and themselves on a new road and allow them to move on from the crisis that affected them a year ago. Everybody else has moved on but they have not had that opportunity.

Senator Paschal Mooney: Last week on the Order of Business I raised an issue relating to illegal downloading of music on the Internet which followed on a court case which the major international record companies had lost that had been taken the previous day. I asked the Leader what possible legislation could be introduced to address this gap, and I am repeating the request. I have had quite a significant amount of response to the comments I made last week, specifically from persons who state that the figures quoted in my report, and also the figures quoted in the court case to defend the record companies' position, are inaccurate, and I was asked by a number of those who emailed me to correct the record. Having investigated this further — I recommend to the House that those who are interested log on to taint.org — there is no doubt that the figures that have been quoted to support the court case, which was subsequently lost, are not accurate. It related to the group Aslan. I do not want to delay the House on this other than to correct the record in that I put the figures as I had received them in good faith and such has been the response to the comments I made in the House last week

that I feel obliged to correct the record and state that there is no doubt but that the figures that have been used are, at best, suspect.

It would be important if the Leader could have the Minister for Enterprise, Trade and Innovation, Deputy Batt O’Keeffe, come to the House to give some indication of his proposals because the music industry is currently lobbying in this House and in the other House to have legislation changed to benefit it. However, there is a wider view that illegal downloading will continue irrespective of what happens, the record companies are now on the defensive and there are other alternatives that could be brought forward such as licensing those who wish to download. In that context, I would be interested in the Leader’s response.

Senator Rónán Mullen: I find myself in troubling agreement with both Senators Bacik and O’Toole on some of their comments on the question of education and religious ethos. They are both correct when they seek to vindicate the right of parents to access schools for their children which reflect their vision of life, their values and their ethos. In particular, I welcome Senator O’Toole’s explicit support for the idea that State-run primary schools could provide for religious education for different traditions separately within the schools. That will be part of the welcome new compromise in the future. We should envision a future together where education is accessible to people in a way that reflects their values if that is their wish, if they want a school run by a particular religious organisation or institution, and that it would be State funded, but that people who do not want such an education would also have their choice respected by the State. That is a question not of apartheid but of respect for diversity. I support the idea of proximity as well, and particularly in the Northern context. It would be important, while respecting people’s right to an education within their traditional values and to have schooling that fully reflects that, to ensure there is plenty of mixing between people and that people are accessing each other and benefiting from experiencing each other’s traditions as well. That can be achieved if there is goodwill on all sides.

I compliment Senator Mary White on her comments on the BreastCheck scheme and the fact it is being denied to women over 64. This was mentioned in the Joint Committee on Health and Children yesterday. It is really scandalous that women over 64 are seven times more likely to get breast cancer and yet they are excluded from the programme which provides free mammograms to women aged 50 to 64. Often we talk about discrimination in this House and how unjust it is.

An Cathaoirleach: Senator Mullen has made the point.

Senator Rónán Mullen: This is an extraordinary form of discrimination. I conclude by saying, as I did yesterday——

An Cathaoirleach: Senator Mullen should conclude earlier.

Senator Rónán Mullen: ——that we will have cutbacks to make——

An Cathaoirleach: Senator Mullen’s time is up. I call Senator Healy Eames.

Senator Rónán Mullen: ——but we must avoid massive injustices in the choices we make.

Senator Fidelma Healy Eames: I support the calls for a debate on education. The education system, particularly at primary and second level, urgently needs protection. As I have heard others such as Senator Ross state in this House previously, there has never been that much fat there. We are now approaching a budget where that is under threat again. We are told it is one of the biggest Departments and we must look seriously at how we will protect the education system.

[Senator Fidelma Healy Eames.]

The main reason I stand is to tell the Leader we heard an inspirational address this morning by former Taoiseach, Mr. John Bruton, at a business breakfast in the city. He spoke with great hope about now being such a good time to invest in Ireland and it was really good to hear that message of hope. I say to Fianna Fáil, the Greens and the few Independents that while they are still in Government they have the privilege of doing something positive and implementing solutions. Here is the reality that I believe they must address. Yesterday we heard that adjustments of up to €15 billion are needed between now and 2014. This morning we learn in *The Irish Time* that citizens will have to pay €6 billion just to finance the bank bailout by 2014 and Mr. John Bruton stated that personal borrowing in this country is 200% of GDP. Those are tough facts but how can we reconcile the fact this crisis was not of ordinary citizens' making and expect them to fund the national debt when they are in all likelihood putting their own homes and families at risk? I have asked repeatedly where are the solutions to protect the family home, and so has Senator MacSharry. I need to see those solutions. I ask the Leader to ask the Minister for Finance to tell us how people will be protected until we get out of this mess.

Senator Eoghan Harris: I ask the Leader to arrange a debate on multiculturalism, immigration, integration and allied subjects. Senator Norris's mention of taxi drivers makes that all the more acute because the other side of taxi drivers is having to listen to them about racial minorities in Ireland. In recent weeks, we have heard much talk about Irish people not doing jobs and Pilipino nurses being employed instead of Irish nurses — all the kind of neo-racial stuff one gets when jobs are under pressure.

This is a good time for us to have this kind of debate for two reasons. First, the Seanad is the right place to have this debate. The Seanad can in a calm mood debate all aspects of multiculturalism without any heat and with a great deal of light because everyone here has specialist knowledge on it. It could form the basis of a proper Government policy on the matter, not a quango-led policy, an equality agency policy or some special interest left-wing or right-wing group's policy, but a State policy. The business of cherishing all the children of the nation equally has a reciprocal obligation attached to it, that is, for the children of the nation to cherish the nation too. It cuts both ways. It is not only a one-way process and those who are the children of the nation, such as immigrant groups and other groups, have obligations to the State and to society.

Let us not practise the British habit of letting them all at it. Mr. Micheal Collins, the working-class writer from Southwark, wrote a book, "The Likes of Us", in which he stated, basically, that the British state dumped the multicultural problem on the Irish white working class and other sections of the British white working class while they lived in Islington and did BBC programmes about how there should be multiculturalism. We do not want that approach to be taken here. We cannot dump immigrants on working class communities and then rear up because they resent or resist it. This is not racism but class indifference shown by the upper classes. If we are to have a policy of multiculturalism, let it lay equally on every class, rather than having the white working classes of Britain and Ireland bearing the brunt of a policy that results in Polish and Nigerian workers and Muslims arriving in working class communities, while the rest of the population make trendy programmes about immigrants. I ask the Leader to arrange a debate on multiculturalism in a period of calm as opposed to heat.

Senator Paul Coughlan: I wish the party leaders well in today's talks. I hope a suitable, independent means of verifying the figures can be found when that issue is addressed. I also heard the powerful speech made by Mr. John Bruton, a former Taoiseach and European Union ambassador to Washington. He spoke eloquently and powerfully about our abilities and capabilities. We can move forward in hope and manage our way out of the current crisis with proper

planning, but the difficulty is that there has been widespread mismanagement. As Mr. Bruton pointed out, the Civil Service completely lacks co-ordination. Departments do not communicate with each other and many civil servants are too willing to fight turf wars over their own patch, as if it their Department was their personal fiefdom. They forget that, like us, they are servants of the State.

Senator Terry Leyden: Bring back Mr. Bruton. Is that what the Senator wants?

Senator Paul Coghlan: Waste must be eliminated, beginning in every Department. Ministers take a hands-off approach and do not even sit in at management committee meetings in their Departments. That is crazy and anyone who adopted that position in the private sector would not survive. Having failed to give such a commitment yesterday, will the Leader give a promise today that he will arrange a debate on the budgetary position, the four year plan and allied matters immediately the talks between the party leaders, in which we all have a vested interest and which we all hope will bear fruit, reach finality?

Senator Maria Corrigan: I ask the Leader to arrange to have the Minister for Justice and Law Reform, Deputy Dermot Ahern, come before the House to debate how to engage with vulnerable adults in the justice system? Myriad issues need to be addressed, including how to deal with adults with an intellectual disability or mental health issues who make allegations of abuse. In recent years tremendous supports have been introduced for children to engage and interact with the justice system, but supports have not been introduced for adults with an intellectual disability or mental health challenges to similarly engage. This could be done through the provision of specialised training for gardaí or the provision of support when giving evidence. It is essential that the mental capacity Bill is advanced.

I have been struck by other speakers' contributions and share the collective view expressed on all sides that we must find a way forward. Optimism and hope are vital. This is not a time for political point-scoring. People are feeling low and have reached the end of their tether. When we are low, our resilience and capacity to cope are reduced. It has never been more necessary for the people to be resilient or have a strong capacity to cope. While the Seanad has a responsibility to play its role in promoting this, as a public service broadcaster funded by the State, RTE must also discharge its responsibility to strengthen people's resilience and capacity to cope. Every week I hear stories of suicide and distress. If supports were in place, we could make a difference in that regard.

Senator John Hanafin: I support calls for debates on employment, as I am particularly cognisant that the House could play a unique role in this regard. We see today that the United Kingdom is taking the route we took two years ago, proving again that the downturn is largely global and affects all countries, not only Ireland.

There are circumstances in which taxation becomes so regressive that it does not make sense. I have in mind the VAT rate applied to wind turbines that could be built on farms. The rate charged could be set aside, as such turbines are not economic over the ten year life cycle, whereas banks would lend for a shorter term if the price was right. The ESB also offers a guaranteed price for wind generated power. Wind turbines have a value for the construction industry, produce income and offer import substitution *vis-à-vis* oil. Wind power offers a win-win scenario for everyone concerned. We need to examine issues such as this.

While I support Senators who yesterday condemned the abuse of the Irish passport, there is a distinction between the two cases that have arisen. In one instance, we believe Irish passports were used by the Israelis in an assassination, while in the second it appears an Irish passport was used by spies. It amuses me that the spy with the Irish passport was named Murphy and

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had a Russian accent. One would have thought this would be a giveaway. There is a distinction, however, between the uses to which Irish passports were put in both cases. In one case, a person was assassinated which was not the case in the second.

Senator Marc MacSharry: I share Senator Healy Eames's concern for the protection of the family home. The expert group on mortgage arrears and personal debt, chaired by Mr. Hugh Cooney, is engaged in its final deliberations on the matter and I hope its recommendations will be available in the coming weeks. Given that the group was established by Members more than two years ago, I hope its final report will adequately address the issue of protecting the family home. While I do not suggest we should pay bills for people, we should respect their dignity, give them time and provide innovative ways to allow them to deal with the problems they face in the knowledge that they will not lose their homes.

I also welcome today's historic meeting between the party leaders. The purpose of the meeting is not to seek national government or agreement on all issues but to try to establish consensus on the length and breadth of the difficulties facing us and decide on the basic, fundamental remedies required, while reserving the right to disagree on a number of the tangible measures that will be taken. In that regard, I appeal again to the Leader to arrange debates on taxation, social welfare, health and education in the coming weeks. These are the four areas to which most expenditure is allocated and in which savings will clearly have to be made. I challenge Senators to participate in these debates without engaging in a blame game, focusing on the past or arguing about who blew the benefits of the boom and other perceptions. We should focus solely on producing ideas on where savings can be made. This approach would not absolve anyone from the blame they are perceived to have for things done poorly in the past. It challenges us instead to propose the tangible measures for which we yearn in order that the House will be taken seriously and to ensure our innovative ideas form part of public policy. I ask the Leader to make arrangements to hold the four debates I seek in the coming weeks. I challenge Senators to produce real solutions, ideas and savings in an open-minded and determined manner, rather than engaging in the rhetoric to which we have all become accustomed in recent years.

Senator Maurice Cummins: The Jack & Jill Children's Foundation does excellent work in helping sick children to stay at home with their families. I understand more than 300 children are being helped in this manner. The foundation is seeking funding of €1.3 million from the Government to help it continue this excellent work. If it does receive the money, it will not be able to continue this work and many of the sick children it helps will have to go into full-time care, resulting in costs to the State of multiples of the €1.3 million the foundation seeks. Given the current focus on achieving savings and eliminating waste, we would cut off our nose to spite our face if we chose not to give the foundation the money it requires to continue its excellent work and save the State so much money. For this reason, I urge the Leader to make representations to the Minister for Health and Children. Even leaving aside the children, which one should not do as they should be one's first priority, if one considers the issue from a book-keeping perspective, one will conclude the foundation should be given the money it is seeking.

Senator Niall Ó Brolcháin: I seek a debate on the world economic environment because in reading today's edition of the *Financial Times* it struck me that the British Government was seeking cuts of £83 billion or approximately €94 billion. It is seeking to cut approximately €1,600 per person in its next budget, whereas the Government here is seeking to cut approximately €1,000 per person in its budget, which is considerably less. However, Members will be aware of the situation in Greece and many other countries and it would be foolish of us to believe either in this Chamber or Ireland that the world economic climate does not affect us.

This is a small open economy that is greatly affected by events in other countries, particularly our nearest neighbour, Britain. It is important, therefore, that Members have a proper debate on what is happening in other countries because it will greatly affect the figures in Ireland. We cannot afford to bury our heads in the sand and state everything will depend on what happens in this country. I urge the Leader to arrange a proper debate on the world economy.

Senator Donie Cassidy: Senators Donohoe, O'Toole, Bacik, Boyle, Healy Eames, Coghlan, Corrigan and MacSharry expressed serious concerns and outlined various proposals to the House. I also wish the four party leaders who are meeting in the national interest well. While the meeting is unprecedented, as the Taoiseach stated, it is not politics as usual. We certainly face a serious challenge, but, like the Deputy Leader, Senator Boyle, I am confident that if everyone does the right thing, Ireland can come out of the recession much quicker than people seem to think. Although we find ourselves in a very serious position, reports last night on Sky Television and the BBC on how the United Kingdom Government must address and tackle the difficulties in which it finds itself confirm this is a worldwide problem. Ultimately, we are all trying to do the right thing for our economies.

Senators Healy Eames and MacSharry raised the issue of family home protection. As they stated, Members wish to ensure wives and husbands are protected in respect of the family home.

Senator Fidelma Healy Eames: We need to hurry.

Senator Donie Cassidy: I heard Members praise the former Taoiseach, Mr. John Bruton, who was my local Deputy. I often thought it was a big mistake on the part of Fine Gael to treat him in the manner in which he was treated. I fully share the sentiments expressed by Members. He has been an excellent public representative and has a lot of talent and ability, but this is what happens when one is not appreciated in one's party from time to time.

Senators O'Toole, Bacik, Boyle, Mullen and Healy Eames called for a wide-ranging debate on education. I will have no difficulty in allowing time for such a debate and have listened to the views expressed by Members on the issue. However, one must not ignore the enormous contribution made by the Catholic Church, both in Ireland and throughout the world, in educating the down and out and the poorest of the poor. I often referred to Ireland as being the island of saints and scholars on my travels, particularly as Chairman of the Joint Committee on Enterprise and Small Business. Irish missionaries have worked hard for generations to earn for Ireland the respect of the world for what they have done in bringing the faith and education to millions of people.

Senator Bacik again called for a debate on prisons. As I indicated yesterday on the Order of Business and in previous weeks, Members will be able to contribute to such a debate.

As for Senator Buttimer's comments about a debate on the economy, I have already made such a commitment, including on Members' first day back after the recess. Debates on the economy, banking and various financial issues take place every week in the House.

On Senator Leyden's call for a debate on RTE, most of us involved in public life have always appreciated, recognised and acknowledged the tremendous work done by RTE on radio and television during the years, as well as the magnificent individuals who work for it as broadcasters. However, I must support the comments made by Senator Leyden and other colleagues who are at a loss when it comes to the issues of the licence fee and the need for balance. The director general and chairman of the RTE authority might wish to consider the terms of reference attached to RTE's licence on the need for balance. It is unfair on taxpayers who pay the licence fee to be subject to the negative opinion being broadcast; there should also be good

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news from time to time. I have complimented RTE and always stood behind it. I had my own sponsored programme for four years and made my contribution to the station in other fields, as Senator Mooney knows at first hand. That said, it is never the wrong time to say the right thing as Members and public representatives who are privileged to be here for a short time. RTE have a responsibility to bring the people with it at this difficult time. There are excellent people at the station at chief executive, chairman and board member level of the authority. Everyone in RTE wants to do the right thing and the issue is with the few who are in the business of seeking good TAM ratings. Ultimately, however, one must seek to uplift the people. There is a responsibility in this regard. I will, therefore, facilitate a debate in the House on the matter in response to Senator Leyden's request.

Senator Terry Leyden: I thank the Leader.

Senator Donie Cassidy: Senators Norris, Ellis and Harris referred to the serious plight of the owners of taxis over nine years old. Most Members will be aware that decent cars are good for 15 years. Therefore, the proposal made does not make sense. I will send a strong message to the Minister urging him to contact the taxi regulator on the matter, particularly at this difficult time when, as many Members are aware from their weekly clinics, it is not easy to obtain funds or finance to purchase another car.

I agree fully with Senator Norris who called for safety audits to be carried out on farms. Such a measure is essential and crucial because, unfortunately, many people are involved in fatal accidents on farms. I understand 23 people have lost their lives on farms this year.

On Senator Ellis's call for a debate on employment with Enterprise Ireland and the IDA, I compliment Enterprise Ireland on organising its conference in Croke Park today and the opportunities it is trying to create. I will have no difficulty with Members debating this issue also.

Senator Cannon raised the issue of flooding and referred to the plight of people living along the River Shannon and, in particular, the dreadful experience endured by the people of County Cork last year. In respect of those families whom it might be necessary to relocate, €8 million in funds is available. I will convey the Senator's strong views in this regard to the Minister.

Senator Mooney raised the issue of the illegal downloading of music and the fallout from the recent court case. I understand a legislative amendment to the Act is needed, for which the Minister for Enterprise, Trade and Innovation is responsible. The industry is fighting to ensure its survival and I hope the Minister will address the matter in the coming days. If he does not do so, the House will have debate its merits. To command the respect of the industry, we must take the position adopted by our near neighbours, the United Kingdom and France. However, this is not happening and a serious problem has emerged, as a result of which the multinationals which are large employers will be obliged to consider their position in Ireland. Irish songwriters, artists, publishers and record companies are all working with their backs to the wall and not being given the tools they need. I support fully the legislative position adopted in the United Kingdom and France and believe the Minister should address the issue as a matter of urgency.

Senator Mullen called for the provision of a BreastCheck service for women aged over 64 years. I fully support him in this regard and will have no difficulty in arranging a debate on the issue which Senator Mary White has been championing in the House for many years.

Senator Harris called for a debate on multiculturalism. This proposal is very worthwhile and I will endeavour to have this debate take place.

Senator Corrigan asked for a debate on the vulnerable under the care of the Department of Justice and Law Reform, and I have no difficulty in having that debate. Senator Hanafin called

for a debate on employment opportunities, particularly in relation to wind turbines, farming and other areas. I understand that instead of these products being manufactured elsewhere in Europe, they are being manufactured in Galway. Demand this year and the anticipated number of units to be manufactured was 60, but by the end of June the company had manufactured and erected 80 units. I wish it well. The way forward is to cut our dependence on oil for energy, and I fully support the call by Senator Hanafin. I also note his references to the misuse of passports.

Senator MacSharry called for a debate on “the big four”, namely, taxation, social welfare, health and education. I have had this in mind, and I respond positively that this will take place over the coming weeks.

Senator Cummins outlined the great work the Jack & Jill Children’s Foundation is doing and the difficulty it is experiencing — he mentioned a figure of €1.3 million. The problem is that many children it is looking after will have to go into long-term care, which will cost the State much more. I compliment the Jack & Jill Children’s Foundation and the personnel who are doing their utmost and I will do anything I can and will make representations after the Order of Business to the Minister to see what I can do to help in that regard.

Senator Ó Brolcháin called for a debate on the world economy. I have no difficulty in having this take place.

I heard the interview this morning on “Morning Ireland” with Senator Harris. I listened with great attention to him. I place on record that Senators have taken a 10% cut already in our wages. That was not pointed out this morning. The presenter said we were on a salary of €70,000, but we are no such thing. As we all know we have taken a 10% cut as the Taoiseach requested and we did it in the national interest.

Order of Business agreed to.

European Parliament and Council Directive: Motion

Senator Donie Cassidy: I move:

That Seanad Éireann approves the exercise by the State of the options or discretion under Protocol No. 21 on the position of the United Kingdom and Ireland in respect of the area of freedom, security and justice annexed to the Treaty on European Union and to the Treaty on the Functioning of the European Union, to take part in the adoption and application of the following proposed measure:

proposal for a Directive of the European Parliament and of the Council on the right to information in criminal proceedings,

a copy of which was laid before Seanad Éireann on 26 August, 2010.

Question put and agreed to.

Seanad Electoral (Panel Members) (Amendment) Bill 2008: Order for Second Stage

Bill entitled an Act to amend the Seanad Electoral (Panel Members) Act 1947 in relation to registration in respect of the administrative panel.

Senator Maurice Cummins: I move: “That Second Stage be taken now.”

Question put and agreed to.

Seanad Electoral (Panel Members) (Amendment) Bill 2008: Second Stage

Senator Maurice Cummins: I move: “That the Bill be now read a Second Time.”

I welcome the Minister of State. Section 8(2)(h) of the Seanad Electoral (Panel Members) Act 1947 states that the General Council of County Councils and the Association of Municipal Authorities of Ireland shall be registered in the register in respect of the administrative panel for Seanad nominations. The Local Authority Members Association (LAMA) was founded almost 30 years ago and fulfils a similar role to that of the two representative associations mentioned in the 1947 Act. Section 266 of the Local Government Act 2001 states:

A member of a local authority may, in his or her own right, hold membership of the association known as the Local Authority Members Association.

Therefore, the bona fides of LAMA is recognised in the Local Government Act 2001. The Local Authority Members Association, since its inception, has been granted parity of esteem with the other two representative associations by all Ministers with responsibility for local government. In fact, a former Minister for the Environment and Local Government, Deputy Noel Dempsey, was an officer of LAMA for a number of years.

When the Minister, Deputy Gormley, held all-party meetings to discuss Seanad reform I asked that my Bill form part of those proposals and it was accepted by the Minister and by all present that mine was a reasonable request and would correct an anomaly. This is a simple Bill which addresses that anomaly by granting the Local Authority Members Association the same nominating rights as section 8(1l)(h) of the 1947 Act confers on the General Council of County Councils and the Association of Municipal Authorities of Ireland (AMAI).

The General Council of County Councils has, in the meantime, changed its name to the Association of County and City Councils (ACCI) and I have changed the reference in the Bill from the “General Council of County Councils” to the “Association of County and City Councils” to reflect this change in name.

Why is this Bill necessary? The Local Authority Members Association has applied on several occasions to be included in the list of nominating bodies eligible to nominate a person to contest a Seanad election. The request was refused on each occasion. The only way it can become eligible is to amend the 1947 Act to give the association parity of esteem with the AMAI and ACCI. The Bill tries to address an anomaly which currently exists and I hope it will have the unanimous support of the House.

Some technical or consequential amendments may arise as a result of the Bill but I am not aware of these. If the Minister or the Government do not have amendments I would not object to having all stages of the Bill taken today, or in early course. I seek the support of all Members to address the anomaly that exists by not granting LAMA parity of esteem with the other two representative associations. I hope this short Bill will be unanimously supported.

Senator Paul Coughlan: I welcome the Minister of State to debate this important little Bill. I am happy to second the proposal of my esteemed colleague, Senator Cummins.

As Senator Cummins said, we find ourselves in an anomalous situation and we are merely trying to put this right. I think the Bill has the agreement of all. I hope the Minister of State will correct me if I am wrong in stating that every county council member, and perhaps every local authority member, is a member of the Local Authority Members Association. We would not wish to deny LAMA parity of esteem with any of the other bodies.

In our democracy we guarantee the constitutional rights of freedom of expression and association, and properly so. None of us would wish to deny that to members of local authorities, who

look to this association as their own, and participate actively in it. That is also my recollection of my time as a councillor from 1985 to 1999. We are merely trying to extend equality to all of the members of the association without denying nominating rights to anyone else. The membership of the association touches 100% of individual local government representatives. Given this membership profile, I cannot see how, as democrats, we would not fully support this Bill. I am happy, therefore, to second Senator Cummins's proposal and I look forward to seeing it receive the approval of the Minister of State at the Department of the Environment, Heritage and Local Government.

Minister of State at the Department of the Environment, Heritage and Local Government (Deputy Michael Finneran): I thank Senator Cummins for raising this issue and for his engagement with the all-party group on Seanad reform. I welcome the opportunity to deliver the Government's response to the Seanad Electoral (Panel Members) (Amendment) Bill 2008 and to speak more generally on the reform of the Seanad. Senator Cummins has outlined the provisions of the Bill and I will not dwell further on these points at this time.

In considering changes to the manner of election of Seanad Members, we must begin with first principles, which in this instance is the role of the Seanad. As one of two Houses in a unitary, as opposed to federal, system of government, the Seanad has two principal purposes. It provides representation for political interests that may not be adequately represented in the Dáil and it can improve the legislative process. The part of the legislative process which takes place in the Seanad allows for further consideration prior to the enactment of Bills. The Seanad's existence also allows for additional deliberation by a group of legislators who can offer different perspectives from those of the Dáil. The question that must be asked is whether the Bill would contribute to the performance by the Seanad of its intended role.

Before outlining the Government's position on the Bill I would like to discuss briefly the electoral system of the Seanad. The three Seanad Electoral Acts of 1937, 1947 and 1954, with relatively minor subsequent amendments, define the Seanad's electoral system. The design of the electoral system reflects the desire to incorporate a very strong element of vocational representation. Six Members of the Seanad are elected by the two university constituencies and 11 are nominated directly by the Taoiseach. The remaining 43 Members are elected from five panels, each of which is divided into two sub-panels comprising, respectively, candidates nominated by at least four Members of the Oireachtas and candidates nominated by registered groups in the five spheres of culture and education, agriculture, labour, industry and commerce and administration. As such, the panel system elects 72% of the Seanad's membership. Of the 43 panel seats, seven Members are elected by the administrative panel, which is composed of candidates having knowledge and practical experience of public administration and social services, including voluntary social activities. In the 2007 Seanad general election, three of the seven Senators elected from the administrative panel were from the nominating bodies sub-panel and four were from the Oireachtas sub-panel. The candidate nominated by the Association of City and County Councils was not elected but the nominee of the Association of Municipal Authorities of Ireland was, as Senator Camillus Glynn can attest.

The 1947 Act includes a provision for the establishment and maintenance of the register of nominating bodies, which is performed annually by the Clerk of the Seanad in his or her capacity as Seanad returning officer. Section 8(2)(h) of the 1947 Act states that: "the Irish County Councils General Council and the Association of Municipal Authorities of Ireland shall be registered in the register in respect of the administrative panel without application, and no other body shall be registered in the register in respect of that panel unless its objects and activities consist, wholly or substantially, of voluntary social services of a charitable or eleemosynary character". Since 2007, the Irish County Council General Council has been

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known as the Association of County and City Councils, ACCC. Notwithstanding the change in name, the ACCC continues to enjoy the right of automatic inclusion on the register and was included automatically in the 2007 register of nominating bodies. It should be noted that no other organisation enjoys the right of automatic inclusion on the register of nominating bodies. Other organisations are ineligible for inclusion unless, in the opinion of the returning officer, they have objects which primarily relate to or are connected with the interests and services of the relevant panel; they perform activities which are mainly concerned with such interests and services; or their members are representative of persons who have knowledge and practical experience of such interests and services. Section 8(2)(h) ensures that, aside from the ACCC and the AMAI as the two local government organisations, nomination rights to the administrative panel are reserved for organisations which are concerned with voluntary social services of a charitable character.

Local government plays a significant role in Seanad elections. First, the two local government associations are automatically included in the register of nominating bodies. Second, in a Seanad general election, to elect 43 panel members, the local government sector casts a significant proportion of the votes. Every city and county councillor has a vote and the remainder of the electorate is composed of Members of the incoming Dáil and the outgoing Seanad. The electorate numbers approximately 1,000, of whom 800 are county and city councillors. As such, the local government system collectively enjoys a numerically decisive position in terms of electing the 43 panel seats, which constitute more than 70% of the Seanad.

The Government opposes the Bill for three principal reasons. The Bill presupposes that an amendment to the Seanad Electoral (Panel Members) Act 1947 is necessary to cater for the change in the name of the General Council of Councils to the Association of County and City Councils. Such an amendment is unnecessary. The Seanad returning officer has confirmed that the ACCC is included in the annual register of Seanad nominating bodies as a matter of course. Indeed, the ACCC exercised its nominating rights at the 2007 Seanad elections notwithstanding the change in name earlier that year. Enactment of unnecessary legislation is clearly not appropriate.

The second element of the Bill is a provision to include the Local Authority Members Association, LAMA, in the register of nominating bodies for Seanad elections. The Government is of the view that it would not be desirable to make piecemeal changes to the Seanad electoral code at this time. Decisions in that regard will be a matter for the Government, having regard to the commitment in the programme for Government on an electoral commission. I will speak further about the work of the electoral commission shortly. The Government does not consider that the proposal is appropriate given that LAMA represents councillors in their own right rather than the collective interests of local authorities. As such, LAMA is distinct from the ACCC and the AMAI. As I have stated, local government interests have a significant input to the nomination of panel candidates and the election of Seanad Members. Collectively, county and city councillors are the primary shapers of each Seanad. I understand the Clerk of the Seanad has disallowed numerous applications by LAMA for registration as a nominating body.

The automatic inclusion of another councillors' body as a nominating body would not sit well with the current imperative towards retrenchment and rationalisation in public administrative structures and processes generally. We are all familiar with the national economic context. The local government sector must take an important place in the process of public service reform that is essential to restoration of our public finances and our economy generally. As Members will be aware, a dedicated Cabinet committee has been engaged in finalising the policy decisions to be included in a White Paper on local government which the Minister for the Environment, Heritage and Local Government intends to publish at the earliest opportunity

following completion of the Government's deliberations. In the meantime, it would not be appropriate to speculate on the likely specific contents of the White Paper. It will address relevant issues in regard to local government powers, functions and structures. The development of the White Paper will take full account of the views expressed in the extensive consultation process that has taken place, centred on the publication of the Green Paper, and will also have regard to relevant policy developments, reviews and publications, including the report of the special group on public service numbers and expenditure programmes and the report of the Local Government Efficiency Review Group. The Government will bring forward robust proposals to provide for a rational, responsive and efficient system of local government in keeping with today's economic realities and fit to meet the daunting challenges that lie ahead, with structures relevant to the 21st century.

The programme for Government contains a commitment to the establishment of an independent electoral commission and identifies a range of responsibilities which the commission will be mandated to fulfil. Under the programme, the electoral commission will incorporate the functions of the Standards in Public Office Commission, with enhanced powers of inspection, and will have wide-ranging responsibilities. It will be in a position to decide constituency boundaries; administer the voting registration process; run voter education programmes; advise on mechanisms to increase the participation of women in political life, including the use of additional criteria for public funding which encourages more women and lesser represented groups; and recommend revised guidelines on the declaration of donations for political purposes.

Under the programme, the electoral commission will also propose reforms to the electoral system, including making recommendations on the feasibility of extending the franchise for presidential elections to the Irish abroad; examining and making recommendations for changes to the electoral system for Dáil elections, including the number of Deputies and their means of election; outlining new electoral systems for Seanad Éireann; advising on the basis for European elections to reflect new realities of the role and influence of the European Parliament, including consideration of moving towards one national constituency and using a list system; making recommendations on the possibility of extending the franchise for local elections to those aged 16 or over; and setting minimum standards for the taking and publication of political polls within the State to ensure fairness and accuracy.

The Minister, Deputy Gormley, is currently giving consideration to setting up an electoral commission on a non-statutory basis in the first instance. Setting up such a body on a non-statutory basis would allow it, for example, to conduct research and to bring forward proposals on the establishment of the full electoral commission, including transitional arrangements for the transfer of responsibilities and functions. It could also advise on the drafting of the necessary legislation. I also understand that the Minister intends to discuss further the outcomes of the all-party group on Seanad reform with Cabinet colleagues. In this context, it is not desirable to conduct piecemeal change to electoral codes, including that of the Seanad.

Notwithstanding the Government's opposition to the Bill, I pay tribute to the role of the local government associations. As a former chairman of the general council at a time when we were also grappling with major economic challenges, I am especially conscious of the part they have played in local government. I was also national assistant secretary of LAMA in my time. Over the years, the Ministers and officials in the Custom House have maintained a close working relationship with local authority elected members through the three local government representative associations — ACCC, AMAI and LAMA. This includes regular meetings, contacts and discussions, formal and informal. As part of this ongoing engagement, the Minister, Deputy Gormley, met the three associations jointly in May of this year to discuss a broad range of matters of concern. At the meeting, the Minister indicated his intention to deepen that engage-

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ment by way of regular meetings as well as the provision of briefing for the associations on EU legislation. It is intended to have the first such meeting in the new year.

The engagement and input by the local government associations in the ongoing work of policy development concerning local government matters is also greatly appreciated. I know, for example, that the Green Paper on local government, Stronger Local Democracy — Options for Change, and the report of the Local Government Efficiency Review Group have benefited considerably from the perspectives of the local government associations.

Given the national economic context, it may be a timely moment for the three local government associations to consider whether a merger would be to their benefit and to the common good. A merged organisation, speaking with one voice on behalf of local government, could give greater weight to the voice of local government and contribute to efficiency and effectiveness. The Oireachtas has provided for such a unified body to represent local government and its elected members under section 226 of the Local Government Act 2001. I say this as a staunch advocate of local government and of the local authority associations in which I have a strong background. In 1988, I was involved as chairman of the general council, with other organisations, in extensive discussions to create such a body. All involved engaged genuinely at that time under the chair and support of the Institute of Public Administration. There was constructive debate, consultation and engagement, and while some of those who were involved are no longer involved in local government, some are still involved. It was a worthwhile experience, although it did not come to fruition on that occasion.

I asked previously whether the Bill would meaningfully contribute to the performance by the Seanad of its intended role. For the reasons I have outlined, the Government holds that the Bill would not so contribute and it therefore opposes it. On the wider issue of the role of the Seanad and the contribution of the House to national life, I expect the work of the electoral commission will enhance the position of the Seanad.

I note the position of Fine Gael in regard to the future of the Seanad. That position is not shared by the Government which appreciates the work of the Seanad. At this time, it is incumbent on every component of the State to re-examine the contribution it makes to the common good. I urge the members of this House to consider how the Seanad can maximise its contribution in helping to address the difficulties we face. This surely would be the most effective way to refute those who question the usefulness of the House.

Senator Dominic Hannigan: I wish to share time with Senator Doherty, by agreement.

An Leas-Chathaoirleach: Is that agreed? Agreed.

Senator Dominic Hannigan: I welcome the Minister of State and compliment the Fine Gael Party, Senator Cummins in particular, on bringing forward this legislation which my party is happy to support. I am sure the Senator will not mind me referring to it as largely a piece of housekeeping, which is not to disrespect the Bill which I believe to be straightforward and uncontroversial. That said, I must agree with the point made by the Minister of State, Deputy Finneran, that it would not be desirable to make piecemeal changes to the Seanad electoral code at this time. Piecemeal changes are not necessary, although I query why we have waited so long for any sort of electoral reform in the Seanad, a point to which I will return.

The Minister of State, in his opposition to the Bill, referred to changes when he stated: “The automatic inclusion of another councillors’ body as a nominating body would not sit well with the current imperative towards retrenchment and rationalisation”. He also referred to the dedicated Cabinet committee which is examining local authorities and stated:

[I]t would not be appropriate to speculate on the likely specific contents of the White Paper. It will address relevant issues in regard to local government powers, functions and structures.

If ever there was a warning about what may be coming down the line for our local authorities, it is included in the Minister of State's speech.

My reading of what he is saying is that we cannot extend voting rights to these people because we do not know whether they will be there in six months or a year. The Minister of State will forgive me if I have picked that up wrong, but that is clearly what I am taking——

Deputy Michael Finneran: The Senator might be picking it up wrong.

Senator Dominic Hannigan: There is a concern in regard to the speech. In plain English, the Minister of State is saying we cannot do this now because we do not know what will happen to the powers and functions of local authorities. That will create concern. We need to see a deepening of democracy. One of my concerns is that powers are being taken away from local councillors, which I saw at first hand as a local councillor, while at the same time the Government is paying lip service to deepening democracy. One cannot have both at the same time, so which will it be? I am very concerned about the comments on this issue.

To return to the issue of reform and the legislation before us, anyone who has been a Member of this House for a number of years will know that it is lacking in credibility among the majority of the population. When we began this Seanad term in 2007, we had speeches for the first day on how the Seanad needed to be reformed.

In the past 30 years there have been a dozen reports which have referred to how the Seanad could be made more fit for purpose and more relevant and how it might reflect the composition of modern Irish society. However, the Government has done nothing to try to make the House more relevant or improve the way it operates. It is somewhat ironic that the party which is calling for the abolition of the Seanad has brought forward legislation which is designed to extend the franchise. As stated, however, the Labour Party is happy to support the Bill. It is of the view that attempts should be made to try to reform the Seanad before the final step of abolishing it is taken. At this point we are wondering if reform will ever be undertaken. The Green Party — Fianna Fáil's partner in government — has for many years referred to reforming the House, but it has done absolutely nothing in that regard during the lifetime of this Parliament. The concern is that the Government will not introduce any measure to improve the situation.

There are more things wrong than right with the House, which is an unfortunate statement for any Member to have to make. For some time the Labour Party has been suggesting the franchise should be extended. I would like it to be extended to people who are 16 years or older, regardless of whether they have had an opportunity to attend university. I do not believe we need to retain that form of elitism. I would welcome a number of fundamental changes to the way the Seanad is structured and I am disappointed that the Green Party and Fianna Fáil have not yet introduced such changes. If elected to serve in government, the Labour Party will certainly bring forward proposals in this regard. However, that eventuality may be some time in coming to pass. In the interim, we are happy to support the Bill brought forward by Fine Gael.

Senator Pearse Doherty: Gabhaim buíochas don Seanadóir Hannigan as a chuid ama a roinnt liom.

I find myself in the unusual position of agreeing with some of what the Minister of State said. It is not often that I find common ground with the Government. However, introducing change to the Seanad on a piecemeal basis does not represent the way forward. I was on my

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own for a long period in arguing that the Seanad should be abolished. However, Fine Gael has since come around to this view. There is something rotten at the core of the Seanad, that is, the way in which Members are elected. The electoral system for this House is elitist and apartheid in nature and belongs to a different era.

In the light of the promises we have received from the Government in respect of real Seanad reform, I was taken aback when I read this legislation. We use the term “Seanad reform,” but what does it mean? There is no doubt that the Seanad could be reformed. However, it must be remembered that during the lifetime of the previous Seanad Fianna Fáil, Fine Gael, the Labour Party and the Independents signed up to an all-party report on Seanad reform which recommended that the number of Senators and Taoiseach’s appointees be increased. The report contains a number of positive suggestions but the reform it advocates is not that which I want to see being introduced. Serious reform is required.

The legislation before the House would confer on a group which represents councillors — I have nothing against LAMA or the important work it has done in representing councillors across the State — more power in respect of the election of Members to the Seanad. Not only do councillors already hold most power in deciding who sits in this Chamber, Fine Gael now wants to give them the power to nominate those who can go before them for election.

Senator Maurice Cummins: One person.

Senator Pearse Doherty: I want us to move in completely the opposite direction in terms of Seanad reform. The House should be abolished, but there is no political will to take the bull by the horns and deal with the matter. Since the foundation of the State, numerous reports on Seanad reform have been forthcoming. However, they have never been acted upon. The result of the referendum held in 1979 has never been given legislative effect by successive Governments.

A number of statements have been made recently which have added to the distrust of those involved in politics. When the second largest party in the State indicates that it intends to abolish the Seanad and then introduces legislation to extend the franchise relating to nominating bodies to a group of elected members, it is obvious that such behaviour will give rise to grave mistrust among members of the public. There is a need for honest politics. The mechanism proposed in this legislation is wrong. We need to deal with the core issues by discussing how the Seanad is elected. We also need to bring democracy to the House by allowing all citizens — regardless of whether they live in the country — to vote in Seanad elections. Sinn Féin has long argued that people of the age of 16 years and over should be able to vote in Seanad elections, either by registering here or at the nearest Irish Embassy if living abroad.

We must also ensure duplication no longer holds sway. With the exception of those on the Independent benches, is there a real chance that anyone elected from one of the sectoral panels could be considered truly independent? The answer is “No.” Politicians have, under the powers granted to them in the Constitution, made laws which dictate that the membership of Seanad Éireann will be elected by elected politicians. This system is dominated by the political parties and is completely and utterly flawed.

The legislation before the House would take us down the road of strengthening the inequality and lack of democracy which lie at the core of the Seanad. The reason for the distaste among members of the public for the Seanad is the duplication of work between it and the Dáil and also the fundamental lack of democracy and the fact that the House is elitist. When I was a councillor, sitting Senators used to send me neck ties, boxes of chocolates, calendars, etc. This practice continues today. Councillors from my party and others have been sent DVDs and

scarves and other items. That is completely ridiculous. A Senator knows that if he or she keeps 100 councillors happy, he or she will have a job for life. It is a good job because he or she will be paid €70,000 per annum and receive a good pension. In addition, he or she will be able to park on this campus for the remainder of his or her life, regardless of whether he or she continues to serve as a Member. In reality, one does not need to represent a constituency because Senators do not have constituencies.

I agree with the comment expressed by the Minister of State to the effect that piecemeal change is not what is required. There is a need — if there is the political in this regard — for fundamental and radical change if the Seanad is to be restructured and made into a modern institution which can serve Irish society in the 21st century. I do not believe there is the will for such change among the major political parties. It is for this reason I believe the House should be abolished.

I question the sincerity of the Fine Gael Party on this issue, particularly in view of the legislation it has introduced. I have no doubt that the leader of that party which made such an issue out of abolishing the House has endorsed this legislation.

Senator Martin Brady: I wish to share time with Senator Wilson.

An Leas-Chathaoirleach: Is that agreed? Agreed.

Senator Martin Brady: I welcome the Minister of State and thank him for his comprehensive contribution. LAMA is an extremely efficient organisation and does a very good job. The Minister of State referred to amalgamating various organisations and I support him in that regard. As a former trade unionist, I was involved in the amalgamation of a number of unions. I am aware, therefore, that when bodies or organisations are amalgamated, their clout and authority increase. Amalgamation is the direction we should take because scattered groups do not have as much power as one large entity.

Senators Doherty and Hannigan referred to piecemeal change. I agree with them that a piecemeal approach is not the route we should take. The Minister of State has indicated that the Minister for the Environment, Heritage and Local Government, Deputy Gormley, is giving consideration to establishing an electoral commission on a statutory basis. Such a body would discuss the issue with which we are dealing and others.

Many aspects of the Seanad must be examined in order that we might make it more relevant to the public. People actually believe we do damn all. There is a perception that we come here, collect our money, sit on a couple of occasions each week and do not discuss any matters of great importance. The Seanad is viewed, more or less, as a form of debating society. One can understand why there is this perception. We must do what we can to make the House more relevant.

The system used for electing people to the Seanad must be examined. Senator Hannigan is correct to state one needs a great deal of money in order to run for election to this House. One probably needs more money to participate in a Seanad election than in a general election. As the Senator indicated, one is obliged to give out goodies, put people up in hotels, treat various individuals to dinner and do umpteen other things. When I sought election to the Seanad, a number of people said to me, “So and so was here before you and you know he is a very generous man.”

We need to find a way to alter the system which is outdated. I do not often agree with Senator Doherty but it has become a club of “scratch my back and I’ll scratch yours”. It has even developed small groups, which I can see in here, which hunt together like hounds in a pack. That should be changed.

[Senator Martin Brady.]

I have no problem with the Senator's Bill. I would like to see a broader overhaul of the system. The public has a very poor perception of the Seanad because we do not get sufficient coverage from the media, and when we get coverage, it is unhelpful. As has been stated, we must take a broader view and not just cherry-pick issues. Senator Wilson has returned. I thought he had gone on a junket.

Senator Diarmuid Wilson: I thank Senator Brady for giving me a minute of his time. I have never sent out any ties or DVDs, put anyone up in a hotel or bought dinner for people. Being from Cavan, naturally I would not do such things anyway. I compliment Senator Cummins on bringing forward this Bill, which I support in principle. I am the Government Chief Whip, however, so I must oppose it.

As a former member of the General Council of County Councils, now the Association of County and City Councils, ACCC, I saw at first hand the excellent work representative bodies for councillors do on behalf of councillors and councils. That is true of the Local Authority Members' Association. Speaking as someone who is a member of the panel to which Senator Cummins's Bill is trying to add a candidate, I should state that I have no difficulty with the proposal. The panel is entitled to nominate a person to go forward for the Seanad election on the administrative panel and I very much welcome that challenge. It might take a few votes away from some of my colleagues on that panel. In principle I have no difficulty with it.

A number of comments have been made by Senator Doherty and I do not agree that there is something rotten at the core of the Seanad. It does excellent work and is full of well-meaning, decent and honourable people who have been democratically elected. I agree that the Seanad needs reform as soon as possible but it has a role to play in our democracy and democratic system. I want to see it remaining, although reformed as soon as possible. I compliment Senator Cummins on putting forward this Bill.

Senator Joe O'Toole: I agree with many of the critical comments. I have been a Member of this House for the past quarter of a century and have consistently sought reform but I do not believe the Government will bring it forward. One of the greatest disappointments for me is that every Government along the way has made such proposals but we have effectively missed the boat. There is no goodwill or support for this House among ordinary people, and fair points have been made about the position of the main Opposition party putting this proposal forward. I will support it because I do not have a problem with extending the franchise.

I agree with the criticisms and I could just as easily argue that we should have all the other changes before agreeing to one change. I could just as easily take that position. I recognise that the Bill has been put forward with the best of intentions from Senator Cummins and for that reason I will support it.

Senator Paul Coghlan: The Senator has always been fair-minded.

Senator Joe O'Toole: The Senator does not appear to have shared the view of his party leader on the future of the Seanad. I do not see that he has taken a public position different from his private position.

There were a number of interviews yesterday by a learned professor who came from British Columbia to Ireland to speak about civic society. A week before that many of us were in the North discussing with our counterparts there the idea of setting up a civic forum in Northern Ireland. This is an issue of great importance to everyone and everyone has got behind it. The operation of this House as contemplated by Bunreacht na hÉireann is a civic forum. It was never meant to be a mini-Dáil and I always opposed the idea of extra powers for the Seanad.

It has enough power and was never intended to pervert the will of the people as articulated in the Lower House. The role of a second Chamber is different. What we are supposed to have is a deliberative Chamber with experienced people knowledgeable in certain areas reflecting all walks of life. That has not happened. The main point is that every citizen should be a stakeholder in the Chamber and should be entitled to have a vote in some form or other in this Chamber. That can be done in different ways.

I will dismiss some issues. There is nothing wrong with the idea of local authority members electing Members of the Upper House. In democracy that is a well-used system in various places around the world. It is a distillation of democracy where the people elect one level and that level elects an upper level. There is nothing wrong with that and the Dáil elects the Government in that same order. What is wrong is 43 of 60 seats being elected in that fashion, resulting in only 1,000 people effectively electing almost all the Upper House. That is wrong.

I have never been a member of a political party, although I was, through the teachers' union, president of the largest labour organisation in this country and general secretary of the largest, oldest and most widespread all-Ireland body in the trade union movement. The natural place for me to stand as contemplated by Bunreacht na hÉireann would be on the education or labour panels, although the world knows I would not get a vote on either of them because I am not a member of a political party. There is something wrong in that respect.

Senator Paul Coghlan: The Senator is doing himself down now.

Senator Joe O'Toole: I have appealed to colleagues on all sides on the issue. The inner and outer panels should be changed. The panel where potential Senators are nominated by Members of the Oireachtas should become an election taking in members of local authorities and the outside panel should be an election by people attached to a relevant profession. The agricultural panel would have an electorate in the people representing agricultural life, such as farmers or bodies such as the Irish Farmers Association. Partners in education would vote in the education panel, trade unionists would vote on the labour panel and business people would vote on one of the two business panels. In that way we could ensure every person in the country would have a method of voting. Some large geographical constituencies could also be picked in which people could have a vote.

I may have six votes in the Seanad elections currently, which is ridiculous. To ensure there is one person to one vote, which is a basis to democracy, a graduate should decide whether he or she is to be registered on the graduate panel, the west of Ireland panel or the agricultural panel, for example, but that person should only be able to choose one. When decisions are made along these lines, we can ensure everyone gets a vote.

There is no justification in this day and age for saying people with a third level qualification are more important than the ordinary citizen and giving them a vote that is unavailable to that ordinary citizen. It is inexcusable. Putting it all together, I agree with Senator Wilson. There are hard-working and decent people who are Members of this House — I will defend that argument — but it is an unrepresentative parliamentary Chamber. It is anti-democratic and out of its time. It seems extraordinary that the only way I could have a voice here was to stand for election as part of an exclusive panel of Members from certain universities. One cannot countenance this in this day and age. The only way one could countenance maintaining a graduate panel is if everybody else in the country also had a vote. That is the line we should take.

I recognise that what I am suggesting would create a huge problem and pose a huge threat to my colleagues who were elected under the panel system. As I have said previously, I would be happy to take that decision, but I would not implement it until the election after next to

[Senator Joe O'Toole.]

allow people time to adjust to the new system and allow certain things to be done. I strongly believe the Seanad will not be allowed to continue in its current format. The Minister, Deputy Gormley, means well, but he has been completely outmanoeuvred by Fianna Fáil on this matter. It will ensure reform will not come to pass, or if it does, it will be introduced too late to have any effect. I sat at meetings with the Minister and told him this would happen and which he said would be the last to be held on the issue and that he would have a proposal to place in front of us the following month. That was two years ago. He said he would have a proposal to place before us the Christmas before last and was then supposed to have it last spring, but I do not see it coming. I understand it is next in line after the local government consolidation Bill. The decision should and could be taken.

We need to have Members in the House who will add to the discussion. I am not saying the system to which I have referred would result in the election of such individuals. I can see colleagues in the House who have expertise in various areas. I could discuss that issue, but that is not the one we need to consider. We need to consider those who send us here. The current system is unrepresentative, undemocratic and unsustainable and the Seanad will not continue in its current form. Obviously, I have failed to convince people that that is the case, but if we do not make these changes, change will be imposed on us.

Change can be managed in a number of ways. The first question one should ask oneself is what would happen if we were to do nothing. The Seanad would die on its feet. The next thing one should do is manage change. One should ask what outcomes are needed from the process and then move in that direction. There is one guiding principle for all democrats in a republic, that every person in the State should have a vote in an election to this Chamber. In that regard, I support the Bill for the reasons I have outlined. It is not a great Bill, but I will support it. Much as I criticised Deputy Kenny for what he said about the Seanad Chamber which was uninformed and not rooted in argument, at least he started a debate, which is welcome.

Senator Mark Dearey: I welcome the Minister of State. The Minister for the Environment, Heritage and Local Government, Deputy Gormley, has been told many times that something will not happen or cannot be done, most recently in regard to the prospects for talks on achieving a political consensus. Unlike Guinness Light, he showed in that instance that it could be done. I do not know who is the longest serving Member; I am certainly the shortest serving Member.

Senator Terry Leyden: It is Senator Ross.

Senator Mark Dearey: Perhaps my optimism has not been chastened by experience.

Senator Joe O'Toole: I am still an optimist after a quarter of a century.

Senator Mark Dearey: That is good to hear, as I am also an optimist. I accept the Minister's bona fides on the issue of Seanad reform and I am well aware of his frustration at how slowly it is happening. There are many wider issues to be considered, many of which were outlined by Senator O'Toole.

The first steps to be taken should include providing for the inclusion of the institutes of technology. This would amount to a fantastic process of democratisation and give a vote to a far wider group of people across a far greater range of social strata and classes and geographical spread. The current system is a complete anachronism. Even as an initial measure, the change to which I have referred would result in a more significant and daring system.

As a member for five years of a local authority — not a county council — which was involved in the rating and planning systems, I did not have a vote in the Seanad election and resented this. The local authority of which I was a member had an annual budget of €27 million and collected €13 million in rates, which were comparable to the figures for some of the smaller county councils. I found this frustrating and it was a source of resentment. When I became a county councillor in 2009, I suddenly had a new roomful of friends and others who were courting my affections. I looked the better for it during the Christmas period, with my new tie, fine pen and so on. However, I found the divide between what I had done prior to and did after the 2009 election to be false. There is a case to be made for the inclusion of members of rating authorities such as the one of which I was a member in Seanad elections. It would involve a very minor change, be one which would not necessarily detain us for long and should be included in the wider debate on electoral reform.

The electoral commission is established on a non-statutory basis. However, according to the programme for Government which was renegotiated last September, it will be non-statutory for a period during which research and public consultation can take place before it finally assumes a statutory function based on wise counsel which will be generated during the phase when it will be non-statutory. It is then that I suggest to Senators Cummins, Coghlan and Fitzgerald that this measure should be tested in the wider context of the reforms which the electoral commission will propose for examination and introduction. The need for electoral reform is pressing and the disengagement does not just have to do with the current economic position in which we find ourselves but has been continuing for many years. Voter turnout has been reasonably steady but is falling and will continue to fall until we find new mechanisms to enable people to feel they are stakeholders in the political process. One way by which this could happen would be for everybody in the country to have a vote in respect of the panel to which they are most affiliated. This is a wise proposal, but one which would have to be tested in the heat of debate within the electoral commission. For these reasons, I would rather postpone a decision on the proposals made today and consider them in the wider context of the reforms which will be examined by the commission. I put great store in the determination of the Minister to see Seanad reform delivered on his watch.

Senator Jerry Buttimer: I welcome the Bill which I will support. I ask the Minister of State and Members opposite to clarify the remarks made by the Leader at a conference held in Listowel at which I believe he endorsed the Bill and promised Government support for it in Government time. Is that the case? If it is, why is the Government doing a U-turn and renegeing on its commitment?

Senator Diarmuid Wilson: He was misunderstood.

Senator Jerry Buttimer: Therein lies the crux that we all face as elected representative in this House. The political process has failed the people. That is what they believe. They believe we have let them down, that, in particular, Fianna Fáil in government has let them down. They also believe the Government is bereft of leadership and cannot be trusted. As such, they do not have confidence in the main Government party. We have had numerous reports on Seanad reform and numerous pseudo attempts to change the way we do business, but nothing has happened.

Politics must not be about perception, perks, the Mercedes or the pursuit of personal power or gain. It must be about advocacy and making laws on behalf of the people to create a better Ireland. That is our fundamental task.

Where is the reform that was promised? I did not agree with Deputy Kenny's suggestion to abolish the Seanad but I acknowledge he had the courage and ability to say we should get rid

[Senator Jerry Buttimer.]

of it. Senator O'Toole stated the ordinary people regard this House as irrelevant. If a referendum were held tomorrow morning, the majority of people would vote against the retention of the Seanad. Senator Leyden should note that, this week and last week, we did not deal with one Government-sponsored Bill.

Senator Maurice Cummins: That is terrible.

Senator Jerry Buttimer: How is that a means of having confidence in a House of which we are Members? How can one have confidence in a House that is meant to be an Upper House rather than a mini Dáil? I am as guilty as anybody for creating a mini Dáil out of this House but understand that we must become realists and consider how we respond.

If we are to have confidence in one another and create an Upper House that is meaningful and has a role, we must do as I propose. Under the Constitution, the House has a very clear role. We must never forget that. I am very much in favour of the retention of Seanad Éireann.

Irrespective of what Senator O'Toole believes or says, the councillors who elect us to the majority of the panels take their jobs very seriously. They do not take Senator Doherty's remarks on board in that they are not swayed by people giving out largesse. I have never given anything to anybody. The majority of Senators do not do so. Senator Doherty's party was the very party that had a pact with another party to create a seat for itself in this House. He is talking from both sides of his mouth. Sinn Féin could not wait to do a deal with another party in order to have a Member in this House. Sinn Féin is the party that must present its ballot papers to a certain group of people to make sure they vote the right way. At least I can sit down opposite the county manager in Cork and vote for whoever I want.

Senator Terry Leyden: I am in the same position.

Senator Jerry Buttimer: If we want to reform the House, we should talk about all of us, bearing in mind that none of us is perfect.

I agree with Senator O'Toole that the House, as presently constituted, cannot keep going. We need to reform the manner in which we get elected. I am not a bit afraid of having change. We should have a referendum to vote on change in the manner in which all of us are elected. I refer to the six university seats and the vocational panels. Perhaps we should get rid of the Taoiseach's nominees and have a wide-ranging election, perhaps on the same day as a European election. Let us have direct election by the people and allow councillors and graduates to continue to have a vote while at the same time changing the whole system.

Let us not be afraid of change. Naval gazing and patting on the back will not get us anywhere. This House is not perfect, nor is the Dáil. No House of Parliament anywhere is perfect but we should be open to change. Let the Government introduce legislation to make change. Let us stop talking about it. Let us stop hiding and introduce change. This Bill may not be perfect but it represents an attempt to introduce change.

Senator Paul Coghlan: Let the White Paper be introduced first.

Senator Jim Walsh: I compliment Senators Cummins and Coghlan on introducing this Bill, for which they deserve great credit. I am disappointed that a decision has been made to oppose the Bill. It would have been far better to have the Bill read on Second Stage and amended on Committee Stage. I do not accept some of the arguments put forward by the Minister of State, whom I know for a long time. Before he held the high office he now holds, he was a distinguished local authority member, chairman of the General Council of County Councillors,

and a very strong exponent of local Government. I would be surprised if his speech were not produced by the permanent government.

Senator Paul Coghlan: Hear, hear. We know the Minister of State's heart is with us.

Senator Jim Walsh: That is a significant part of the problems we have in both Houses.

The Local Authority Members Association should be a nominating body for the Seanad. I served on that body as chairman and member for a number of years and was a colleague of the Minister of State in the General Council of County Councils for a long period. I was also a member of the Association of Municipal Authorities of Ireland.

I agree with the Minister of State's point that the Association of Municipal Authorities of Ireland and the General Council of County Councils are representative of the corporate bodies of local government whereas the Local Authority Members Association is a representative body for the members. I listened with interest to what the Minister of State had to say on retrenchment and rationalisation. There were suggestions in the past in this regard that came from officials in the Department. I hope we will have Ministers who will use their own knowledge, experience and discretion when the permanent government makes propositions to them and that they will do the right thing. I would not like to see any amalgamation because the various bodies serve different purposes.

I am aware that some of the discussions surrounding the reform of local government may well lead to the removal of a tier of local government. Therefore, the future of the Association of Municipal Authorities of Ireland and town councils may well feature in any reform programme. The Local Authority Members Association represents the lowest paid public servants in the country, councillors. I served as a councillor for twice as long as I have been a Member of this House. As with many other Senators, I know the volume of work done at council level and how it has been increasing exponentially, particularly since better local government was introduced some time ago.

I do not believe the arguments on retrenchment and rationalisation are in the White Paper on local government reform or what the Clerk of the Seanad decided previously is relevant to what we are discussing today.

When chairman of the Local Authority Members Association, I took up with the then Minister, Deputy Noel Dempsey, the issue of recognition of the association on behalf of its members. It was addressed by him through local government legislation. We sought to be a nominating body, not only for the Administrative Panel but also the panel I believe is most appropriate for the association, namely, the Labour Panel. I was told by the Clerk of the Seanad that without the approval and support of other nominating parties on that panel, which the Clerk felt would not be forthcoming, it would not be possible to make the decision to include us. However, we in these Houses can make these decisions. We should be making them and exercising our electoral mandate and franchise.

I welcome the extension of the debate on Seanad reform. I sometimes smile when I hear many Members seeking reform of a body that is often recognised as a much better debating Chamber than the Lower House. Many Ministers in the current Cabinet and former Ministers have said privately to me and others that they prefer to introduce legislation in this House than in the Lower House. I do not know the view of the Minister of State, Deputy Finneran, who served in this House for a number of years. The Ministers make this point to me because they feel there will be more objective and higher quality debate without partisanship. We should be slow to decry the merits of this House. That is not to say that I do not agree with some of the points made by Senator Joe O'Toole in that there is room for reform.

[Senator Jim Walsh.]

There are many upper Chambers in many European parliaments whose Members are elected similarly to ourselves. Members of local authorities who have a strong electoral mandate and make very fundamental decisions on behalf of citizens also exercise the franchise to elect members to an Upper House. France is a notable example.

Debate adjourned.

Business of Seanad

Senator Donie Cassidy: With the permission of the Cathaoirleach, I wish to propose an amendment to the Order of Business. Given the interest in this issue, I propose that we adjourn at 1 p.m. and roll this item over until another date, to be agreed with Senator Cummins, who moved that the Bill be read a Second Time. I am mindful that many colleagues wish to speak in this debate.

Senator Maurice Cummins: Is it possible to extend the debate for a few minutes? Only a few more people wish to speak.

An Cathaoirleach: The number of speakers left to contribute at this point and the Minister of State's wrap up time of ten minutes mean that at least 30 or 40 minutes would have to be added to the debate.

Senator Maurice Cummins: We would be finished by 1.30 p.m.

Senator Donie Cassidy: I propose to roll it over with the permission of the House.

An Cathaoirleach: The Leader proposes to roll over the debate. Is that agreed?

Senator Maurice Cummins: No.

Senator Paul Coghlan: Is it possible to extend the debate until 1.30 p.m.?

Senator Donie Cassidy: Many of our colleagues wish to speak.

Senator Maurice Cummins: When does the Leader suggest the debate will be resumed?

An Cathaoirleach: Will the Leader inform the House when the debate will be resumed?

Senator Paul Coghlan: Will it be this afternoon or tomorrow?

Senator Donie Cassidy: I will endeavour to put it on the Order Paper for next week.

Senator Maurice Cummins: Will the Leader assure us that he will do so?

Senator Donie Cassidy: I give the House an assurance on next week.

Senator Maurice Cummins: In that case, I agree.

Senator Donie Cassidy: That is providing that the Minister of State is available.

An Cathaoirleach: Is it agreed that the debate be adjourned at 1 p.m.? Agreed.

Seanad Electoral (Panel Members) (Amendment) Bill 2008: Second Stage (Resumed)

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

Senator Terry Leyden: I welcome the Minister of State, Deputy Finneran, my constituency colleague. I commend him on the excellent speech he made which outlined the situation on reform of the Seanad. It has been an interesting debate and Senator O’Toole argued that local councillors should not have a franchise to give us a mandate. The 1,000 councillors in Ireland are elected by more than 2 million people who went to the polls most recently in June 2009. They have a right and responsibility and we have a mandate from them to be here equal to any representative from the universities or those nominated by the Taoiseach. I recommend to Senator O’Toole that he advocate the institutes of technology be given the right to vote. This would be a very positive move. A constitutional amendment accepted by the people has not been implemented. Will the Minister of State implement this prior to the next Seanad? It will require legislation.

I commend Senator Maurice Cummins on proposing the Seanad Electoral (Panel Members) (Amendment) Bill 2008. It is quite interesting that the party bringing forward the Bill is the very party that wants to abolish the Seanad. This side of the House, which is in favour of retaining the Seanad, outlined through the Minister of State exactly what the future holds for the Seanad.

Senator Maurice Cummins: What is that?

An Cathaoirleach: No interruptions.

Senator Terry Leyden: I will not re-read the Minister of State’s speech. I will not plagiarise him. He outlined it in his speech; please read it. It was a very comprehensive speech and I hope it will be——

Senator Maurice Cummins: There is nothing in it on Seanad reform.

Senator Terry Leyden: ——circulated to councillors. I presume it will be.

Senator Maurice Cummins: I would not circulate it if I were Senator Leyden.

Senator Terry Leyden: It is interesting that Senator Maurice Cummins has not proposed an amendment with regard to the labour panel, of which he and I are members. He does not propose additional nominating bodies for that. It is very difficult to get elected to this House.

Senator Paddy Burke: They do not have to come in here.

Senator Terry Leyden: I was first elected to the Dáil in 1977. It took me three efforts and three panels to get elected to Seanad Éireann. I went on the administrative panel, which was mentioned, the industrial and commercial panel——

Senator Paddy Burke: Senator Leyden improved with age.

Senator Terry Leyden: ——and the labour panel. I have experience in all fields to be elected to the House.

Senator Maurice Cummins: Senator Leyden is very well qualified.

Senator Terry Leyden: I wish Senator O’Toole well as vice-chairman of the Personal Injuries Assessment Board, which is a wonderful appointment for a Member of the House. The relevant

[Senator Terry Leyden.]

legislation allows a Member of this House to have such a position. Senators and councillors should be members of boards. The Minister of State is very keen on this and he will ensure any legislation he proposes will allow for it. There are Members of this House who are well qualified to serve on the boards of some of the banks to bring rationale to those areas. This House has tremendous potential. There is a certain sense of unreality about this because of the circumstances.

I commend LAMA. I circulated more than 1,000 copies of my Oireachtas promotion newsletter——

Senator Maurice Cummins: With details of conferences, yes.

Senator Terry Leyden: ——promoting the recent conference in Listowel which was very successful. I commend the chairman, Hugh McElvaney, the secretary, Noel Bourke, and Councillor Tom Crosby from Tarmonbarry in my constituency——

Senator Maurice Cummins: What about the assurances you gave them?

Senator Terry Leyden: ——who is the Oireachtas representative. We have a very close working relationship. Through Senator Diarmuid Wilson, the Government Whip, we met the LAMA executive in Leinster House to discuss other issues as well as this one.

Senator Maurice Cummins: What did you tell them?

Senator Terry Leyden: My heart is with them in this regard.

Senator Maurice Cummins: But Senator Leyden's vote is not.

Senator Terry Leyden: I very much hope that the association would be allowed to take part in the nomination process. The Minister of State explained the matter very well and he will convince LAMA that its best interests lie in supporting Fianna Fáil candidates in the next election because we support the retention of the Seanad. Many of its members have aspirations to be here and I wish them well. It would make their passage much easier if LAMA had a nominating right but let us be assured that a vote for a Fianna Fáil candidate in the next Seanad election is a vote for the retention of Seanad Éireann.

Senator Paddy Burke: No canvassing allowed.

Senator Terry Leyden: I am very pleased the Bill has been brought before the House but I am delighted with the Minister of State's very persuasive presentation to the House.

Senator Maurice Cummins: That speech sums up Senator Leyden. It turned every side.

Senator Terry Leyden: I thank Senator Cummins; that is very kind of him. I appreciate his comments.

Senator Paddy Burke: I compliment Senator Cummins on bringing the Bill before the House. It is the first legislation we have debated since the recess. Two issues have been raised today, the reform of the Seanad and the Bill itself. Seanad reform is a much bigger issue and with only five minutes to speak, the only issue to be discussed is the Bill, which I support.

The franchise should be extended to LAMA. I was a member of the association for a number of years and I can vouch for the great work it does on behalf of local authority members, not only members of county and city councils but also members of larger municipal authorities. It

is a wide-ranging and extensive body which is well run. There is nothing wrong with Members of the House being elected by councillors. The councillors are elected by the public and come from wide and varied backgrounds and from all educational backgrounds. They have great knowledge and those they elect to the House also have great knowledge and experience.

I fully support the position outlined by Senator Cummins. Why should the representative body of local authority members not have the right to nominate one person to stand for election to the Seanad? Various bodies apply to the Clerk of the Seanad for the right to nominate to various panels. This Bill spells out in detail that the Association of County and City Councils, the Association of Municipal Authorities of Ireland and the Local Authority Members Association are the only bodies that would nominate to the administrative panel other than bodies with charitable status. It is clear LAMA does not have charitable status and Senator Cummins has outlined that the Bill should be changed to allow it to be a nominating body. I agree with this.

As has been outlined by several Senators, LAMA is very representative of all the political parties and independent groupings. There is nothing wrong with extending the franchise to it.

Senator Fiona O'Malley: Although I am glad to have an opportunity to speak about the Seanad Electoral (Panel Members) (Amendment) Bill 2008, I have no hesitation in saying I do not support it. I am conscious I am one of the Senators who enjoys the patronage of the Taoiseach, having been nominated to my position in this House. I was used to having a mandate as an elected representative, but that is no longer the case in my capacity as a Senator. It certainly impedes my sense of having a mandate as, technically, I do not have one. I am conscious I am approaching this issue from that perspective. I do not have any cross to bear or cause to fight for any particular group. The reason I am opposed to this legislation is that it would perpetuate the power of vested interests, which is what is fundamentally wrong with this Chamber.

I am conscious that I am a former member of a party that originally wanted to abolish the Seanad. Since I was elected to this House, I have noticed that the quality of debate is much higher here. The manner in which Senators interact when discussing complex legislation was especially evident during the debate on the National Asset Management Agency Bill 2009, which was much better in this House than it was in the Dáil. I have come around to the position that this is a worthwhile Chamber. I am sure all the Fine Gael Members of this House would like the Seanad to continue. Perhaps the leader of that party, on mature and measured reflection, will change his tune. It is quite ironic that Fine Gael proposes to extend the franchise and nominating abilities of the Seanad at a time when it also proposes the abolition of the House. There is a lack of coherence in such a strategy.

Senator Maurice Cummins: The people will decide.

Senator Fiona O'Malley: That is the point. The people do not decide who the Members of this House should be.

Senator Maurice Cummins: They will be asked to make a decision in a referendum.

Senator Fiona O'Malley: I would like to continue without interruption. I find the current system offensive, if that is not too strong a word. If we are to be democratic, we should be elected by the people. That is what it comes down to. We need a different system of electing Senators. It is amusing to hear Senators speaking about their constituencies. The only constituencies they have are their representative bodies. Why do we continue to perpetuate the involve-

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ment of such interest groups when in every other sphere of life or element of politics we say we do not favour interest groups?

The one welcome aspect of the introduction of this legislation, if the Minister of State will permit me to say so, is that it might shame the Government into admitting that the Seanad reform which everyone was saying would be done will not take place during the lifetime of this Seanad. A great deal of work on Seanad reform was done during the previous Seanad but we have very little to show for it, which is not something of which we can be proud. For that reason alone, Senator Cummins has done some service by introducing this Bill. We need to think about whether we are serious about reforming the Seanad. It is high time we started the process of reform. Everyone should be elected by the people, rather than on the basis of their education, for example. I propose that the system should involve something like a regional body.

I accept the Minister of State's position. I think he is right not to accept this Bill. We do not need piecemeal changes that make more room on the trough, which is essentially what this legislation proposes. I do not think that is the right way to reform the Seanad. If we are to change it, we should change it fundamentally. I accept that the university panel system may have some merit, as those elected under that system have contributed strongly to each successive Seanad. None the less, it is fundamentally wrong that a person can be given a vote on the basis of his or her level of education. We cannot stand over it. Senator O'Toole admitted it is unconscionable that to provide representation, he must stand on an elitist panel. There is much to be said for his honesty.

The legislation proposed by Senator Cummins highlights the need for fundamental change to take place. I hope it will trigger the introduction of legislative reform by the Minister of State and his senior colleague at the Department of the Environment, Heritage and Local Government. People are entitled to be disappointed that more fundamental Seanad reform has not taken place to date. I hope the Government will attend to the matter with greater diligence as seo amach.

Senator Marc MacSharry: I welcome the Minister of State, Deputy Finneran. I congratulate Senators Cummins and Coghlan on their initiative in introducing this Bill. I assume they have done so in the context of a difficult atmosphere in the Fine Gael Party, the leadership of which has determined that the abolition of the Seanad is desirable.

I wish to express my personal views on Seanad reform. Eight years have passed since I was first elected to this House. I have been involved in many debates on reform proposals. I was a Senator when substantial cross-party reports were published under the leadership of Deputy O'Rourke. I appreciate that the Minister of State has said an independent electoral commission will be established. The fatal flaw or handicap in our entire system is its inability at times to allow decisions to be made. The stones on the road probably know how the contribution of the Seanad could be usefully maximised. The Minister of State is well aware of the need for reform, as he said in his speech, having been a strong advocate for it during his many years as a councillor and as an excellent Member of this House.

I would like to speak about the inability of the hierarchy of the political establishment to make the necessary changes. All of this country's political entities, particularly Fianna Fáil, Fine Gael and Labour Party, have sought since the foundation of the State to preserve the *status quo*, in effect. I have never known a Senator from any side of the House — Independent or otherwise — who is not a strong and enthusiastic advocate of substantial Seanad reform in the interests of the people. It is hugely frustrating, however, that we have consistently been

told reports will be compiled and bodies will be established — in this case, an independent electoral commission.

The Members of the Oireachtas have developed tangible proposals for meaningful reforms that would help to streamline this country's democratic process. The people want reforms that represent their views and, above all, are not as pedestrian as many of the reforms we seek to make in these Houses. They want decisions to be made instantly and change to happen quickly, as is the case in the private sector. The decisions that are made in these Houses usually involve the establishment of an independent commission or review group. We have to talk to civil servants and see what they think. The matter is then reviewed again independently at some phenomenal cost to the State. The point is usually reached at which the proposed reform has been questioned so much that it is obsolete and the process needs to be started all over again.

I agree with Senator O'Malley that if the people were truly informed of the level of debate on and scrutiny of the various legislative proposals that come to this House, including EU legislation, they would have much more confidence in our political system, even with the flaws that exist. The media, for one reason or another, has decided not to cover the workings of this House in any meaningful way. Many people in the public service, the Civil Service and — not least — the media look down their noses at the work of these Houses. Senator O'Malley referred to the debate on the National Asset Management Agency Bill 2009. Over approximately 70 hours, the legislation in question was teased out, changes were made and a number of recommendations were accepted by the Minister. We should acknowledge for once that change is required in these Houses. We do not need another report or the input of an independent electoral commission. Genuine political will is needed not to preserve the *status quo* but to make the changes that are needed. Everyone who has ever served in this House knows that such changes can be made.

Senator Cummins will fully understand that I am bound by the Whip. I will meet my responsibilities in that regard when I vote on this Bill. I commend him on having the courage, in the face of opposition within his own party, to introduce this small piece of the kind of reform that is needed. I accept that Senator O'Malley would like a universal franchise, although there are various views on that. I suggest that in the interim, we could continue to be nominated by county councillors. I was elected on the industrial and commercial panel, which has between 50 and 60 nominating bodies. If we are to have additional nominating bodies, I do not see why the Local Authority Members Association should be excluded from consideration in that regard.

Debate adjourned.

Sitting suspended at 1 p.m. and resumed at 2 p.m.

Announcement on Banking by the Minister for Finance: Statements

Minister of State at the Department of Finance (Deputy Martin Mansergh): The Irish banking system has faced its most significant crisis ever. The core of the problem has been the scale of reckless lending that took place over many years. The consequence of such reckless lending must now be faced and the capital position of all the viable banks is being restored in order that the banking system will be in a position to meet adequately and responsibly the needs of the country and its citizens. The Minister's statement on banking on 30 September was a very important milestone on that road to recovery as it sought to bring finality to the capital requirements of the banks and the extent to which the State will be required to fill the breach.

The State's involvement in the banking sector, going back to September 2008 and the initial bank guarantee, has at all times been focused on the requirement to protect and support the

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financial and economic position of the State. Although this has been said on many occasions, it needs to be repeated. Given the very stressed international financial environment at that time and the significant reliance of the banking system on external wholesale and debt funding, in the absence of a State guarantee, the Irish banking system as a whole would not have been able to fund itself and the system would have faced the risk of immediate collapse. While we have faced very difficult economic, fiscal and unemployment problems over the past two years, a sudden failure of the financial and banking system in the autumn of 2008 would have had a very much graver impact. As former President Clinton put it pithily on his recent visit to Dublin: “If you don’t have a banking system, you’re toast.”

This crucial step of introducing the guarantee gave the Government vital breathing space to address the fundamental problems of the banking system. The Government availed of that opportunity. It established NAMA, which has forced the banks to face up immediately to the losses on their land and development and associated loan books, and it recapitalised the banking system, which included taking some of the banks and building societies into State ownership and taking substantial stakes in the two main banks. This has not been an easy route. It has proved to be a difficult and expensive, but also necessary, process if the banking system is to be repaired in the interest of the economy and the citizens of this country. The Minister’s statement on banking on 30 September 2010 has been a very important step in this regard.

A very important objective of the Minister’s statement has been to restore international confidence in the banking sector. Certain steps have been taken in that regard, not least the reforms to the regulatory system and the appointment of people with real expertise and credibility in key positions. Key legislative changes have also been made. The Central Bank Reform Act 2010 commenced on 1 October 2010. This Act provides for the establishment of a new unitary Central Bank combining both central banking and regulatory functions. It will be governed by a new Central Bank commission chaired by the Governor, Patrick Honohan. This is the first in a series of Bills to reform the Central Bank. The next Bill, to be published later this year, will add to the powers and functions of the Financial Regulator. Further legislation early next year will consolidate and make more transparent the body of law relating the Central Bank and the regulation of financial services. The new legislation will equip the Financial Regulator with the powers necessary for the more hands-on financial regulatory regime that is now required.

The Minister indicated previously that he is examining options for the introduction of legislation to deal in a systematic way with distressed financial institutions. His aim is to ensure that the State has in place a range of tools to address problem institutions effectively in the interests of maintaining financial stability, minimising reliance on public moneys and ensuring continuity of key banking activities. In view of the role performed by central banks in resolution frameworks for financial institutions, the Department of Finance is in consultation with the Central Bank with a view to the development of draft legislative proposals which will be considered in due course. This is a complex area where policy is evolving internationally. It is necessary, therefore, to ensure any model introduced in an Irish context conforms to best international practice.

The most distressed of our domestic banks is Anglo Irish Bank. The future plan envisages the splitting of the bank into two licensed and regulated credit institutions — a recovery bank focused on recovering maximum value for the State from the loan assets and business of Anglo Irish Bank not being transferred to NAMA and a funding bank to safeguard fully Anglo Irish Bank’s deposit base. The Central Bank has determined and advised that in the expected loss case an additional €6.4 billion in total capital will be needed for the recovery bank and funding bank structure to continue to meet the minimum capital requirements in the coming years. A

total of €22.9 billion has already been provided by the State since Anglo Irish Bank was nationalised early in 2009. This additional capital requirement brings the projected total gross cost of the restructuring of Anglo Irish Bank to €29.3 billion. This additional capital estimate was based on the information available, including estimates from NAMA of the likely discounts on loans transferring to it based on its own analysis. This additional capital will be provided by increasing the promissory note issued by the State and by appropriate burden sharing exclusively by holders of Anglo Irish Bank subordinated debt instruments. The Central Bank has estimated that in the stress case the level of losses in Anglo Irish Bank could potentially be €5 billion higher than in the expected case of €29.3 billion. The stress case indicates the upper boundary of the level of losses. It should be emphasised that it does not represent the Central Bank's expectation of the likely outcome. The Government will, therefore, capitalise the new structure to the expected case requirement of €29.3 billion.

Much has been said about senior debt obligations in Anglo Irish Bank. The position is that senior debt obligations rank equally with deposits and other creditors under Irish law. There are no plans to change this position. The Minister has indicated clearly that there is no question of seeking to impose losses on holders of such senior debt in Anglo Irish Bank or in any other credit institution in the State through any legislative measures. Any alternative strategy as advocated by some creates a significant risk of jeopardising the banking system and the State's access to international debt markets and cannot be countenanced on that basis. Commentators and critics, expert or not, do not have to take responsibility for the consequences if their view is acted upon. Markets do not always — perhaps seldom — act in a perfectly rational manner. Governments must take decisions, often under pressure, in real time and will not take conscious risks that may endanger the whole system.

The principle of appropriate burden-sharing by holders of subordinated debt, however, is one which the Minister accepts. In keeping with this approach, the Department of Finance, in conjunction with the Attorney General's office, is working on resolution and reorganisation legislation which will enable the implementation of reorganisation measures specific to Anglo Irish Bank and the Irish Nationwide Building Society, INBS, which will address the issue of burden-sharing by subordinated bondholders. The legislation will be consistent with the requirements for the measures to be recognised as a reorganisation under the relevant EU directive in other EU member states.

Although smaller in scale, INBS is arguably in an even more distressed position than Anglo Irish Bank. The fact that the State, which now controls the society, is required to inject €5.4 billion in capital is testament to this. This level of capital injection amounts to around 45% of the society's liabilities at the end of 2009. This stressed position of the society is the outcome of very risky and poor lending provided by the society over a number of years. It is a real indictment of the board and senior management of the society over that time that the taxpayer is required to deal, especially on such a scale, with the consequences. As a small gesture, the former most senior manager in the society voluntarily offered to return some of the bonuses he received from the society over recent years. This offer was made, it was stated, out of his respect for the members of the society. Despite this statement, the bonus remains to be returned to the society. Given that the owner of this distressed institution is now the people of Ireland, the Minister has expressed his full support and encouragement to the board of INBS in its efforts to see this offer by the former chief executive of the society honoured in full.

The Minister has made it clear that he does not see a future for INBS as an independent stand-alone entity and he has asked the NTMA and his other advisers to explore the options open to him to bring finality to the position of the society. The European Commission will be fully involved in this process. The further capital investment by the State in INBS will reassure

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depositors in the institution that, whatever the future may hold for the society, all its deposits will remain secure.

Regarding the other covered institutions, AIB has already taken steps to meet its capital requirements by the sale of its Polish subsidiary, among other steps. This is expected to generate capital of €2.5 billion. In view of the increased NAMA discount for AIB, however, the Central Bank has concluded that an additional capital over and above the amount identified last March will be required. As indicated in the banking statement of the Minister for Finance on 30 September, the new total capital requirement for AIB, after taking into account the capital generated by the sale of its Polish subsidiary, is €7.9 billion. In the current stressed market conditions, the bank is unlikely to be able to conduct a traditional privately underwritten transaction on a substantial scale. To afford every opportunity to AIB to raise as much as possible of the required capital from the markets and to minimise further Government support, it has been decided that this capital requirement will be met through placing an open offer to shareholders of AIB shares to the value of €5.4 billion. This transaction will be fully underwritten by the National Pensions Reserve Fund Commission and is expected to be completed in 2010. If necessary, the commission's underwriting commitment will be satisfied by the conversion of up to €1.7 billion of its existing preference shares in AIB into ordinary shares along with a new cash investment for the balance of €3.7 billion in ordinary shares. This transaction structure assumes the disposal of other assets in due course. In the event that AIB's residual capital requirement is not met through asset sales by 31 March 2011, any shortfall will be met by the conversion of a proportion of the remaining €1.8 billion of preference shares. As a consequence of these actions, it is likely that the State will hold a majority shareholding in AIB.

Regarding Bank of Ireland and EBS, the Central Bank has advised that no further capital over and above its existing level in the case of the Bank of Ireland and that already announced last March in the case of EBS is required. EBS is in discussion with a number of parties about its future, and any adjustment in its capital need that arises for the State will be accommodated in the outcome of those discussions in due course.

As an historian by background, I am conscious there have been other more summary ways of dealing with the authors of these problems or those deemed to be such. The original Star Chamber of Henry VII and the *chambre de justice* during the prime of Louis XIV were designed to make financiers who had made vast sums in contrast to the penury of the state disgorge their ill-gotten gains. There are faint echoes of this in the treatment of some Russian oligarchs in much more recent times. As a sometime 18th century French historian, recent events have given me new insights during the revolution into the unpopularity of financiers who had accumulated vast wealth, very often at the expense of the state, in the last decades of the *ancien regime*. Despite Ireland being a republic that originally took its inspiration from the ideals of the French and American revolutions and despite the best efforts of the statutory authorities, we need to reflect on the reasons the wheels now seem to move so slowly and whether any legal and constitutional protections unintentionally make it more difficult and cumbersome than it should be to bring people to justice or, more relevantly, to make them disgorge gains they are not entitled to hang on to.

The Irish public finances have also been very severely impacted upon by the sharp deterioration in economic activity in recent years, particularly through our tax revenues. To put it in context, tax receipts in 2010 are likely to be some 35% below their 2007 peak, which would see them effectively back to 2003 levels. Following an era of surpluses for almost all of the decade between 1998 and 2008, large deficits, not seen for well over 20 years, have been recorded in more recent times. The 2010 budget set out a medium-term fiscal consolidation plan to bring our deficit to below the Stability and Growth Pact threshold of 3% of GDP by

the end of 2014. We have taken substantial measures to correct the imbalance in the public finances. Fiscal adjustments designed to yield 5% of GDP in 2009 were implemented between July 2008 and April 2009. The 2010 budget implemented a further set of adjustments, mainly on the expenditure side, amounting to €4 billion or 2.5% of GDP.

As regards the emerging fiscal position for this year, it is encouraging that the most recent Exchequer returns of revenue and expenditure up to the end of the third quarter on 30 September provide further evidence that the stabilisation in the public finances continues. Overall taxes are exactly in line with target, while expenditure is almost €1.6 billion down year-on-year, demonstrating the impact of decisions taken by Government. An underlying general Government deficit of 11.9% of GDP is expected this year, which is broadly in line with the budget day forecast.

It is the case, however, that on a purely headline basis the general Government deficit this year will be extremely high at around 32% of GDP. This is owing to the accounting treatment by the EU Statistics Office of capital support being provided to some of the financial institutions. It should be stressed, however, that no additional borrowing is required this year as a result of this large headline deficit and the Exchequer is fully funded through the first half of 2011. In addition, the funding costs of the capital support to the banks are being spread out over the next ten years or so, thereby lessening the immediate impact on the Exchequer, which means they are manageable in that context.

The Government remains fully committed to bringing the general Government deficit below the Stability and Growth Pact threshold of 3% of GDP by the end of 2014. The focus now is on securing the necessary adjustments which must be delivered to maintain ourselves on a sustainable and credible path towards consolidation. Work is under way on a four-year budgetary plan, to be published in the first half of November, that will set out the annual measures required to ensure that target is met. Restoring sustainability to the public finances is essential to underpin future economic growth. An adjustment above the €3 billion figure will be required next year and the extent of the additional amount will become clearer in the coming weeks as the Department of Finance assesses the most up-to-date economic and fiscal data available in the context of preparing the four year budgetary plan. The 3% target has also been publicly accepted by the two main Opposition parties, which is a positive development, and officials from the Department of Finance have been providing technical briefings to Opposition spokespersons this week.

It is vital we have a credible path to show how we propose to reach our target. By ensuring a sustainable fiscal environment, we can set the right conditions to assist the economy in returning to growth. The four-year budgetary plan will set out our revised annual headline targets and the necessary adjustment to adhere to a credible deficit reduction plan over the medium term. The plan will take on board the most up-to-date economic and fiscal data and the implications for the fiscal consolidation process. To underline fully the strength of our resolve, the Government will make a significant consolidation effort in 2011. The Government is determined to take whatever steps are necessary to ensure the country returns to a sustainable fiscal position.

As part of the budgetary plan, we will also set out a strategy for underpinning and encouraging sustainable economic and employment growth over the medium term. It is only through adopting policies that enhance our economic growth and job creation prospects and improve our competitiveness that we will achieve the necessary targets. Encouragingly, the substantial improvement in competitiveness which has taken place over the past year or thereabouts is feeding through into stronger exports. Recent figures show a broadening of our exports, with a strong performance recorded across a number of sectors. Provided we continue to improve

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our competitiveness, for instance, through appropriate wage policies and raising productivity levels, there are grounds for optimism.

The announcement of the four-year plan and renewed commitment to tackling our public finance deficit has been generally well received by the international financial markets, with our bond spreads narrowing in response. The plan will be a pathway towards renewed fiscal sustainability. The 2011 budget, which will be presented to the Dáil on 7 December, will be another important step on the road to achieving this goal. The Government has, therefore, taken and will shortly take further firm decisions that are necessary to restore the economy and the public finances to a credible and sustainable position.

Senator Paschal Donohoe: I welcome the Minister of State. This afternoon's meeting between the party leaders featured strongly on the Order of Business this morning when Senators from all sides welcomed the talks. It is vital the political system responds to the unprecedented economic times in which we find ourselves. I hope this afternoon's discussions will help create confidence in the measures being taken to address the current crisis and send out a positive signal to those outside the country on whom we rely to fund our public services. My party will play a constructive role in these discussions because the national interest is at stake.

As Senator MacSharry and I have repeatedly stated, the inability of the State to borrow on the bond markets at an affordable rate is a grave challenge. We all have a role to play in addressing this problem and ensuring the country is in a position to borrow sustainably in the coming years and reduce the amount it needs to borrow.

I was struck by a number of comments made by the Minister of State. Unlike him, I am not a French history enthusiast and know much less about the subject than I used to. Whenever possible, however, I take time to read Irish history and I like to study those periods in our history that may have relevance to our current circumstances. In recent weeks, I finished an excellent book by UCD economist, Professor Tom Garvin, entitled *News From a New Republic*. The book is about Ireland in the 1950s, the conditions in which people lived and the atmosphere in Leinster House at the time. One of the themes running through it is that the significant decline in economic growth and living standards in that decade led many people to the conclusion that independence was not working. A different approach was required if Ireland was to avoid national paralysis. Individuals from across the political spectrum and the public service, including Seán Lemass, TK Whitaker, William Norton and Gerard Sweetman from the Fine Gael Party, challenged the negative view of the country's future and set out to create conditions that would enable Ireland to restore its position. Their approach resulted in the economic success the country experienced in the latter part of the 20th century and early years of this century.

The prevailing mood among commentators must be punctured. We need to have confidence that Ireland has a successful future in store. The steps needed to ensure better days lie ahead must be taken now. This is deeply relevant to today's debate because one of the elements required relates to the treatment of those who were responsible for the country ending up in its current position. I note and approve of the time the Minister of State spent commenting on developments in Irish Nationwide Building Society. Much of the current discussion has focused on the role of Anglo Irish Bank in bringing the banking system to its knees. Given that Irish Nationwide Building Society accounts for only a fraction of the banking system and is much smaller than Anglo Irish Bank, the requirement on the State and taxpayers to inject €5.4 billion in capital is the most outstanding example of mismanagement, reckless behaviour and reckless corporate governance in recent banking history.

The Minister of State also referred to the former chief executive of INBS and his bonus. We have seen many different faces of capitalism in recent years. I am reminded of comments made about a businessman in another era who was described as the worst face of capitalism. The worst face of capitalism was demonstrated by the behaviour of a certain individual who claims his duty was to his building society, one which is now owned by the people, and has not yet given any indication that the bonus he received will be returned.

The Minister also referred to the need to review the legal and constitutional mechanisms in place for dealing with circumstances such as those I have described. I cannot think of a better example to illustrate the reason this needs to be done. I draw a parallel with the work done by the Criminal Assets Bureau in seizing the wealth and assets of those who inflict great evil on society. The financial cost imposed on society by those individuals is but a fraction of the financial cost imposed on the nation by those in the banks. We need to adopt the philosophy behind the Criminal Assets Bureau when tackling individuals such as the person to whom I referred. If possible, the scope and competence of CAB should be extended to encompass the role of individuals in the banking sector. If that is not possible, we need to move in a similar direction to ensure those who brought the country to its knees pay a price for doing so.

I wish to comment on a number of points relating to the banking guarantee scheme, some of which were touched on in the Minister of State's contribution and others which were not. In a debate that has gone on for so long and that is of such importance, it has become difficult to come up with something new. However, I wish to comment on some information on the period that led up to the instigation of the banking guarantee scheme that came into the public arena recently via the Committee of Public Accounts, as well as some recent information that has emerged on the role of promissory notes and the cost they will impose on the Exchequer.

I remember the night on which the banking guarantee scheme was introduced into this House. It was in fact a very dramatic morning because Members debated it through the night and as the Minister for Finance, Deputy Brian Lenihan, was making his point, the sun was rising behind him through the window on that side of the Chamber. While all Members were hoping this was the dawn of an era in which such difficulties could be put behind them, little did they realise it was only the start of it. I spoke on behalf of my party that evening and one point I made was that Fine Gael was acting in good faith, based on what it was hearing from the Government and on the difficulties being faced by the banks. A point then made by Fine Gael, to which I wish to return, pertains to the sheer breadth of inclusion of debt this banking guarantee scheme brought in. This brings one into the arena of the roles of subordinated and senior debt and the differences between the two, as well as the legal obligations this could create.

However, I refer to the report published by the present Governor of the Central Bank on the guarantee scheme and the resolution put in place to deal with it. The point is made that the inclusion of all forms of debt into the banking guarantee scheme "complicated [the] eventual loss allocation and resolution options". It goes on to state that it "pre-judged that all losses in any bank becoming insolvent during the guarantee period — beyond those absorbed by some providers of the capital — would fall on the State". As someone who supported the scheme based on the information to hand at that time, it appears the inclusion of so many different forms of debt under the umbrella of the banking guarantee scheme at the very least has greatly complicated the job of the present and future Governments in ensuring the burden of loss and the difficulties the banking system now has created will fall equally on everyone involved, that is, bondholders, investors and the taxpayer who Members seek to represent.

As I was preparing for this debate and considering this theme, I had an opportunity to review briefly some documentation that was made available to the Committee of Public Accounts

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regarding the period leading up to the implementation of this scheme. One indication that emerged from these documents is that the precise form of the guarantee, and the associated breadth of debt inclusion that was introduced into the House that night and which has been supported over the subsequent two years, was not recommended to the Government by its then advisers, Merrill Lynch and was not recommended for inclusion in any of the documents that were made available to the aforementioned committee by any senior civil servants at that time.

I refer to one great question that remains to be resolved and that as someone who voted for this scheme I have a great interest in understanding. What was the rationale at the time and what is the rationale now for the breadth of inclusion of the debt that the banking guarantee scheme developed? The Minister of State must agree that the options for resolving this issue at the least cost to the taxpayer have narrowed considerably on foot of this decision. While this point is being raised at a political level, it will be important to find an answer to this question for fear that we get into similar difficulties at some point in the future. While I hope this will never happen again, the lessons learned should be made public and should be acknowledged.

My final point relates to reports that are beginning to become available regarding the stance of hedge funds on debt and the action the Government might take in that regard. I acknowledge *The Daily Telegraph* is a newspaper that frequently abandons the need to be impartial in respect of this country. However, an article appeared in that newspaper on 30 September last which indicated the possibility of hedge funds taking legal action against the State — I believe there also is the possibility of another prominent business person in the United Kingdom so doing — were the Government to take action regarding subordinated as opposed to senior debt. I would be grateful were the Minister of State to indicate whether this is the case and whether it is a matter for which the Government has been preparing. I conclude by stating that the spirit of an organisation such as the Criminal Assets Bureau and the work it does would go a long way towards restoring the confidence of people that those who led us into this mess will face the consequences.

Senator Marc MacSharry: I join with other Members in welcoming the Minister of State. I also welcome the opportunity to make some points on the subject of banking. I welcome the analogies made by the Minister of State in respect of French history. Throughout these debates on the scale of the banking issue, I have made the point that unlike Louis XIV, one cannot set up the guillotine on St. Stephen's Green and begin to line up those who one considers to be most culpable in making a contribution to the mess in which the country finds itself, much as many people would like to do. Nevertheless, this does not detract from the essential need to provide closure by way of retribution and appropriate punishments doled out to those concerned, whether in banking or political circles or otherwise, when all the facts are known in the fullness of time. Many facts already are in the public domain and as Members are aware, investigations are ongoing into the banks. The reports prepared by Messrs Regling and Watson and Professor Honohan, the Governor of the Central Bank, have been published and investigations by the Joint Committee on Finance and the Public Service are ongoing. The scheduling of this debate has been unfortunate because the aforementioned joint committee is meeting as Members speak to consider an interim report and that is where I should be. Moreover, a commission of inquiry also is under way. While one regrets the pedestrian nature with which these investigations continue, we have due process in this country. Despite everyone's yearning for a pound of flesh, to quote Shakespeare, I believe due process will provide this, however much one must put up with the frustrations at present.

I was interested to hear Senator Donohoe's contribution and I acknowledge his contributions always are highly constructive. Were all the Opposition parties to adopt a similar approach to the Senator in the leaders' meeting this afternoon at 4 p.m., I am sure the required consensus and international message of agreement on matters such as the bottom line and on the national intention to deal with our problems could be achieved. I was interested when he drew an analogy with a book he had read by the economist Tom Garvin, who had discussed the 1950s in Ireland, when people here had a basic acceptance of their limitations. They were resigned to accept their relative poverty or at best their mediocrity and consequently were not as optimistic about the future or as open-minded in looking to what they could achieve as they could have been. It reminds me of a recent contribution made by President McAleese at a function I attended. She stated that the resignation of the past held Ireland back for many decades. Senator Donohoe mentioned how many people contributed to us clawing our way out of that mindset. Equally however, the President noted that the indignation of today could paralyse us and I felt that no truer word was spoken. This is not to absolve anyone from the sins of the past or any perceived guilt by bankers or politicians or in respect of macroeconomic policies or otherwise. However, it is important that while the ongoing investigations continue, slow as they may be in coming to conclusions, Members must focus on solutions and taking the appropriate actions. Painful as are the realities that have become clearer in recent years — from the banking guarantee to the scale and depth of the banking hole, as announced by the Minister for Finance on 30 September — I am confident the appropriate actions are being taken.

Senator Donohoe asked if the breadth of the debt covered by the bank guarantee was appropriate. He mentioned that Professor Honohan had raised this as a particular question in his report. That is looking at a problem with 20:20 vision and the benefit of hindsight. It was a critical moment for Ireland, our banking system and how we would be viewed internationally. It is easy for academic economists and others to say we should or could have done this or that. We did what we did and it was received very well internationally. It was seen as a decisive and determined step to take control of the situation and assure the international community that, whatever the situation in Ireland, team Ireland was prepared to take the appropriate actions to deal with it. I prefer not to focus on that action but to look to the future in considering how we will deal with these problems, but I take Professor Honohan's point. He is doing a splendid job and I was delighted to see that, for a change, we had appointed someone other than an in-house person to the governorship of the Central Bank. However, in the context of the international perception of how Ireland was coping with her problems at the time, the banking guarantee sent a signal of confidence to the international community. Now we face the challenge of assuring the bond markets and others if we are to maintain a supply of credit from the wholesale markets to this country.

It is important that we have consistent messages. In recent weeks we have talked about the possibility of achieving political consensus. That is not to say we must agree on every aspect, but we should agree on the length and breadth of the problem. We must agree on the 3% deficit figure and the actions to be taken to reach this figure by 2014. While we can reserve the right to disagree on aspects of the tangibles, it is important that we agree on the fundamentals.

The scale of the announcement of 30 September was incredible. One could set out to do so, but it is simply impossible to justify. A disgraceful situation was allowed to emerge and it arose for a number of reasons. The very good "Freefall" programmes on television dealt in detail with de-regulation throughout the world, with vast amounts of money crossing borders. An international regulatory regime failed the global market. We were citizens of the world. Our own regulatory system failed our expectations and needs. Many steps have been taken to improve it and the guarantee is ongoing.

[Senator Marc MacSharry.]

I have a few specific questions on regulation. Mr. Matthew Elderfield has done a fantastic job heretofore. It is prudent for a bank to have increased capital. We distinguish between tier 1, core capital; tier 2, secondary bank capital, and other levels. More capital must be in equity than previously, which is all very prudent. However, as we try to heal the banking system and get credit flowing again to an extent where it can support business and the real economy, have we set capital levels that will recapitalise the banks very well and allow for a rainy day that will never arrive because we are no longer engaging in that kind of borrowing? We should have had such capital reserves ten, 15 or 20 years ago. We may very well have recapitalised the banks, but because of the proportion of capital in tier 1, are we hoovering up too much equity in order that small businesses cannot borrow it? I am not an expert on banking, but it occurs to me that some of the improvements the Financial Regulator is making to the capital requirements of banks may be strangling their ability to have capital to lend. That is the question.

Are Mr. Elderfield's improvements being dictated by Brussels or are they home grown? There is talk of Basel III. I wonder what that might hold. I would like to think it would focus on a broader set of regulations that could be agreed not just on a pan-European but on a world basis and would prevent the incentivisation of the creation of derivatives that might get us into this kind of mess again in the future. At summits of world leaders one sometimes hears an acceptance that something like the current crisis will occur again and that we must make sure we will have a fund big enough to buy us out of it. Would it not better to focus on preventing it ever happening again?

Many tranches have been transferred to NAMA, but I understand none of the NAMA bonds has issued. Could this, potentially, strangle the ability of banks to make available what little money they have to the small businesses and families which require credit?

The depth and scale of the banking disaster cannot be justified. Where we are today would once have been unimaginable. It is vitally important that we send a message loud and clear that team Ireland will get out of this mess and take the appropriate actions. These actions may vary from one political party to another, but the broad direction must be agreed. There must be national agreement. If this does not happen, our ability to get money at appropriate levels of interest will be impeded next spring when we will be back in the bond markets. I hope today's meetings in Government Buildings can reflect this.

Senator David Norris: I welcome the Minister of State who must be used to turning up in this House and listening to what we have to say. I will try not to repeat too much of what I have said before because I have spoken in most of the major financial debates. There is a responsibility on all of us to contribute at this very difficult time.

One of the hopeful signs is that what I have heard of today's debate has been constructive on both sides. I welcome the contributions of Senators MacSharry and Donohoe who always has a balanced and reasonable tone. This morning he remarked on the figure of more than €80 billion in savings. I presume people are saving in banks or, as I am doing, prize bonds. He suggested a degree of hope and the optimism about which Senator MacSharry was talking about when he referred to team Ireland would lift us out of this rut. If we can create a degree of confidence, some of that money may be released back into the economy for productive purposes. That is something I would certainly welcome. It would be an extremely important development.

This is a huge problem and there is no point in simply venting anger. Anger is an enormous reserve of energy, but unless it is channelled productively and creatively, it is negative and creates further damage. For that reason, we need to establish the clear facts, address them and

move on. This country has got out of much worse situations. We have had a very troubled history. I am not a dyed in the wool green republican and have never used phrases such as 800 years of brutal British oppression or the jackboot. However, we have had a very troubled history, but we managed to rise out of it and in the middle of an extremely difficult situation, domestically and internationally, create an independent and vital country. We are moving towards 2016. Whatever one thinks about them, a group of brave people with a certain vision established the independence of this country and it will be a reproach to all of us in the political system if we find in 2016 that our financial and political affairs are being directed by forces outside the country which are not concerned about the welfare and interests of the Irish people. In the middle of this catastrophe, we have to ensure that in rectifying our financial situation we do not remove humanity from the equation and that we leave society with a human face.

It is also important that we do not betray the current generation of young people. I visited UCD last night to speak to the law society but I was kidnapped into an enormous meeting of the student representative council, which was planning a huge march on the issue of fees. I managed to dissipate the tremendous ovation I received by stating that fees need to be considered in light of the serious situation in which we find ourselves. Free fees is a nonsensical and ugly phrase and it is also an oxymoron because one either charges fees or one has freedom. I believe in equality and the noble words in the 1916 declaration about cherishing all the children of the nation equally. Given that registration fees already stand at €1,500 and will probably increase to €3,000, residence in UCD costs €4,5000 and then money must be found for books, travel and food, it must cost at least €10,000 per year to educate a young person at third level. These costs must exclude wide sections of society. Our meagre resources need to be directed at ensuring all who are qualified can attend third level education. I would prefer a free universal education system but until we have a tax regime that is similar to that in the Scandinavian countries, it is not a practical reality. I had to advise the students of my opinion, although I doubt I won many votes by doing so. I told them I always believed in telling the truth, even when it was unpalatable or vote losing.

The bounce will come because of the qualities of creativity, innovation and imagination about which Senator Harris spoke so movingly on the Order of Business. These are the resources which businesses internationally recognise as the most fruitful grounds for success. It would be a great tragedy if our young people found it impossible to stay around to contribute to their country. It is already tragic that the overwhelming majority of our recently graduated nurses are using their undoubted talents and special qualities in the UK's health service. I remind Senators of the cost of that to the taxpayer.

I remarked earlier there is not much point in railing against the banks. I was interested to watch Vincent Browne do a real job on Michael Soden on "Tonight with Vincent Browne" last night. Mr. Soden thought he was being invited to promote his book but he was also asked about the culture of cronyism and the golden circle in the banks. He seemed to take a NIMBY attitude in arguing that such practices were prevalent in other banks but not the Bank of Ireland. There was a problem in that people were being appointed because of personal contacts and it is important we look beyond that small circle. I was astonished to hear the responses of the senior commentators and financial experts when Vincent Browne asked whether a deaf and dumb person picked from the street could have made a worse mess as director. They tried to evade the question but eventually admitted such an individual would have been no worse. That is a serious problem.

It is an obscenity that the greatest transfer of wealth from the poor, the weak and the vulnerable to the rich I have ever witnessed is currently taking place. The money has not evaporated. I ask the Minister of State if it is impossible to learn the identities of the bondholders. I am told it is impossible but I hope that is not the case because we are writing a blank

[Senator David Norris.]

cheque to cover the gambling expenses of senior figures in the financial world and we do not even know who will cash it. It was suggested in the other House that some of the discredited bankers are bondholders. Particularly when we are imposing charges such as the 50 cent prescription fee on the terminally ill and the homeless, it is intolerable that we may be rewarding negligence to the point of criminality. It appears we are witnessing what I call the Leona Helmsly effect. When that extraordinary New York speculator was brought up on tax charges, she stated she believed only the little people pay tax. The little people are now paying for the indiscretion, stupidity, folly and greed of the bankers.

Senator MacSharry made a number of interesting suggestions when he appeared recently on a radio programme. He raised an issue which I subsequently addressed on the Order of Business regarding our bonds, the interest on which has been forced up to unacceptable levels by the completely discredited ratings agencies. They should not be allowed near the markets. I understand we are not allowed to use our own funds to invest in our own bonds because of a technical legal hitch. I ask the Minister of State whether amending legislation could be introduced to allow us to benefit from the yield on our own bonds. I am glad to see that interest rates have eased recently, however.

That we face a very serious situation was clear from the demeanour of the party representatives as they left the Department of Finance on Monday. They were so shocked that, unusually, they did not think it appropriate to score political points. That is useful, at least. We are left to address a difficult, but not impossible, situation. It is probably unrealistic to believe we can meet the 3% deficit target by 2014 and if it is attempted in a savage way it might lead to a serious contraction in the economy with further negative repercussions down the road.

Other problems have emerged in recent days in the broader political sphere. An interesting but troubling article was published in today's *The Irish Times* about the move by Chancellor Merkel and President Sarkozy to introduce a formalised version of the emergency measures used to assist European economies in difficulty. As I understand these measures will be confined to the euro area, the United Kingdom will not be able to veto them. This proposal might require a referendum. I would be interested in hearing the Minister of State's perspective on the problems such a referendum might produce in our current difficulties. It would be a difficult issue to address irrespective of what Government is in power.

The same newspaper also carried an article by Vincent Browne pointing out the continued existence of significant tax breaks. If a wealthy person invests €100,000 annually in a pension fund, the State will pay €48,000.

I understand the reasons this measure was introduced, and I do not believe it was particularly for very wealthy people. It should be stopped instantly because it is not supportable at present. We need to examine this situation in order to give people the confidence that it is not just the ordinary person on the street who is being left again with the bill.

Another issue needs to be considered. When I suggested that, for example, Anglo Irish Bank should be left to the operation of market forces, which should not be suspended, and that it should be left to go down, the Minister for Finance, Deputy Brian Lenihan, said it was of systemic importance. This suggests that, nationally and internationally, the system is seen as more important than the people. I do not think so. In a previous debate, a speaker said the Greek word for "crisis" has a root which is the same as that for the word "opportunity". We need to take this opportunity to re-examine radically the position of banks in our country and to avoid a situation where, for example, the outfall flowing from this affects all kinds of other issues. One example of this is the hotel industry. Banks are repossessing and coming to own hotels, and then opening them at less than cost in competition with others which are desperately

trying to run their own legitimate enterprises. The infection is spreading down the chain and for that reason we need to investigate.

It has been stated in a newspaper that we are still one of the 15 richest countries in the world. Will the Minister of State tell us whether this is true? I note that when we were said to be one of the richest countries in the world, it was based on an analysis of the value of property. I would be surprised, and extremely glad, if we were still one of the 15 richest countries in the world, but I am not sure that information is accurate.

Acting Chairman (Senator Diarmuid Wilson): Before calling Senator Boyle, I welcome Deputy Máire Hocht and her party to the Visitors Gallery.

Senator Dan Boyle: We are, in fact, one of the wealthier countries in the world, and this information is based on gross domestic product.

Senator David Norris: That is very good news.

Senator Dan Boyle: That is how we measure wealth. We are a country that has a positive balance of payments, meaning we take more money into the country than we send out of it. However, that is beside the point.

The Minister of State and the regular participants in the Chamber are experiencing something like debate fatigue with what is now a weekly and sometimes bi-weekly debate on the economy, the budgetary process and the situation with the banks. What makes this debate slightly different is that it has more specifics than many of the other debates because it is on the speech of the Minister for Finance in the other House in regard to the ultimate cost of the banking situation. As was said at the time, there is no doubt that situation was appalling and that the figures which have been arrived at are utterly horrendous. As a country, we have to respond.

I am saddened to hear the use of clichés being continued in this debate. There is still a basic misunderstanding of many of the issues involved. Bondholders have approached mythical status in many of these debates but the fact is many of these banks' losses do not reflect the bondholders at all but refer to bank losses in regard to meeting their deposits. While many of these deposit holders could be large wealthy institutions, some of the accounts are held by credit unions and voluntary organisations. The alternative to not adopting this approach is to put in place a far different form of social crisis in this country. I am saddened that we do not have that type of honesty in this debate.

Senator David Norris: It is not the case with Anglo Irish Bank. There are very few small depositors in that case.

Senator Dan Boyle: In Anglo Irish Bank, the €35 billion in losses is largely made up of deposits. The bondholders have €8 billion of the €35 billion and, of that €8 billion, close to €6 billion is held by senior debt holders and some €2 billion to €2.5 billion is held by subordinated bondholders. We have now made a decision in regard to extending the bank guarantee until the end of this year, and as subordinated bondholders are not included in that, we can deal with some of that €2.5 billion. In terms of the senior bondholders, there is still an obligation to meet some of those debts because, very often, they are not mythical people but the same people — perhaps in international banks or international pension funds — from whom we as a State have to borrow.

The essence of this problem has been from the start that if we did not tackle the debts that were put upon us by these institutions and if we allowed default to happen, given our public

[Senator Dan Boyle.]

finances are in such a state, our ability to borrow and to do so at effective rates of interest would be utterly compromised. That is where the problem has been all along. Until we understand that as a political system and until we are able to convince the general public of that problem, we will not move forward on this issue. This is why today's meeting of the party leaders is at least a sign of hope.

There is a linkage between the statement of the Minister for Finance on the banking situation and our ongoing budgetary situation. It has been claimed in political point-scoring in this Chamber, particularly on the Order of Business in recent days, that somehow figures have been hidden and that the situation has been known to be worse for a considerable period. The reality is that until this statement was made, until the analysis was done in regard to what the actual end-figures for the banks would be for the banking situation and until there was a response by international rating agencies and others as to how that affected the cost of borrowing in this country, we did not know the increase in the cost of the public finances. We have regular public announcements regarding how the budgetary strategy is progressing every month, whether the tax take is in line and where public expenditure is going. Throughout 2010 and until this statement was made, all the figures were on course. It was the intention to have a budget with an adjustment of €3 billion — this again has been misrepresented in debate and in media reporting — made up of some public expenditure cuts, some capital expenditure cuts and some changes in the tax system. This seems to have been missed by many who either deliberately choose to misrepresent the situation or have no real understanding of the nature of the problem at hand.

That said, now that we have the actual banking figures, outlining the truly horrendous cost of €35 billion for one institution in particular and a possible maximum cost of €50 billion, the real public frustration is that — I am being very careful with my words — it is known that key individuals in ownership and managerial positions in many of these institutions have behaved in a criminal manner. The fact there has not been a legal liability for this action is an ongoing matter of shame for this country and something that causes a great deal of public anger. Until we address the issue of individuals who through their greed, incompetence and negligence brought about this situation, we will not progress and get the type of confidence we need within our public as well as international confidence in restoring our economic well-being. I am not sure whether it is our common law legal system or reluctance as to how we go about dealing with white collar crime, but until we introduce a culture where people who have committed crimes of this nature and scale are treated in an appropriate way, we as a country are diminished. This cannot be said strongly enough.

I hope the individuals concerned will be identified, called upon by prosecuting authorities and dealt with by the judicial system adequately, quickly and with all legal principles intact. It is important that people are brought to account. This is a truly horrendous sum that has inflicted huge damage on our economy, and it will take many years to repair properly. The fact it happened at all has unnecessarily put the country in a situation where, despite our wealth and our potential to be an even wealthier, more prosperous and more equal society, we are forced to deal with issues of this type before dealing with more pressing social equity issues. That is the real shame of this debate.

That said, these interminable and regular debates are necessary as part of the national conversation we must have to make sure we get this right. What has been put right has to be acknowledged — again, this is a failing of the Opposition — in terms of the regulatory system, improvements in the Central Bank, reports from people such as Messrs Regling and Watson and the report introduced by the Governor of the Central Bank. It is to be hoped Mr. Nyberg's inquiry will be successful. In addition, the Joint Committee on Finance and the Public Service has done good work. All of these are helping to peel away the layers of an infected and diseased

onion. We must remove every layer before we can have a banking system of which we can be proud and which will help to restore our tarnished reputation on the international front.

The prime culprits in all of this, namely, Anglo Irish Bank and Irish Nationwide Building Society, infected their counterparts. I refer, in the case of Irish Nationwide Building Society, to the EBS and, in that of Anglo Irish Bank, to AIB. The scale of the infection created a rollercoaster effect, whereby we are now obliged to deal with a problem that is greater than should have been the case. Mistakes have undoubtedly been made in trying to deal instantly with the scale of the problem. One of those which must be acknowledged relates to Anglo Irish Bank, one of the major financial institutions. The Government did not move quickly enough to ensure the changes necessary at management level were made. Those who were part of the problem — members, one could state, of the *ancien régime* at the bank — and had created many of the difficulties were allowed to linger too long. These individuals failed to deal with the difficulties to which I refer.

We now know the nature and scale of the problem and have introduced many of the changes that are necessary. New directors and chief executives have been put in place in the banks. The only thing the State and its political system to need do now is ensure the people will have confidence that these mistakes will never be repeated. The fact that questions remain about the latter remains a challenge to all of us.

Acting Chairman (Senator Diarmuid Wilson): I call Senator Alex White who has eight minutes.

Senator Alex White: I believe I have 12 minutes.

Acting Chairman (Senator Diarmuid Wilson): That is correct. I apologise.

Senator Alex White: I may not use the full 12 minutes, but I want to ensure they will be available to me if I need them.

Acting Chairman (Senator Diarmuid Wilson): The Senator is entitled to his full allocation of time and far be it from me to take it from him.

Senator Alex White: I thank the Acting Chairman.

The only way we can assess the success of the various measures the Government has taken in respect of the banking system is to apply the test it established at the outset in this regard. The Minister of State and his colleagues have outlined that test in this and the Lower House on many occasions. The test is not — despite what Senator Boyle stated — designed to develop a banking system of which we can, in some symbolic way, be proud or which will satisfy international opinion. The real test the Government has set down — in my respectful opinion, it is the correct one — is that we should have a banking system which lends to the real, active and productive economy. This system must also be part, once again, of a vibrant and dynamic economy. That is the test the Government set in respect of the various measures it has introduced and it is the only one we can be realistically expected to apply.

I invite the Minister of State to outline the success achieved in the aftermath of the various measures brought forward by the Government. The term “outcomes” has found its way into popular usage. What have been the outcomes? We were promised that one of the outcomes would be that the banking system would be restored and begin to lend to a productive economy. On the evidence, this does not appear to have occurred. The Government owes the people an explanation in this regard.

[Senator Alex White.]

Senator Boyle always refers to honesty. It is ever so slightly irritating to hear him state those on this side of the House are not being honest and that all the honesty lies with those on the Government benches. He implies that on each occasion we say anything we are being dishonest. We can, as we are entitled to do, disagree with what has been and is being done, call the Government to account and take the debate in directions which the Senator or the Minister of State might not particularly wish it to go. If we do these things, however, it does not mean we are being dishonest. Perhaps the Minister of State will, in his usual honest fashion, address the matter of whether the banking system has even remotely begun to pass the test the Government set in respect of it.

The Minister of State touched on the subject of retribution and referred, rather amusingly, to the establishment of a star chamber. He has raised an important issue which deserves further ventilation. In that context, however, I am not interested in the erection of a guillotine on St. Stephen's Green. Senator MacSharry has often stated the latter is precisely what the Opposition is seeking. That is not what we are seeking.

Senator Marc MacSharry: We all might like it, but we cannot have it.

Senator Alex White: The Opposition is seeking the kind of scrutiny and examination necessary and, ultimately, wants those responsible for causing the difficulties that have arisen to be prosecuted. I use the term "prosecuted" in the broadest possible sense. I am not merely referring to criminal prosecution. As a society, we are entitled to apportion blame. People should not be apologetic and state we should not look backward or engage in a culture of blame but rather should look to the future. I am principally interested in what happens in the future. I would have thought that, of all people, the Minister of State would agree that it is not possible to do anything about the future if one does not have some understanding of what happened in the past. This applies equally to the banking system and the Government's failure to regulate it. We are entitled to lay blame.

The way to move on is to carry out a proper and convincing analysis of what happened in the past. This would allow people to understand what happened and have confidence in the future. Such an analysis has not been carried out. I accept that due process must take its course, but there have been incredible delays in bringing people to book. The Minister of State referred to a number of legal and constitutional obstacles and I am of the view that there are more of these than has been indicated. I am also of the view that the Government is perhaps beginning to contemplate these obstacles. If the latter is the case, perhaps the Minister of State will indicate whether we should be addressing these, either through the introduction of legislation or by moving to address the constitutional issues that arise.

Each day one hears anecdotal evidence of properties being disposed of or of their being transferred into the ownership of spouses or other family members. The country is rife with such stories. In my other occupation I was visited by ten or 15 people who were recently in the employ of one of the failed building firms in this city. Those to whom I refer are young men and women who have young families and are down €5,000, €7,000 or €10,000. They need the money to which I refer in order that they and their families might survive and they are aware that their former employers still retain certain assets. I do not want to be specific in this regard, but I might be on a future occasion. The individuals in question can see that the companies by which they were previously employed still have assets at their disposal. Can Members imagine the frustration to which this gives rise? Can they understand how the people in question feel, particularly in the context of their helplessness and, in fairness, that of the system to recover these assets?

We have in place a regime for dealing with receivership and liquidation. However, we must address these issues in the context of the circumstances in which individuals and families find themselves. The latter perceive there is a complete absence of justice with regard to the way the matters to which I refer are being resolved or addressed. If there are legal and constitutional obstacles, I would be extremely interested to hear the Minister of State elaborate on them. Perhaps the Government might return to the Houses with more refined thinking on possible changes to the law which it might be necessary to make. Even if we cannot assist the people to whom I refer, perhaps matters might be changed in order that others might not find themselves in the same position in the future.

There is an ongoing debate on Anglo Irish Bank and whether there is a basis for making a move in respect of its senior bondholders. One of the difficulties with which we must grapple — again the Minister of State merely touched on this matter and, as in other instances, quickly moved on — is the complete absence of a reliable statutory resolution mechanism to allow us to deal with banks which fail. We should develop such a mechanism in order that we might use it in the event of a bank failing. We ought to have such a mechanism. It is many months since others and I first raised this issue in the House, but all the Government states is that this is a matter which it will address at some point. The Minister of State did not exactly state this issue is not relevant, but it does not appear to be high on the agenda. It ought to be high on it. Therefore, I ask the Minister of State to comment further on it.

The budgetary position has brought about the shock and debate from recent days. It is a debate in which we are all engaged and I am involved with the discussion in my own party. All politicians and people concerned about the future of the country will engage in the discussion in the next few weeks. I thought at one stage in his speech I heard the Minister of State say that the stabilisation of the public finances is encouraging, and I believe this is a stray phrase that got into his speech from somewhere else.

Deputy Martin Mansergh: I said exports were encouraging.

Senator Alex White: We can check that but I will accept the Minister of State's explanation. Such a stray phrase may have been in his speech seven or eight months ago but it would be extraordinary for it to be there now. There is no confidence that the public finances have stabilised in recent months, and the news from recent days has set everyone back. When we talk about credibility, consensus and how people have called upon the Opposition to come forward to support the Government in such measures that need to be taken, we must understand the parameters clearly.

I cannot understand the logic of some Government figures and supporters in the media looking to the Opposition for specific budgetary measures to be brought forward in circumstances where the Government has not even begun to set out parameters. The Taoiseach said this morning it would not be possible to do so for another month but the Government is still asking Fine Gael and the Labour Party about measures to be included in the budget. It is illogical. If the Government genuinely wants to engage with the Opposition it must come forward with all the information. I appreciate briefings are ongoing this week and we can appreciate the confidentiality aspects.

Fintan O'Toole or some other commentator made the point in *The Irish Times* today that we should engage the entire the community in this debate. If we are to be faced with an adjustment over the next four years that will be double what we thought it would be, there is no way the issue should be resolved within the Oireachtas. We must bring the public with us on the debate as there is no question that taxation matters are required along with inevitable cuts in public expenditure. We must have that debate in public as much as we can because

[Senator Alex White.]

there has been an enormous loss of confidence in the Government. Although I am not a supporter of the Government, this loss of confidence has been catastrophic. No one wants to live in a country where the Government is on the floor in terms of public confidence, which is the case. There is a lack of confidence in the system and people do not know where to turn to. They are almost at a stage where they do not believe anyone, and in any democracy that is incredibly dangerous and does not lead to any kind of opportunity for a proper resolution.

There will be much disagreement in the course of the next few weeks and months but information and clarity are fundamental to our efforts. The Government must tell us what it expects next year for growth rather than just the scenarios given during the week. Is the Government so worried about projections because the forecasts given in recent years have been so spectacularly wrong? It will not give any projections for employment and growth next year. Where does the Government see these issues because we need that kind of information within the next few weeks? At that stage we can begin to have the kind of informed, intelligent and meaningful debate required over the next few weeks and months.

Senator John Hanafin: The first factor to be welcomed from the statement of the Minister for Finance on banking on 30 September is that we have a clear scenario within which we can work. We have figures for the final cost to the taxpayer of the banking crisis. I am cognisant that although the bill will be much higher than initially anticipated, given that we had the lowest debt to GDP anywhere in Europe at €30 billion, with significant savings in the National Treasury Management Agency, we had the means to face this crisis.

The difficulty I see at the moment is not the way the crisis is being managed but the fact that the media and certain elements of the Opposition are creating a scenario suggesting that we cannot manage our own affairs. Nothing could be further from the truth, especially when media commentators speak about the IMF coming in. Last year we spent less than 17% of our gross income on debt repayment, whereas in the 1980s we paid 33% of our net income on debt repayments. At that stage there was an 18% rate of unemployment, an 18% rate of inflation and we paid a rate of 15% for money. We were fortunate that we had our own currency at that stage but in real terms, given that this is now a wealthier economy, we are in a better position and can manage our own affairs. Nevertheless, there is much that we can and should do.

There were calls in this House today for a debate on whether the media is giving balanced reportage. This is important because we are only harming ourselves in this respect. The United States started in a similar position, with banks and financial institutions like Lehman Brothers, Bear Stearns, Goldman Sachs, Wachovia, AIG, Freddie Mac and Fannie Mae collapsing. That country had a belief in itself and is now in a better position than us, although there is no reason that should be the case. There are large amounts of savings but they are not moving in the economy because people are fearful.

As we have the final figures, there is an expectation. We know the finance system will operate well and prudently. There are new funding requirements for banks and as a result of the Basel process, they must hold more cash. There will be less money available for lending in future as a result. This is all the more reason for us to keep an eye on our banks and see how they operate. There cannot be a position where banks are getting in funds and using them to clear overdrafts or decrease overdraft amounts. We cannot have overdrafts transferred to term loans because we are told such activity is a new loan. The banks must continue to behave in a proper and prudent manner. The interests of the State, shareholders and customers come first. In this way the institutions will be much stronger in future.

The eventual figure for Anglo Irish Bank is €29 billion, with Irish Nationwide Building Society at more than €5 billion. These figures indicate that those banks had reckless lending. The only question we must ask is in what instances were people encouraged to lend and where were they encouraged to lend on the basis of bonuses. Was there knowingly reckless lending to achieve bonuses? If that is the case, further action will be required.

I am very conscious we will find it very difficult in some quarters to get straight answers on how the Opposition will deal with difficulties as part of a consensus. In fairness, Fine Gael has come forward but we have not yet had plain speaking from the Labour Party. If it wants to go the old route of plain opposition without explaining to the public the truth of the matter, the public will in time realise that, as a knee-jerk reaction, it may have looked at Labour but, in the end, the party did not give clear answers. Such action will not stand to it and all parties in the House must realise that measures must be taken, some of which will be difficult.

The targets for 2014 are ambitious but achievable. We must work cleverly together. We can consider our export growth and look at employment opportunities while we make cuts. It cannot just be a one-way street.

I spoke on the Order of Business about specific projects. I had in mind projects such as wind turbines for farms. I have been told from what I am sure is a reliable source that the VAT element of wind turbines means that the rate of return is a ten-year cycle. If the VAT element were done away with on the basis of their green credentials, their return would decrease to eight years which would become viable bank lending. This is a clear case of regressive taxation. In this instance because of the high rate of VAT, the business cannot proceed. If the VAT was eliminated, the current business would include the production of the wind turbine, the construction of same on a farm, the energy and money generated therefrom, which is guaranteed by the ESB, and the substitution of imports of oil. It is a win-win situation. We must examine whether we have any such examples of regressive taxation which we can deal with to create employment.

I can think of many instances, in particular in Tipperary, where hill farmers in Comeraghs, the Knockmealdowns, the Galtees, the Slieveardagh hills and the Silvermine mountains would be only too glad to take the opportunity to install wind turbines. If necessary, funding for the banks could be raised in the form of a bond with a specific purpose. The ESB has guaranteed the price. It is something the Minister of State could examine.

I am also conscious of the fact that there are people abroad who are advising us how to run our business. Fitch ratings agency recently suggested we are not having enough mortgage foreclosures. Having worked in the mortgage sector, mortgage foreclosures are very bad business. It is very costly to try to repossess a house, not only in terms of legal fees but also in terms of security fees on the house, auctioneer's fees and maintenance of the house. On the other side there is the trauma to the family and the cost to the State.

Acting Chairman (Senator Fiona O'Malley): I ask the Senator to conclude.

Senator John Hanafin: That was quick.

Acting Chairman (Senator Fiona O'Malley): The Senator's time has expired.

Senator Liam Twomey: The Acting Chairman is very tight.

Senator John Hanafin: The certainty which has been given by the statement of the Minister of State means that we can now go forward with a clear plan of what we need to do. I hope we will do it collectively and, in that light, the actions the Government has taken to date, some

[Senator John Hanafin.]

of which were unpalatable, were needed. We took action in time. If we continue on this road, we will be on the road to recovery quite quickly.

Senator Liam Twomey: I note the Acting Chairman likes to stick to time so I will do my best to finish on time. I was quite taken by the bloodthirsty suggestions of the Minister of State for dealing with errant financiers. I doubt if it will come to pass but the Minister of State should also bear in mind that it was not just financiers who had difficulty holding on to their heads during the French Revolution. There were a few politicians——

Deputy Martin Mansergh: Of all descriptions.

Senator Liam Twomey: ——and like-minded thinking individuals at the time who also suffered the same fate as the financiers to which the Minister of State referred. I hope he will not be actively encouraging it because his former party leader will be the first person who will be led up to see the blade of the guillotine if that day comes.

Senator John Paul Phelan: He has to come out of the cupboard.

Senator Liam Twomey: We have to get him out of the cupboard. That is the way life goes. The economic and banking policy of the Government over recent years has been a combination of wishful thinking and hoping tomorrow will be different. It was not too long after the last general election that we realised dark clouds were forming on the economic front domestically and internationally. It reached its crescendo in 2008 but it still took the Government time to respond to the seriousness of the issue.

In the course of the debate on the bank guarantee scheme in September 2008 in this House, when I tabled an amendment to the Bill to the effect that we should not spend more than €10 billion on bailing out the banks, the Minister, Deputy Lenihan, stood where the Minister of State is sitting now, looked across at us and very earnestly informed us that neither he nor the Government had any intention of spending more than €10 billion on bailing out the banks. Four months later, he had no problem spending €4.5 billion on bailing out Anglo Irish Bank and by the time we have got to the second anniversary of that statement, the amount involved has risen to €50 billion.

There is a sense in the House that somehow €50 billion is the final figure and that we can all talk about closure in terms of the cost of the banking crisis. That is not the case. There is still a need to clear through all the loans of the banks and there may still be a few landmines which have yet to go off — poor quality loans which are still in the institutions. A change was made recently, from €5 million €12 million, to the limit of loans with which NAMA will be involved. That can only indicate that NAMA is being snowed under with some of the work that is coming its way and that there may still be a lot we need to know about the banking system in this country.

If that has the effect of increasing the bailout cost, it is something about which we need to know. We need the Minister, Deputy Lenihan, to put aside the sort of High Court theatrics in which he often engages in both Houses of giving apparently earnest and informed opinions which incorporate a certain amount of showmanship. When they are exposed as being wrong, he points out that he did not know the right answer, in which case he may be deemed incompetent. Either that or he is participating in a form of cover-up.

The Minister of State saw what happened to the interest rates on Irish Government bonds in this country throughout last year. It may be that this sort of thinking is spooking international investors. That is something we must deal with. We must start talking about being more open,

and not just with international investors because they do not understand our priority in dealing with the crisis here, which is the citizens of the country. We are not giving them the clear answers they want. There is a need for the Government to put some of its old ways behind it and start engaging, not just with the Opposition, but with the people who will end up paying for the crisis over the next two generations. That is not happening. Even though we participated in consensus talks and are quite happy to go to the Department of Finance and keep confidential whatever information it wishes to keep confidential, we still have not heard much from Ministers about what will happen over the next month. Major issues will have to be dealt with over the next month. We are still holding to the old-fashioned way of waiting for the budget night when all will be revealed, like opening night at the opera. That is no longer appropriate. There is a need for the Government and all of us as public representatives to engage with the people on what will be needed in future. The banking crisis has shown us how something can go badly wrong and that is why there is a need to engage with the people. What the people will have to suffer and pay for over the next couple of years is quite serious.

In the context of the big figures we will discuss in a few weeks' time, paying back the promissory notes to which the Minister of State referred will cost us in excess of €1.5 billion per year. That is more than we spend on all accident and emergency departments. That is the very real impact of the crisis and what we are paying for. When the Minister for Health and Children, Deputy Harney, starts talking about how she will cut a billion here and a billion there, the people who will be affected are those paying for the Anglo Irish Bank bailout. That is the harsh reality of the situation and there is no other way of looking at it.

They are the things which are annoying. The public is angry that no one seems to be paying for this.

Senator John Paul Phelan: They are paying.

Senator Liam Twomey: I am not just referring to the former Taoiseach before he came out of the closet. I am also referring to senior bankers and officials. It angers people when they read reports that because an individual had discussions with a person in the position of Financial Regulator whose competence has been completely discredited, it allows him or her to be immune from prosecution. There is also the issue of the transfer of assets.

When I was a Member of the other House, I asked the then Minister about the transfer of assets. The position is not as outlined by Senator White in that transfers are not occurring secretly. One must register one's property dealings. Many people are simply transferring assets to family members. There is no big deal about it as they are doing it quite openly. One must ask whether there is a deliberate attempt to protect significant assets. I refer not only to the family home but to assets worth millions of euro rather than hundreds of thousands of euro. When I made inquiries about this, someone said to me a two-year rule applies. In other words, if a developer whose assets are being transferred to NAMA and who has given security to the banks on other assets transfers those other assets to another family member, nothing can be done about it after two years.

Acting Chairman (Senator Fiona O'Malley): I ask the Senator to conclude because his time has expired.

Senator Liam Twomey: Thank God we are having talks on the economy regularly because I was only getting into my stride. I will take direction from the Chair.

Senator Larry Butler: I agree with much of what Senator Twomey said. We must be more open and should set out the budget parameters well before the budget. These parameters

[Senator Larry Butler.]

should be discussed very openly in the Lower House and certainly teased out to a much greater extent in this House. This House now has a great opportunity to do so before the budget. I welcome the growing consensus that we must meet our 3% target by 2012 or 2013. The longer we delay, the more it will cost us.

Senator Twomey pointed out the actual cost of paying back on promissory notes, approximately €1.5 billion. That is a very substantial sum to be removed from the economy every year. Therefore, those who suggest we can spread the payments over a further three or four years are only fooling themselves and the people. They are dragging the economy down further. We must tackle the whole budgetary system in regard to what we are borrowing. While the banking crisis is causing a major problem for us, it is not the only problem. The major problem is that we are borrowing more than we are taking in taxes. The sooner we operate within acceptable budgetary parameters, the better.

It is important to bear in mind that we have saved our banking system from collapse. The Government has done so on behalf of the people. However, it is now time to consider mortgage holders who have a major problem. Some 300,000 mortgage holders paid more than they should have done for houses. Of course they are responsible themselves in that they did make a purchase. The banks also have a responsibility but the people are the taxpayers who bailed out the banks. Therefore, we should have a system in place whereby the banks would take an equity stake of at least 20% to 25% in the mortgage holders' houses that are in negative equity at present. This would reduce the mortgage repayments of the householder. It would ensure that the householder would not be put out of his or her house. We must introduce a system to assist mortgage holders because they are the taxpayers who are supporting the banking system. Without a banking system, we would not have an economy. It is disingenuous for anybody to say we had a choice other than to support our banking system.

It is important to have a stimulus to create more jobs in the economy. One of the best stimuli we have is the insulation retrofit programme, which now employs over 6,000 people. We are saying the programme could be rolled out over ten years but I would like to see it rolled out over five years. This would allow us to double the number employed in the programme, bringing the total to 12,000. To create this number of jobs by other means, one would have to attract four or five multinational companies, which one might not get. My proposal, which would result in more energy-efficient houses, would not only help with our balance of payments but would cut down on the amount of foreign oil and gas required to be imported. This should be option number one in the budget.

Before the introduction of the euro, some 70% of our pension funds were invested in Ireland. This figure is now approximately 25%. An important step the Government should take would involve asking fund managers to invest more in Irish funds. The Danes provide a good example of this. Some 80% of the Italian debt market is home invested and this is forming a great cushion for them. The Spanish have started to invest more in bonds in their pension funds. These are the sorts of initiatives we need to consider.

The 39-hour week is far too short. It should be a 44-hour week. This could be achieved by adding an hour to each day of the five-day week. That would result in much greater productivity. It is vital to have productivity in every sector, both private or public. These are a few of my ideas. It is important to bear in mind that Mr. David Beers of Standard & Poor's stated recently Ireland would be one of the first economies in Europe to achieve a turnaround, and that its turnaround will be much quicker than those of the bigger economies. That was encouraging. Miss Gillian Edgeworth, economist with the Italian bank UniCredit, said the Irish economy had turned the corner although it was still in quite a fragile state.

There is confidence but it is up to us to help ourselves. I know we can do so because we are a resilient people. We can do this much better than most believe we can. We have confidence in ourselves, we have young, well-educated people and we have ideas. If we go to work and put our shoulders to the wheel, we can succeed.

I am very much encouraged by the Opposition's approach to the next four budgets, which will be crucial. We should not forget that the Opposition will probably be in power by the time the four budgets are completed. My party, if in opposition, will also be responsible.

Senator John Paul Phelan: We will hold the Senator to that. I agree wholeheartedly with most of what Senator Butler said, but I want to take up a couple of issues. I agree that the State stepped in to save the banking system from collapse and on the day we introduced the bank guarantee scheme I stated it was something that turned my stomach but that we had to do it. The State did step in, but, unfortunately, in the stepping in we virtually brought the economy to the point of collapse. That is a slight exaggeration, but it has had significant knock-on effects. Senator Butler referred to the budgetary process. The fact that a four year agreement is being sought between the various political parties on the broad parameters of the budgetary layout shows how near to collapse the public finances have come.

I agree with Senator MacSharry that perhaps in certain elements of the media and among politicians too much emphasis has been placed on retribution. However, we have to look at it from the point of view of the people who will pay, ordinary taxpayers. At lunchtime today I spoke to a woman who works in the Houses of the Oireachtas. She told me the biggest loan she had ever taken out was to buy the carpet in her first house. She and thousands like her who never took out loans to buy second and third properties will, with those who took the big gambles, be asked in the next four budgets to take extraordinary cuts to their standard of living and incomes.

I am not an expert on French history, unlike the Minister of State, and I am not one for using the guillotine, but the authorities have to take immediate action to ensure those responsible for the banking collapse in this country and the other difficulties that have led to our current economic problems face justice. I am not speaking about retribution; I believe in equity. As such, if we will ask the general public to make extraordinary sacrifices, on the basis of equity, we have to ask that those who took the decisions be held to account for what they did. That is not asking too much.

The general public has shown extraordinary restraint. We see what is happening in France this week where it is proposed to raise the retirement age to 62 years. I did not realise the age of retirement in France was 60 years. When one compares that to what has happened here, the general public has shown extraordinary restraint. If we are facing into a budget that will reduce public expenditure by €5 billion or €6 billion, the general public has a right to expect that some of those who made the decisions which were responsible for bringing us to this crossroads will face justice for what they have done. Honestly, I do not get a sense from the Government that it is overly anxious to bring many of them to justice, but perhaps the Minister of State will correct me. Some of those who need to be brought to justice are politicians and the man in the cupboard, to whom reference was made, is the prime example. There is also the cosy relationship that continued for so long between the bankers, those in government and the Financial Regulator. I know an inquiry has been promised and will take place, but Garda investigations have to take their course before any charges can be brought. With the general public, we need to see more action being taken.

This is not specifically a debate on agreeing a four year budgetary plan, but I say to the Minister of State at the Department of Finance that if the Government is serious about engaging with the Opposition — at this stage I believe it is — there needs to be serious reform of

[Senator John Paul Phelan.]

the budgetary process. On budget day the Minister for Finance goes to the Dáil to present what is a *fait accompli* and for the rest of the day the Dáil votes on various motions. This is no longer acceptable; we need more rigorous engagement in the Houses of the Oireachtas, with Members on all sides being able to offer their opinions prior to the Minister presenting a budget. The announcement of the budget is less than seven weeks away.

I am not a financial expert but recently I was listening on the national airwaves to Mr. David McWilliams, with whom I sometimes agree, as he spoke about the level of investment in the country. This morning I listened to Mr. John Bruton who correctly extolled the virtues of the International Financial Services Centre which is comparable with any similar facility in the world and in some areas it is a world leader. Mr. McWilliams has referred to the fact that €300 billion from the United States has been invested in various funds in the IFSC, earning between 1% and 2% per annum. He has also made the point that the Government should engage in whatever measures are required to try to ensure this money is invested more productively in the economy. If a slightly higher rate of return was promised to those investing, much of this money could become available. Perhaps the Minister of State is in a position to outline his views on this and other potential sources of funds.

Senator Butler spoke about the choices the Government had to make and stated some people, more or less, wanted the banking system to collapse. No one suggested this. Everybody realises a working banking system is essential.

Senator Jerry Buttimer: Hear, hear.

Senator John Paul Phelan: However, the fact is that for many, particularly those involved in small businesses, there is no working banking system in place. The Government made decisions, including to take over Anglo Irish Bank; to invest a huge sum in the recapitalisation of Irish Nationwide Building Society, a very small bank; and to own 90% of our largest financial institution, Allied Irish Bank. I urge the Minister of State to ensure those involved in these institutions and others who were responsible for landing us in this mess will be held to account for the damage and havoc they have wreaked on the country. I can give him a list of people in south Tipperary and south Kilkenny — I am sure he knows them himself — who have been forced to leave the country and whose futures have been ruined. They have thrown back the keys to houses and have debts that will follow them for the rest of their lives because of decisions made by people involved in the institutions in question. We need justice in the midst of all of this.

Senator Fiona O'Malley: I welcome the Minister of State back to the House. I thought this was part of another debate that had taken place previously and that I had already make a contribution to it; therefore, I am glad to have an opportunity to make a further contribution. I think the Minister of State is here more often now than when he was a Member of the House.

I want to make the point to Senator Phelan that we tend to forget that the banking system did not collapse. That is what we need to remember. To be fair to the Senator, he corrected himself.

Senator John Paul Phelan: I never said that.

Senator Fiona O'Malley: You did.

Acting Chairman (Senator Jerry Buttimer): Through the Chair, please.

Senator Fiona O'Malley: The Labour Party has the luxury of not having to face up to the reality of the consequences of decisions it took. If we had all followed the course of action

taken by the Labour Party — this is where I applaud Fine Gael — there would have been a collapse and the IMF would have been in the country by now.

Deputy Gilmore and his Labour Party colleagues can surmise and reflect, with the benefit of hindsight, on what would have happened. There is no question but that the collapse would have occurred. We would already have given up our sovereignty. That is completely forgotten in the debates that are taking place now, partly because the collapse did not occur, fortunately. Of course it has been difficult and painful for citizens of all ages, including taxpayers. Responsibility for paying for all of this will fall on the shoulders of people who are not paying tax at the moment because they are too young to work. Everyone keeps talking about taxpayers but we should refer in the first instance to the citizens of this country.

The Minister of State quoted President Clinton's recent statement that "if you don't have a banking system, you're toast". One of our problems is that the justifiable public anger about what has happened has led to calls for people to be put behind bars so they can pay for the mistakes they have made. People have the right to make such demands and I would not criticise them for doing so. While we should not interfere with the processes of law and order, it is frustrating that they move so slowly. People in other jurisdictions have been serving sentences for some time. We need to do something about our system. People's anger will not be quelled until those who are responsible for this crisis are seen to be paying for it and taking responsibility in the eyes of the law. If the law is to have any meaning, it should be that when one falls foul of it, one is subject to it. The sooner that happens, the better.

Those who are angry sometimes fail to recognise that the Government has no cause to carry for the bankers of this country. If we had needed to support or bail out our economy in the same way, that would have affected every one of us. When I meet those who are protesting outside the gates of Leinster House, I can understand why they ask why we are supporting the bankers rather than ordinary people. When the economy is thriving, all of us enjoy the benefits. We cannot have an economy without a secure banking system. Many people have suggested there is one rule for the banks and another rule for the customers of the banks, particularly mortgage holders. There needs to be some kind of recognition that people are in difficult straits. I do not think it is in the interests of the banks to foreclose on people who are in mortgage arrears and having difficulties.

We are blessed that a good regulator has been appointed to the banking system. He is clear about what he wants to do. The changes that have been made to the Central Bank governance structures are to be welcomed. We all agree that very good people have been appointed in key banking positions. We should listen when the regulator looks for support. When I was listening to the radio over the weekend, I heard somebody make the point that the praise we are all heaping on the regulator needs to be accompanied by demonstrable supports and resources and the introduction of the legislative changes he is seeking. I ask the Minister of State to remind his Government colleagues of the need to meet the needs of the regulator, who has come here to do a difficult job. We are glad he has taken on that task with such gusto. It is not enough to pay lip service to his needs. We need to resource that office properly. We may now be paying the cost of not having resourced that office sufficiently in the past. We need to support the regulator and the people associated with him. I hate to identify singularly with the office holder, who plays one part in an important function. We need to be cognisant of that.

The Government, particularly the Minister for Finance and the Taoiseach, is to be applauded for the difficult decisions it has taken. Everybody now has the benefit of hindsight. Ten days ago, the Minister for Finance starkly pointed out that he is responsible for making the final decisions on these matters. That is the difference between the position of those in government

[Senator Fiona O'Malley.]

and our position. We can pontificate and surmise about what might have happened, but the Minister, Deputy Brian Lenihan, has to make decisions and live with the consequences of them. We do not tend to appreciate sufficiently how difficult it is to make tough decisions when one's back is against the wall and to live with the consequences of those decisions. That is why certain commentators should be more charitable at times. I am always wary of academics, in particular. Although the Minister of State has a learned background, he is not strictly an academic.

Deputy Martin Mansergh: I have never had tenure in my life.

Senator Fiona O'Malley: Perhaps that is why the Minister of State is so wise. I am suspicious of academics who live in ivory towers. They are great theorists, but we need a mixture of the theoretical and the practical.

Senator Paul Coghlan: I welcome the Minister of State, Deputy Mansergh. We see him so often that he could almost be described as our House Minister. We appreciate his presence. Like other speakers, I recognise the importance of banking for the future success of the economy. We have been through a frightful period and we are not out of it yet. Although there are outstanding issues, we hope matters have been stabilised. This debate follows on from the Minister's statement of 30 September last. We need to lance the boil of banking before we can move on from the current controversies. As Senator O'Malley said, those who were involved in wrong-doing need to be held accountable. The public has rightly contrasted the speed with which justice was dispensed to the man who drove a cement lorry into the gates at the front of Leinster House recently with the lack of speed with which the authorities have pursued those who drove the economy into the ground. We are anxious to ensure the threat to our economy is righted. We need to see accountability. This has to happen rather than being left in abeyance. Perhaps the Minister of State can update us on that front.

We need to reflect maturely on what we want from banks in Ireland. We should develop a clear strategy to meet our banking needs. The strategy should deal with issues like the regulatory structures that will apply, the role of the State in banks and the process by which the State will be removed from bank ownership. We all agree the State should not have a role in the banking sector, just as it should not have had a role in the bed and breakfast business, which happened when an arm of the State owned hotels. Sadly, many hotels are now under the control of NAMA, in effect. How can we ensure there are adequate levels of competition in the banking market to meet the needs of consumers? I would like to hear the Minister of State's thoughts on the so-called "third force" in this sector, which was much trumpeted in the past but about which we now hear nothing. What banking practices will be acceptable and what practices will not be acceptable? Sanctions and enforcement processes need to be clear and strong.

The key public issue that is causing problems is the level of personal debt. It would be hazardous to look at debt forgiveness processes. I do not doubt that many people are in distressed circumstances, but the bulk of the population is able to meet its commitments. The silent majority would be rightly outraged if preferential treatment was afforded to some mortgage holders. A proper scheme of forbearance is required, with some long-term storage of debt a possibility to overcome the block imposed by negative equity.

I also wonder about the exact information available on mortgage debt and negative equity. To help cut through the fog, it would be worth getting the Credit Review Office to assume some role to deal with how household debt is being handled by the banks. Are they being fair, reasonable and responsible? Again, I salute the work done by Mr. John Trethowan in that office. He was a very prudent banker and was certainly no relation of any of the cowboys who

took over in Anglo Irish Bank and, sadly, some of our other institutions which followed Anglo Irish Bank down that road.

We need to look at what we are seeking from the banks. We should not expect them to lend to risky projects, despite the many applications which I am sure they receive in that regard. They should be conservative and prudent in their lending practices. Proper security must always be provided. Given much of what is being transferred to NAMA, there is not proper security and the taxpayer will end up picking up the tab when the promissory notes are called in. There is a role for a State backed investment company similar to the ICC which could be used to fund riskier profile projects. I look forward to hearing what the Minister of State has to say in that regard.

I salute all the efforts made by Mr. Matthew Elderfield since he took office as Financial Regulator and what Mr. Patrick Honohan has been managing to achieve in his role as Governor of the Central Bank. I will not refer to their predecessors. We have received reports and commented on these matters.

I raise the issue of retribution. Nothing has happened about the exceptional support from Irish Life & Permanent received by Anglo Irish Bank in artificially boosting its deposits. That was totally contrary to the national interest and fraudulent. There was also concealment by Anglo Irish Bank and Irish Nationwide Building Society. Will the Minister of State update us on these matters? What standards were applied by the auditing and accounting firms? What did they have to say about all of this? The Irish Association of Investment Managers and the Pensions Board were also strangely silent. It would be shocking to compliant taxpayers if these matters were left without receiving proper treatment. They are of the utmost concern to Members of this and the other House and citizens generally.

AIB is the most systemic bank and has a large branch network which is so vital and essential to the economy. The State is heading towards 90% ownership, although I do know if an exact percentage has been decided on. Perhaps the Minister of State might comment on the matter. Is he satisfied the Government has shown a firm hand in taking control? Are there still legacy directors in place? There was a total management clear-out in Anglo Irish Bank and, to some extent, other institutions, but I am not sure that has happened in AIB or Bank of Ireland. I look forward to hearing what the Minister of State has to say on that matter.

I refer to the NAMA hotels, some of which are competing unfairly with traditional hotels. They are damaging our hospitality and tourism product, which is wrong. I mean no disrespect, but they employ many non-EU nationals who are not able to show the customer traditional Irish hospitality. I would like the Minister of State to comment on the hotels under the control of NAMA.

Senator Paschal Mooney: I welcome the Minister of State. This is one of a series of regular debates on banking which are important in order that both sides of the House can receive the most up-to-date briefing and feed into the overall debate.

The Minister had little choice on 30 September other than to continue the bank guarantee scheme which I understand will continue only until the end of this year. I also understand something short of a blanket guarantee was given than in September 2008, which is only right. Will the Minister of State respond to public concern about how those who invested speculatively — the subordinated debtors — will be treated? Will there be negotiations on the renegotiating of their loans which would be of benefit to the taxpayer?

In the face of a barrage of criticism levelled at the Minister for Finance in recent weeks about decisions the Government had taken in the financial sector in the past two years since the bank guarantee scheme was introduced that it had got it wrong, I was surprised to learn

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this morning that a few days before the decision was made to give a blanket guarantee in September 2008 the then head of Irish Nationwide Building Society, Mr. Michael Fingleton, had written a letter to the Department of Finance in which he had made it quite clear that in his opinion Irish Nationwide Building Society was viable as a going concern, as was its loan book, although there might have been some difficulties surrounding some property loans. It coincided with a similar letter sent by Anglo Irish Bank and the information conveyed to the wider stock market in the weeks leading up to the demise of Anglo Irish Bank that it, too, was a viable operation. In fact, the chief executive of Anglo Irish Bank admonished people for not buying more shares, despite the fact the share price had been collapsing since the previous spring and that the world and its wife knew things were not right with the bank.

Perhaps it is the nature of politics, but it is very unfair that the Government and the Minister for Finance, in particular, should be pilloried about decisions taken on the basis of the information available from those who were at the time seen as people of great probity. Growing up I was told the best job was that of a banker, a doctor or a lawyer. They were classed among the elite. Now I do not believe bankers would get into the premier division or into the league such is the odium with which they are viewed. However, that is being unfair to those who continue to be employed in the banking system and are trying to clear the wreckage of those who were in command. In that context, I compliment the Minister who has made it clear that there has effectively been a clear-out of those who made the decisions on reckless trading in the past few years and that this development continues. I welcome the recent appointment of the former head of Intel to the board of AIB.

The EU initiatives providing for a common regulatory regime must be welcomed. Perhaps the Minister of State might give some information on how they are progressing. I agree matters are very volatile and that it is like a moveable feast. Chancellor Merkel and President Sarkozy seem to have reached a consensus, which marks an improvement in that the Germans were holding out for a strengthening of the regulatory regime, while others were somewhat lukewarm. Perhaps the Minister of State might have some up-to-date information on the matter.

I cannot help but reflect on a book entitled, *This Time is Different*, which was reviewed a number of weeks ago and of which I have yet to get a copy, although I intend to do so. Essentially, the premise on which the authors based their narrative was that, on each economic cycle going way back to the time of the Romans, the comment always made by contemporary government or rulers is that it will be different this time, and I could not help but reflect on the economic cycles that we have gone through in this country. Even at the height of the Celtic tiger, there were many saying it could not and would not last. I remember standing in this House in 2004 asking questions about the over reliance on the construction sector where it had already been statistically proven that 25% of our national wealth was dependent on it while the European average was only 10%, stating it was not sustainable and asking where was plan B. I am not for one moment suggesting I am joining the ranks of those who, in hindsight, can say, "I told you so". I did not say so. I did not know we were going to undergo the enormous tsunami that hit this country's economy from January 2009 onwards following the previous 12 to 18 months of volatility in the international financial sector. We are now dealing with the fallout of that.

I want to finish on a positive note. On casual reading of the financial pages of the national newspapers, particularly the commercial and financial sections of *The Irish Times* over the past few weeks, one cannot help but note a number of key positive factors that are feeding into the Irish economy to reinforce the view of the Minister, Deputy Brian Lenihan, that the economy is turning in the right direction. Commercial rents are up in the past two quarters. Liffey Valley has now filled all its vacant spaces. Several other of the shopping centres in Dublin, Waterford

and Cork have also attracted international franchise holders who are at the very forefront of the retail industry internationally. If the economy is so bad and if the projections are so uncertain, why is it these persons are taking corporate decisions in Boston, Berlin, New York and elsewhere to come to this country to sell their wares? There are certain indications that we are moving in the right direction. I am particularly looking forward to the third quarter Exchequer returns because I believe there has been an improvement since June in the economy. For the moment, however, all one can do is commend the Government and the Minister and the Minister of State at the Department of Finance on the policy direction taken and wish them well.

Senator Jerry Buttimer: I welcome the Minister of State, Deputy Mansergh.

Listening to Senator Mooney's remarks I was struck by the fact we must live in different worlds. If one walks or drives around the city and county of Cork, or even around the capital city or many of the main provincial towns, one will see "To Let" signs aplenty in idle and empty buildings. While I agree with the Minister of State's sentiment that we need a banking system, there will be more pain and misery for the people in the budget in December as a consequence of the banks being bailed out.

The Minister of State talked about "The core of the problem being the scale of reckless lending that took place". That is a good analysis, but he neglected to put in a couple of other lines where at its core is the lack of accountability, the lack of responsibility by those who ran the banks, the lack of action by the regulator, poor political judgment, and the fact the Minister of State's colleagues in Cabinet were cheerleaders as this country plummeted into a financial crisis and waved the pom-poms in the tents in Galway. The Minister of State can come in here and give all the fine speeches he wants, but let him go out to the streets where the people are not only punch drunk, but are angry, frustrated and fearful. They see no light at the end of the proverbial tunnel and they want hope.

I canvas, as I am sure he does, four days a week and I meet young people, middle-aged people and grandparents. I will never forget the week after this "black Thursday" was brought upon us. I will never forget the pain and anger of the people I met in Cork. I am struck by the image of grandparents who are now bailing out their children and looking after their grandchildren, and other grandparents who have seen their grandchildren emigrate.

We live in a changed Ireland that has been sullied and disgraced by a few. The banking system almost brought the country down, to paraphrase *The New York Times*. The Minister of State stated what former President Clinton said, "If you don't have a banking system, you're toast". This Government forgot that, to quote the former President's other famous line, "It's the economy, stupid". It is the economy, and the Government forgot that. The Government doled out money with great panache over the ten years of the Celtic tiger. It threw money here and lost sight of what it should be about. The Minister of State can take all the republican principles that Fianna Fáil is great at talking about, but the Government threw it away. They binned it at the risk of having three terms in Government so a former Taoiseach can go around the country with his chest out saying, "I did it my way", for ten years and more.

They can blame Lehman Brothers and the world recession which were part of it, but the political reality is that the ordinary person in Ireland who did not engage in reckless behaviour and did not go out on a limb is now being pummelled. The middle class of Ireland is being crucified. Let us call it as we see it and forget about all the hypothesis and intellectual arguments. That is the reality.

I agree with the Minister of State that we need a banking system and we need better regulation. I do not have all the answers, but it is an absolute disgrace. He is in south Tipperary, Senator MacSharry is in Sligo-North Leitrim and I am in Cork where the ordinary people are

[Senator Jerry Buttimer.]

apoplectic with rage. They do not see a Government in charge because the Minister, Deputy Brian Lenihan, has got it wrong at every step of the way. The media created a cult around this great Minister, who has not got any figure right in the two years since he became Minister. I understand why we must create international confidence in the bond markets, but it is not merely about international confidence. We must give the people confidence. We must give them hope. They see none of that at present.

All they see is pain to be inflicted, and they must pay for it. There is not one person being held to account. I read the Minister of State's speech where he referred to Henry VII and the Russian oligarchs. He is correct and I could not disagree with him, but we have not had a person held to account. The people want those who are responsible to be held to account. They want to see justice. That is one part of what they want. We have inflicted on a generation a millstone around their necks. What has been the legacy of the Celtic tiger era? I really hope the Irish people will see justice because they deserve it. They see people going to the courts in America, they see people getting big fat pensions and severance payments and they see the courts being used as a stalling process, and they want to see — as the Minister of State mentioned in his remarks about the French and American republics — not this slow process but swift justice. That might be simplistic, but that is where the Irish people are at and they deserve it because they have been let down by a few. It really is extraordinary.

Are we at the end of the matter? Can someone tell us that there will be no more coming back to pay out more money for the banks? Can we be told that “black Thursday” was the end of it?

While I am fully in favour of restoring international confidence in Ireland, let us for one moment dwell on what the banks and Government have done. We must consider the small businesses that are in trouble, the houses that have been repossessed and the people who are in mortgage arrears. People are experiencing fear and trepidation every time a registered letter arrives or there is a knock on the door in case the bailiffs have arrived or someone is delivering a summons. This is a genuine fear experienced by many ordinary people.

The Minister of State and a number of Senators stated the banks did not collapse. The banking system may as well have collapsed because the banks have gone to ground and are no longer lending. In Private Members' business I will discuss a letter I received from a person in business who is struggling.

The Minister of State, whose bona fides I accept because I respect him as a decent and honourable person, referred to reforms. How could a Government allow people to be treated so callously and badly? The former Taoiseach, Deputy Bertie Ahern, has stated the Financial Regulator did not ask to meet him. As the man in charge, Deputy Ahern was driving the bus, while the current Taoiseach, Deputy Cowen, was the Minister for Finance. Are the trappings of power such that these individuals cannot relate to reality?

Many people are unemployed, many homes have been wrecked and many livelihoods placed in jeopardy as a result of recklessness. I am not an economist or intellectual but I live in the real world in which people are suffering, businesses are struggling and public servants are being hammered and asked to go to the well. Will the Minister of State offer people some hope and accountability, which is the least they deserve? To paraphrase Hamlet, is it so rotten in the state of Denmark that we cannot have hope and accountability?

The Minister of State made a fine speech, with which I do not disagree. Will he explain the reason taxpayers are being asked to endure hardship and suffering? The answer is that Fianna Fáil and its cronies allowed the crisis to happen. That is the political reality and while the Minister of State will no doubt attempt to rebut me, the Cabinet, the Fianna Fáil Party, its

appointees and the regulatory system it oversaw were the cheerleaders for the demise of this country. We were lucky Ireland did not fall over a cliff. I only hope the country will recover.

Since last Christmas, 16 of my past pupils, who include graduates, PhDs, postgraduates and trained craftspeople, have contacted me seeking references before emigrating. We need accountability, not only the restoration of confidence in the bond markets. People must be given hope. We need a general election to clear out the current lot once and for all.

Minister of State at the Department of Finance (Deputy Martin Mansergh): I thank all those who have contributed to the debate. As a Member of the Other House, I did my calculations and found that at least one in five Senators contributed to this debate, which is good.

I will respond to two general points before addressing some more detailed matters. The stringency of the budget in December will not be mainly due to the bank situation but to the gap between revenue and expenditure, which is in the order of €18 billion to €19 billion. This gap has to be reduced. I qualify that to the extent that it is the case that the sovereign debt crisis and additional pressures imposed by the banking crisis mean we need to be even more up-front in the forthcoming budget than we had originally intended. The straightforward equation that the pain in the budget is because we have to bail out the banks is false. The budgetary correction is because a huge gap has opened up between expenditure and revenue. This has relatively little to do with what we have had to do in terms of the banks.

My second point is also budget related. It is often suggested that the Government should put all its cards on the table. As many speakers noted, Opposition spokespersons have been briefed on the general parameters of the financial position facing us and there is discussion with party leaders. I warmly welcome the decision of the two main Opposition parties to agree and accept the goal of a 3% budget deficit by 2014. They have made a vital contribution to maintaining confidence in this country. Such confidence is essential if we are to borrow to address the gap to which I referred.

On the issue of laying one's cards on the table, it used to be the case that the economic outlook relating to the budget and a preliminary Book of Estimates were published several weeks before the budget. I have no particular problems in principle with this approach, although the Estimates were generally somewhat revised in the budget, especially social welfare expenditure.

On taxation, laying one's cards on the table, as it were, is simply not an option. Resolutions dealing with VAT and excise changes are passed very quickly on budget night for a reason. If there were an authoritative general discussion from the Government on what it proposed to do, people would take all kinds of evasive action, for instance, hoarding. There is, therefore, a rationale for budget secrecy on the taxation front. This also applies to various forms of business taxation. We should be a little more realistic in our discussion of these matters.

I thank Senator Donohoe who spoke first for the Opposition and, not for the first time, made a fine speech. The Senator referred to Professor Tom Garvin's book on the 1950s and the existential doubts some people harboured at that time. A point I have made in many speeches both in my constituency and in the House is that, as we approach the centenary of the 1916 Rising, the idea that one wins independence and sovereignty once and can take it for granted forever after is far from being the case. In each generation, we have to defend our independence and sovereignty, as we are having to do at present. We did not expect to find ourselves in this position two or three years ago.

Senator Donohoe was also correct to refer to the fact that subordinated bondholders, albeit by no means all of them, are pleased with the situation. Senator MacSharry asked whether banks are being over-capitalised to secure them against a future scale of risk that is unlikely to

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arise for the foreseeable future. The Central Bank is independent in the regulation of credit institutions, including the setting of regulatory capital levels. It does so having regard to the risk weighting of the assets and other features of particular banks. The Central Bank is also having regard to the new capital guidelines being formulated in Basel III and at European Union level. The Senator also asked whether NAMA has been slow in starting its work and issuing bonds. One must remind oneself that NAMA was only established last December and is just over ten months old. Obviously, it had to be staffed and established, codes of conduct had to be drawn up, etc. It already has taken in loans with a nominal value of €27 billion and is expected to complete its work on valuation by the end of this year. Moreover, the banks have access to markets and the European Central Bank with appropriate collateral for funding.

As Senator Norris effectively paraphrased the Minister for Finance, anger is not a policy and he was correct. Sometimes each generation thinks the crisis it faces is the worst that has ever been faced. The truth is that over many decades, Irish Governments have faced acute problems. This was true in the 1920s, 1930s, 1940s and 1950s in particular but also in certain years during the 1970s and 1980s in respect of the currency crisis and so on. This undoubtedly is a particularly bad economic crisis and it probably does not have a parallel either here or elsewhere, leaving aside wartime, except for the late 1920s and early 1930s. However, in respect of the mass unemployment and general poverty that then existed, we obviously are not in the same league at present.

The Senator also made a valid point about what the Government is being forced to do. Obviously, it would much prefer to deal with deficiencies in the social and health services and so on. However, the Government is forced to deal with the banks and deficit issues because without that, everything else would fall. One could argue about what led to this point and if I have time, I will argue a little further later on. However, over the past two years the Government has had a real struggle to maintain the basic fabric of our institutions. I refer both to the banking system, without which an economy cannot function, and to the social services in order that the Government can pay civil servants and social welfare recipients and can provide our health and education services. While one can argue strongly at the margins whether this or that should or should not have been cut, or that more money should have been provided here or there, at least all the basic services have kept going. The Government was threatened with a much more dire situation than that. In addition, it has been threatened with the prospect of what would happen unless it took affairs in hand itself and to be fair to the Opposition parties, including their spokespersons, they understand this point very well. Either we deal with these problems ourselves or we let someone else come in and dictate to us, probably with very little sensitivity, what we cut or eliminate and what taxes we change. I consider it to be very important to maintain control over our own affairs and I believe this sentiment is shared right across both Houses.

There was much debate on the question of holding people to account, to which I made my own contribution. While doing so, I hope I made it clear that what I was talking about was not a form of retribution, and future deterrence always is as important as retribution, but recovery, by which I meant that moneys that were wrongly appropriated would be recovered. I expressed a view shared by everyone, which is that our system seems to work very slowly. Although the United States, like Ireland, has a written constitution, the Americans appear to be able to cut to the core a lot more quickly than are we. As I noted in my contribution, I wonder whether we have built up a system of legal and constitutional protection that hinders the process in such situations of bringing to justice those who ought to face justice. I do not simply refer to errors of judgment or of policy, as there is a clear system of political accountability and govern-

ments are subject to the electorate. I refer to cases in which laws have been broken and reckless or false trading fall into that category.

In the case of a lot of financiers, the cry during the French Revolution was not so much to the guillotine but *à la lanterne*, as people were simply strung up. No one is suggesting anything like that and no one wants summary justice. However, it is a paradox that in a democratic and republican system that is regulated and institutionalised, it seems to be quite difficult to achieve even proper justice within a reasonable time. One measure that might be adopted in the future is to get an appropriate set of people to investigate what have been the obstacles to achieving this during the period under discussion.

Senator Alex White spoke on whether matters have been stabilised. In a sense, the answer is both “Yes” and “No”. Matters have stabilised in the sense that the rapid deterioration in the public finances that set in during 2008 has stopped. Moreover, as I stated during my contribution, the budget projections are on target. However, stabilisation has obviously not been achieved in the sense of being back on safe ground where there is nothing more to be done except for ticking over. This is the reason the country has a stringent budget ahead of it and a four-year plan is being discussed between the leaders of the main parties. The Stability and Growth Pact has a threshold of 3% of GDP. We cannot, in the true sense of the word, say we have achieved stability until we are back under that level.

Senator White talked, a little exaggeratedly, about catastrophic loss of confidence and so on. There is much confidence in the Governor of the Central Bank and in the Central Bank under his management. There is, clearly, much public confidence in the Minister for Finance, Deputy Brian Lenihan, who has had to lead the economy and the finances through this extraordinarily difficult situation. He has done so with great courage and determination and has been articulate in the leadership he has given on the subject.

As to forecasts being wrong, in a rapidly moving situation, as it was in 2008-09, it is extraordinarily difficult for anyone, here or in any other country, to make firm and accurate forecasts. The forecasts that have been made this year are accurate, with some relatively minor adjustments. Notably, the current growth forecast is somewhat lower than at the beginning of the year. Sometimes people talk as if decision makers should have perfect foresight and knowledge of the depth of a problem when it first arises. That is unrealistic.

A Member on the Government side of the House said that if the country had followed the policies advocated by Deputy Gilmore and the Labour Party, the banking system would have collapsed and the IMF would have taken over our finances. I would like to come to the defence of the Labour Party in this regard. I pose this question. Would the Labour Party have done what it advocated in Opposition had it been in Government? My frank answer to that is that I doubt it.

A Senator — it may have been Senator Coghlan — referred to the question of a State bank, such as ACC or ICC. The Labour Party has a proposal for a State bank. It is, I suppose, a revival of the third banking force idea. I remember Fianna Fáil’s openness to the third banking force being set out in a paper the Taoiseach of the day sent back to the Labour Party in 1992. Our openness to the idea was one of the factors that facilitated the formation of the historic Fianna Fáil-Labour coalition. Funnily enough, when the Labour Party came into Government, it did not appear to have much further interest in the topic, but there we are. One might say we have several State banks now because so many have been nationalised. The problem with a State bank is whether it operates according to commercial criteria or whether it is a sort of soft bank that will lend to enterprises that ordinary banks would not. There is a genuine dilemma there. If State banks operate according to softer criteria, can they be accused of violating EU state aid regulations? The idea that a bank is in State ownership is no longer an

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easy solution to a problem and will not get us much further. I am deeply sceptical of that solution to our problems.

I full endorse what Senator Hanafin and others said about the importance of managing our own affairs. He raised the subject of the media. I was vastly amused a month or two ago when I read a report, which was not greatly highlighted, of an international survey that rated the Irish media the freest in the world. That would not surprise me. Notwithstanding my immense respect and affection for much of the output of RTE, I doubt if there is a state broadcasting station in the entire world — democratic or undemocratic — that is so free to be as critical of and hostile to the Government of the day. I am, obviously, talking only about certain individuals or programmes. Whether that is something of which we should be proud or about which we need our heads examined I am not absolutely sure. I suspect that while Senators on the Opposition side may have an opinion today, were they to be on the Government side of the House in two, three or four years' time, they might have another opinion.

Senator Liam Twomey: We have a great history of promoting freedom of information and freedom in the media, as the Minister of State well understands.

Deputy Martin Mansergh: Is the Senator talking about the Fine Gael Party? I remember the Cosgrave Administration in the 1970s. There were many controversies about it at that time.

Senator John Paul Phelan: That was politicisation of the media.

Deputy Martin Mansergh: One Senator — it may have been Senator Phelan — mentioned Mr. John Bruton, who is now the IFSC czar. I saw him perform in Hong Kong when I was in China in connection with Expo 2010 in September. He did a superb job. He is a superb communicator. I am afraid I was left with the rather subversive thought as to why Fine Gael was in such a hurry to get rid of him as leader, but that is not my business.

Senator Liam Twomey: He was powerful this morning. The Minister of State might take his example if he is looking for future roles.

Deputy Martin Mansergh: I am simply giving an honest reaction. I am not really trying to score a particular point. This is just a way of expressing my respect for a former leader of Fine Gael and Taoiseach, which should not be a matter of offence to Fine Gael Members.

Senator John Paul Phelan: The Minister of State is stirring the pot.

Senator Liam Twomey: We might come back to the Minister of State's remarks at a later date.

Deputy Martin Mansergh: I must comment on a suggestion made, I think also by Senator Phelan. He did not use these words exactly but he seemed to propose that we pressurise international funds in the IFSC to invest in the Irish economy. Perhaps I am confusing Senator Phelan with another speaker.

Senator John Paul Phelan: I commented on that matter but I certainly did not propose pressuring anyone.

Deputy Martin Mansergh: I was simply going to say one would need to be very much on one's guard in that regard. The IFSC is terrifically important to the economy in terms of employment, tax revenue and so on. One would need to be careful in that regard.

Senator John Paul Phelan: That point was not made, in fairness.

Deputy Martin Mansergh: I may have mixed up Senator Phelan with someone else, in which case my apologies. The Senator from Cork stresses the point about his image as a common man, but I give him credit for being able to quote from *Hamlet*.

Senator Liam Twomey: He is a well-educated common man.

Deputy Martin Mansergh: He spoke about people in ivory towers. I have never been an academic, although perhaps my style is slightly academic. The French Minister for Finance who is very capable was previously a professor in an American university. Every American Administration draws academics from the universities such as Mrs. Condoleezza Rice. I am not sure we always make proper use of our resources in that respect, perhaps owing to a common prejudice.

Small and Medium Enterprises: Motion

Senator John Paul Phelan: I move:

That Seanad Eireann:

- notes with concern that 1,132 businesses have been declared insolvent since the start of the year;
- notes that the rate of business insolvency is higher so far in 2010 than for the same period in 2009 and 2008 despite assurances that the economy was turning a corner;
- notes with concern that small business are still having difficulty accessing credit through financial institutions for a variety of reasons;
- recognises that the Government strategy of NAMA and bank recapitalisation has not produced a “wall of cash” in credit for small business;
- acknowledges broken Government promises to introduce a credit guarantee scheme for small and medium-sized businesses;
- recognises the success of such schemes in countries such as Chile and Taiwan that have delivered business growth and increased trade, while not burdening the taxpayer;
- recognises that a loan guarantee scheme is necessary to achieve the goal of establishing strong and long lasting links between SMEs and banks and to encourage entrepreneurship; and

calls on the Government to introduce a loan guarantee scheme for small and medium-sized businesses based on the following principles: shared risk with financial institutions, using the resources of the financial institutions to assess loan applications, financial institutions bidding for loan guarantee contracts, and excluding financial institutions that develop a record of approving non-performing loans.

I welcome the Minister of State at the Department of Enterprise, Trade and Innovation, Deputy Kelleher.

The motion I propose is similar to the one discussed yesterday in the other House. It concerns small and medium-sized enterprises and their importance to Ireland’s economic recovery. There is not much in the Government’s amendment to the motion that I would disagree with, but pious platitudes are not enough for the SME sector. The amendment rehearses many of

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the promises made in the past few years to help the sector, but the statistics clearly reveal the importance of SMEs to the economy, as well as the number who have lost their jobs as a result of business closures in the past two years.

There are approximately 80,000 SMEs in Ireland, each of which employs an average of ten people. Leaving aside the 350,000 who work in the public sector, over half of the remaining people employed in the private sector work in small or medium-sized enterprises. It is, therefore, a significant sector and it is important that we promote and develop it. Fine Gael recognises that we must promote job creation if we are to get out of our difficulties. The beauty of the SME sector is that it reaches into every village and parish in the country. By employing neighbours, friends and, in some cases, family members in local communities, these businesses provide employment for 800,000 people. I am sure the Minister of State will acknowledge that our recovery will be secured through maintaining jobs in the sector, as well as by developing it to ensure those with new ideas are able to set up enterprises.

5 o'clock We are all familiar with anecdotal evidence of the difficulties SMEs are facing in accessing credit. The 2010 Forfás report supports this evidence with its finding that access to finance is the single biggest challenge facing Irish enterprises. A recent ISME report states 42% of the companies which applied for funding in the past three months were refused credit. I acknowledge that in some cases the proposals made were not good enough, but 42% is a very high figure. The report also states that 83% of firms are finding it increasingly difficult to access finance. That is the reason I commend the motion to the House. Even if the Government is unable to support it tonight, I hope it can implement the principles outlined in it.

Every time the Minister for Finance has intervened in the banking crisis in the past two years we have been promised that credit will flow as a result. Sadly, however, credit is not reaching ground level. We are speaking about real jobs and businesses at a time when 450,000 people are out of work. We must ensure that as many as possible of the 800,000 working in the SME sector keep their jobs.

Over 1,100 small and medium-sized enterprises closed in the nine months to September 2010, compared to 1,000 in the same period in 2009 and 500 in 2008. By their nature, such businesses experience a high turnover because many new initiatives involve an element of risk. However, long established businesses which would otherwise have a viable future are facing serious difficulties in accessing credit. While the Government has spoken about the need to get credit flowing to individuals and enterprises, that is not happening.

Fine Gael was criticised in the Dail for proposing to expose the taxpayer to a further potential liability, but our proposals mirror the systems in place in more than 100 countries. Britain has in place a mechanism under which the risks are shared but which protects small businesses. Our proposals would have a real impact on every parish, town and village in the country. We do not propose to open the floodgates in order that every small enterprise with an idea for expansion would automatically be granted credit. Business proposals would still have to meet stringent requirements before credit could be accessed. At present, enterprises cannot access credit to develop viable ideas. The banks are engaged in a necessary process to improve their balance sheets, but this means they are not prepared to support viable business proposals. The Government has not done enough to ensure businesses can access the credit they need to continue. In many instances, there is a shortage of working capital. I know the system that has been established in the UK to support the joint risk between the banks and the state also supports working capital. In other instances, it refers to investment over a longer period to increase employment within those businesses.

Today, I seek a real discussion and debate on the issues, not what happened in the other House yesterday, which was just mud-slinging from one side of the House to the other. The Government has outlined proposals and suggestions as to how we might get credit flowing but the reality is that none of it has worked yet. Perhaps tomorrow it will be working properly, or perhaps it will happen sooner rather than later, but we need to ensure that we are not back here in seven or eight months with another 1,200 to 1,500 small and medium-sized enterprises closed. If 1,200 more close with an average of ten jobs in each business, that will be another 12,000 people on the live register, which we could desperately do without. Ultimately, if we are to get out of our economic difficulty, it will be by getting people back to work and retaining current jobs. I am not convinced the Government has done half enough to ensure that those valuable enterprises throughout the length and breadth of the land are supported in the difficult times they are experiencing. I urge the House to support the motion.

Senator Ciaran Cannon: I second the motion. We had a contribution in the House this morning from Senator Ellis stressing the importance of thinking positively about our future and encouraging job creation. He went on to say that supporting job creation was an absolute necessity if we are to recover from the difficulties in which we find ourselves. All of us would wholeheartedly agree with the position Senator Ellis adopted earlier today. Consequently, it is a pity that when the Opposition proposes such a measure that would most certainly lead to job creation, Senator Ellis and his party choose to dismiss it.

In recent years, Fianna Fáil has incessantly criticised every innovative suggestion the Opposition has made in both Houses. It then comes looking for consensus to help it out of the mess it has created. However, I do not believe for a moment that it is genuine in seeking that consensus. My doubts, and those of many others, are borne out by the tabling of an amendment to our motion this evening. If Fianna Fáil Members were genuinely seeking consensus, they should instead have welcomed that motion, included it in the suite of options they are offering in their amendment and, at least, as Senator Phelan said, outlined constructively how a loan guarantee scheme might or might not operate.

What is particularly sad about this approach from the Government is that two Ministers for Enterprise, Trade and Innovation, the current one and the previous one, both supported the concept of a loan guarantee scheme when it was first mooted. In fact the Minister, Deputy Batt O’Keeffe, when he spoke at the annual conference of the Small Firms Association last month said that such a scheme was being explored and confirmed that it would be “finalised very shortly”. He went on to say that Ireland was one of the few nations in the EU that does not have such a scheme.

Last week, the Taoiseach, Deputy Brian Cowen, confirmed that the Government had done another U-turn and had abandoned any plans for a loan guarantee on the basis that the banks had been sufficiently recapitalised to begin lending again. Where is the credibility in this type of haphazard, slipshod approach? How does it console the 1,132 small business owners that have ceased trading since the beginning of this year? More importantly, how does it build any confidence in those remaining members of the small business community? Bear in mind that, far from turning the by now infamous corner, that figure of 1,132 failed businesses this year is worse than the figure of 1,003 for the same period last year, which completely dwarfs the figure of only 480 for the same period during 2008.

As Senator Phelan said, small and medium-sized enterprises are the very backbone of our economy. Up to 80,000 small firms employ approximately 800,000 people in every city, town and village in this country. In the contribution they make, I hope Senators Carty and Dearey speak from their own experience of running small businesses. I have lost count of the number of small business owners who have contacted me during the summer stating that the very life

[Senator Ciaran Cannon.]

is being squeezed out of their businesses by the banking system. These businesses contribute billions of euro to the national economy but remain largely absent from Government thinking and policy, and always have done. For the most part, the Government does not consider the consequences when it increases charges and imposes duplicate layers of red tape on small firms.

I spoke last week about the punitive commercial rates regime that is strangling small businesses throughout the country and noted that, despite a commitment by Government in 2001 that all 88 rating areas would have their valuations revised, only three out of 88 such revisions have taken place in almost ten years. I also spoke about the unnecessary bureaucratic burden on small businesses. Three years on from the publication of the Government's own Business Regulation Forum report, only 4% of the targeted red tape reduction on business has been achieved. The forum estimated that Government regulations are costing businesses up to €500 million each year. The sad part is that this cost could be avoided. In today's fiercely competitive business environment, that is €500 million business cannot afford to part with. To date, only €20 million of a saving has been achieved.

During the Dáil debate on the NAMA legislation last September, the Minister for Finance, Deputy Brian Lenihan, stated:

NAMA will ensure that credit flows again to viable businesses and households by cleansing the balance sheets of Irish banks. This is essential for economic recovery and the generation of employment.

That was exposed as little more than bluster just a few weeks later when Eugene Sheehy, someone with practical experience in banking, dismissed them by saying "If people think the day after NAMA that the country is going to be awash with money — that is not going to happen." How prescient his words have turned out to be.

Research published by ISME in September this year showed that 42% of companies which applied for funding in the last three months were refused credit by their banks. In addition, it reported that 83% of firms outlined that banks are making it very difficult for SMEs to access finance. Research by Mazars into SME lending reported a fall of 1.2% in SME lending by banks for the last quarter in 2009 compared with the previous three months and a 3.6% fall when compared with the same quarter in 2008. We can see a trend emerging. Rather than opening up a credit lifeline to our SMEs, the banks are actually squeezing ever tighter in an attempt to shore up their own balance sheets and protect their own futures and no one else's.

Credit and partial credit guarantee schemes are not a new idea. There are today on average over 2,250 schemes implemented in different forms in almost 100 countries. However, not all schemes work well and the success of a scheme is dependent on how well it is structured. In introducing a loan guarantee scheme in this country, we are very fortunate in that we do not have to reinvent the wheel. Instead, we can look at the positive and negative experiences of other countries and come up with the best possible scheme.

Fine Gael has spent considerable time researching the experiences of other countries and we believe a scheme we have devised will work. In particular, it will benefit the micro and small business sector, the sector which I believe should play a major role in our recovery. Micro and small businesses, by their very nature, cannot offer a level of collateral to be able to acquire their first small loans from banks. Therefore, they find it very difficult to build up a credit rating to allow them to access more credit. This is extremely acute in the Irish situation as, during the boom years, banks were only interested in collateral linked to property as it was an easy method to offset risk. Following the collapse of the property market, banks do not have the knowledge or experience to assess alternative collateral or business plans. Property will

never again be at the centre of our financial system and a new lending system for SMEs needs to reflect this.

A properly thought out and well executed loan guarantee scheme will ensure the survival of many small Irish businesses and, I am sure, encourage the creation of many more. That is the opinion of ISME, the Small Firms Association, the OECD and, until last week, it was also the opinion of two Fianna Fáil Ministers for Enterprise, Trade and Innovation. If the Government is really seeking a consensus that is in the best interests of the country, it needs to walk the walk and honour the commitment it gave earlier in the year to introduce such a scheme.

Senator John Carty: I move amendment No. 1:

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

“welcomes, in particular, the Government’s five year integrated trade, tourism and investment plan, Trading and Investing in a Smart Economy, designed to help all Irish businesses compete on global markets and create 300,000 jobs across the Irish economy in both exporting and locally trading firms;

notes the intensive work under way within the Government in relation to further SME credit initiatives while at the same time ensuring that banks fulfil their commitments given to Government to lend to this sector.

Recognising the important contribution which small and medium enterprises make to economic growth and employment creation, commends the Government for the priority it has given to introducing new and specific initiatives aimed at improving the business environment and supporting directly the further development of the SME sector, in particular;

the measures taken to ensure the continued operation of a sustainable banking sector as a provider of credit to viable enterprises in the State, including

- the introduction in 2009 by the Financial Regulator of a statutory code of conduct for business lending to SMEs,
- securing a commitment by both AIB and Bank of Ireland to make available not less than €3 billion each for new or increased credit facilities to SMEs in both 2010 and 2011, including funds for working capital,
- the establishment of the Credit Review Office to measure compliance with the banks’ lending commitments, to examine the lending practices of the recapitalised banks and to review refusals of bank credit,

providing continued capital funding of €15 million in 2010 to the county and city enterprise boards to assist micro enterprises and promote entrepreneurship and recently providing an additional capital funding of €3.3 million to the CEBs, creating more than 450 jobs;

providing financial support to almost 2,000 companies through the employment subsidy scheme and the enterprise stabilisation fund;

improving the cash flow of SMEs by requiring Departments to pay their business suppliers within 15 days of receipt of a valid invoice;

[Senator John Carty.]

the provision of €278 million to Enterprise Ireland in 2010, representing a 26% increase on the outturn for 2009, to stimulate the development of new businesses and facilitate the expansion of existing companies through a broad range of initiatives including direct financial and non-financial supports;

the commitment through Enterprise Ireland to invest €175 million through the Seed and Venture Capital Programme 2007-12 for companies at the early and growth stages of development;

establishing the €500 million Innovation Fund Ireland to support entrepreneurs so that they can create jobs;

establishing the employer job (PRSI) incentive scheme to reduce business costs associated with hiring new employees;

the provision of €425 million for the implementation of the LEADER Rural Development Programme 2007-2013 to promote sustainable employment creation in the rural economy; and

preserving a low tax regime for business.”.

I welcome the Minister of State, Deputy Kelleher. He has come before the House on a number of occasions and I am sure he does not want to become too used to sitting in the seat he now occupies. The Minister of State always makes a measured contribution when he appears in this Chamber.

It is a matter of regret that a number of small businesses have closed in recent years. It must be placed on record that there are a number of reasons for this, particularly in the retail sector. With multinationals establishing operations in towns and in view of the fact that consumers are careful with regard to what they spend, major pressure has been exerted on retail businesses. Some such businesses have been owned by the same families for two or three generations. It is unfair to state that the Government has not done anything to assist businesses. A number of businesses in my area that are involved in manufacturing are doing quite well. Only those businesses which were involved with the construction sector — where there has been a decrease in activity — are experiencing difficulties. The latter are, thankfully, the only business concerns that have been affected, certainly in the part of the county in which I live.

Access to credit is vital for viable businesses, particularly small and medium-sized enterprises, to ensure we emerge from the current recession. During the past 20 months the Government has created a fit banking system and has taken action to sustain the banks and ensure the flow of money to the economy. The banks must be sound to ensure the financial needs of businesses and householders can be met. The Government has put in place the bank guarantee and recapitalisation schemes, it has nationalised Anglo Irish Bank and passed the National Asset Management Agency Act. This was done to ensure we have a sound banking system.

A code of practice on lending to SMEs was put in place as part of the recapitalisation scheme. Explicit provisions, the purpose of which is to provide support for SMEs, were introduced last March. AIB and Bank of Ireland have each been ordered to make not less than €3 billion available for new or increased credit facilities to SMEs in 2010 and 2011. This must include funds set aside for working capital for businesses and should foster growth. The Government has promised to keep the position under review, particularly as needs change.

Since he became Minister for Enterprise, Trade and Innovation, Deputy Batt O’Keeffe has informed the banks what he and the Government expect in return for their being kept afloat with taxpayers’ money. He has left them in no doubt with regard to what they are required to do in current circumstances and also in the future. Even though some in the banks do not recognise it and have still not come to terms with the grief they have caused to people involved in business, it must be recognised that the good old days are over.

The county enterprise boards will be given €3.3 million in funding before the end of the year in order that they might assist in creating 450 jobs in small firms. This money is additional to the €15 million already provided this year. County enterprise boards adopt a hands-on approach and their members are aware of what is happening in their areas. It is interesting that in a recent edition of “Prime Time”, to which the Minister of State made an admirable contribution, the majority of the entrepreneurs interviewed praised the enterprise boards and IDA Ireland for their guidance and assistance. There was a certain amount of criticism but most of this was aimed at the level of bureaucracy attaching to the various schemes. Let us be honest — where public money is involved, there must be corresponding regulation. However, common sense should also play a part. Bureaucracy must not be allowed to lead to the suppression of schemes.

High-quality, sustainable jobs are being secured by attracting foreign investment and supporting Irish companies. In the first six months of the year, IDA Ireland and Enterprise Ireland made over 50 announcements in respect of over 4,000 jobs to be created throughout the country. I compliment the Government, the Minister for Enterprise, Trade and Innovation, IDA Ireland and all other agencies on ensuring that Hollister could expand its operations in Ballina, County Mayo. There was stiff competition for the work involved from other countries across Europe and in Asia. It is only right that the management at Hollister should be complimented for developing their operations in Ballina during the past 35 years. The company has a proven record and its staff are excellent at what they do. The creation of 250 new jobs at the Hollister plant in Ballina underlines what I have said. The advent of this number of jobs in Ballina is similar to the creation of 2,000 new jobs in Dublin.

What happened in recent days was good news for Ballina, for Mayo in general and also for Ireland because it proves that we are as good as the best. It is great that this company decided not to move its operations elsewhere. The CEO of Hollister stated that the 12.5% rate of corporation tax was an extremely helpful consideration. What he said underlines the fact that we cannot allow anyone — suggestions have been made in this regard by some in Europe — to tamper with our corporation tax rate. The Minister, Deputy Batt O’Keeffe, when speaking at the function to announce the 250 new jobs at Hollister, provided an assurance that the Government is not for turning in respect of our 12.5% rate in this regard.

The Government has provided a strong commitment to attracting jobs, to assisting entrepreneurs in creating employment and to providing various companies that are already based here with leadership and financial support. It must continue with its work in this regard to ensure small companies continue to survive and provide employment. By doing this, it will ensure that Ireland remains at the forefront in the coming years.

Senator Mark Dearey: I support the amendment, though not necessarily because a loan guarantee, of itself, is a bad idea. Clearly that is not the case. There are many countries which have loan guarantee schemes in place. However, I am of the view that a loan guarantee scheme should be an action of last resort which should only be introduced when all other efforts to try to re-establish a vibrant and viable SME sector have been exhausted. There is no doubt the SME sector is under pressure.

[Senator Mark Dearey.]

When speaking in recent days, Mr. John Trethowan of the Credit Review Office appeared quite sceptical, partly on the basis of the level of resources and time that would be required when so many other pressing issues are being dealt with by the Government, in respect of how a loan guarantee scheme might work. Mr. Trethowan referred to the potential need for a double assessment in respect of every application and highlighted the sheer level of manpower that would be required to facilitate this process, which would run in parallel to that already being operated by the banks.

Mr. Trethowan has his finger on the pulse when it comes to reviewing the availability of credit to the SME sector. He pointed out, in a rigorously logical way, that if a business is viable and good for a loan, then it ought to qualify and if it is not, then an artificial construct, which in some instances a loan guarantee scheme could prove to be, could form a prop for businesses which would otherwise not survive. I accept that Senator Cannon stressed that any loan scheme would have to be really well designed. In light of the issue relating to resources, there is a real prospect that the operation of such a scheme could not be guaranteed to be as optimal as we might wish.

I acknowledge the existence of schemes of this type in other countries and the potential advantages to which such a scheme, if established, might give rise in this jurisdiction. However, I re-emphasise that setting up a loan guarantee scheme is probably an action of last resort. Many of the other measures the State has implemented, which are itemised in the amendment to the motion, ought to be fully exploited before a loan guarantee scheme is put in place.

The motion tabled by the Opposition is quite carefully crafted. I fully acknowledge that the scheme envisaged would not constitute a blank cheque for small businesses. Should such a scheme emerge, the principles contained in the Opposition's proposal would probably be the correct ones. They include shared risk with financial institutions, using the resources of the financial institutions to assess loan applications, financial institutions bidding for loan guarantee contracts, and excluding financial institutions which develop a record of approving non-performing loans. That might exclude all financial institutions operating in the country at this stage. It is worth noting nonetheless that Fine Gael's motion proposes a set of guiding principles which, by and large, are correct.

Given the tightness of resources, our exposure to debt, the fact that guarantee schemes also increase the levels of default — although they also ensure businesses which would not otherwise be able to access it receive credit — and the very onerous demands on human and financial resources, the motion is premature. Therefore, the amendment, with the menu of proposed options, ought to be given a full chance to take effect before we revisit the issue, if necessary.

Another pressing issue is that overdraft facilities have been withdrawn from small businesses. I am aware of cases in which this has happened and the issue must be examined. I understand most of the work of the Credit Review Office is focused on this area, rather than the provision of a loan guarantee scheme. Having access to working capital, as opposed to a loan to fund investment in equipment or productivity measures is important. The UK scheme is focused on proving productivity is improved rather than a loan just being for the building of an extension or shop front. One looks to improve output in terms of each unit of labour.

I look forward to the measures proposed in the amendment being introduced and hope they will provide appreciable and measurable support to ensure the survival of small businesses. It is critical that people start spending again and show confidence; in a sense, they should stop saving. There must be a return to positive sentiment among consumers to help the 83,000 small to medium-sized enterprises we are discussing. Some 98% of businesses in the retail sector are small and medium-sized enterprises. People must stop hoarding because they lack confidence

and begin spending again. Liquidity in the real economy, rather than an artificial construct, will be of much benefit to the SME sector. From my reading of the amendment, that is where it is hoped the targeted measures will have an effect. Many of the businesses which are suffering owing to a lack of demand and reduced spending and which are operating on the basis of sub-optimal services in shops, outlets and hospitality units might see a change to positivity when sentiment turns, with people starting to spend again and employment growing. Senator Phelan outlined a scenario in which there would be increased unemployment among SME employees, but this can be turned around in order that businesses will begin hiring again.

There are measures we could take. I outlined an example yesterday in which employers and potential employees would be given freedom to negotiate for one year a rate below the national minimum wage. The national minimum wage may be desirable, but for some it is a blockage in entering the labour market. Such a measure, as confidence returns and spending increases, could be a real boon in employment creation.

Senator Brendan Ryan: I welcome the Minister of State, Deputy Kelleher.

The Labour Party supports the Fine Gael motion. Many small and family businesses cannot access the loans they need to keep afloat. Paying wages and suppliers is a major struggle for many such companies. Viable, profitable and well run businesses are going to the wall because they cannot access credit.

More than two years on from the introduction of the blanket guarantee scheme the banking system is still in crisis. We were promised that the guarantee, NAMA and the recapitalisations would result in credit flowing, but contrary to what the Government promised when it announced the guarantee, the banks are not lending. According to the Bank Watch Survey conducted by the Irish Small and Medium Enterprises Association, at the beginning of this year 55% of businesses had been refused funding by their bank. Some 58% of those refused had been with their bank for ten years or more.

Banks like to create the illusion that they are lending and often quote statistics to the effect that nine out of ten loan requests are approved. That is not the case and is completely misleading. According to the chief executive of ISME, Mr. Mark Fielding, the figure of nine out of ten loan requests being approved is spin by the banks and needs to be knocked on the head, as it relates specifically to fully completed formal applications. The majority of SME owners and managers never reach that stage of the process, as they are discouraged, either over the telephone or at first meeting stage.

The banks remain critically undercapitalised and risk averse. The Labour Party has been calling for the introduction of an SME working capital guarantee scheme for more than 18 months. Therefore, we are happy to support the motion tabled by Fine Gael which contains similar proposals. Deputy Burton has asked both the Minister for Finance and the Minister for Enterprise, Trade and Innovation to explore the options for introducing such a scheme to help to address the small business credit famine and save jobs. As other Senators mentioned, similar schemes are operated successfully in the United Kingdom, Japan and Hong Kong, to name just a few locations. What we envisage is a co-guaranteed, risk sharing scheme under which the banks would make the lending decisions but the Government would step in to guarantee perhaps 50% of the loan. The beauty of such an arrangement is that there would be an alignment of interests between the loan originator and the guarantor. Where the banks' capital was under pressure, as is the case in all of our commercial lending banks, the availability of such a guarantee would reduce the level of the risk weighted asset. By extension, the level of capital needed to back the loans would also be reduced and the expected loss, through bad loans, would be likely amount to less than 5%. Therefore, the volume of loans that could be supported through such a guarantee would be significant. Such a loan guarantee scheme would see the Govern-

[Senator Brendan Ryan.]

ment acting as guarantor to facilitate individual SMEs in securing loans from participating lending institutions to acquire business installations, equipment and working capital. A working capital guarantee scheme would provide greater flexibility for companies in managing their cash flow and make an important contribution to their survival. A loan under such a scheme would assist companies in maintaining adequate cash flows to meet their vital day-to-day operational needs. As I stated previously, such schemes works elsewhere. Therefore, this is the time to embrace something similar here. It might not be the same as our proposal or that of Fine Gael, but the purpose of the motion is to seek a commitment that something will be done.

Some 700,000 are working in approximately 230,000 SMEs. These small companies are dotted across the country with perhaps three or four jobs in every parish, village and town. They play a pivotal role in securing the lifeblood of these areas by allowing people to work close to home. When these areas experience job losses, they are not headline losses and go unnoticed nationally; they usually do not make the main evening news bulletin, but they add significantly to the live register figures. A loss of nine or ten jobs in a small rural area is the equivalent of 500 or 600 in a major town. It is important that people be kept in their localities so they can contribute to the vitality of the area and maintain essential infrastructure like schools, churches and sporting teams. Finally, the proposals from the Labour Party and Fine Gael represent positive contributions and should be taken on board by the Government. We support the motion.

Senator Terry Leyden: I welcome the Minister of State and commend him on his appearance last night on “Prime Time” and his defence and support of Government policy. He is doing tremendous work in the Department of Enterprise, Trade and Innovation. I was in the same Department for four years. His work is not recognised, unfortunately, and he will probably get no recognition in his constituency for the amount of work he is doing at home and abroad. He has made a great impact on trade delegations throughout the world. I understand he was in Russia recently. I congratulate him on the opportunities he is opening for a lot of people.

The motion is quite interesting. I commend the Opposition for putting ideas and thoughts together in a coherent manner. I am confident that, even though we have an alternative motion, if it was worded in a more careful manner there would be nothing which we could not support. It is not possible to accept some parts of it at this stage. I recommend to the Minister of State and the Department that I would have no hesitation in borrowing and using any part of the motion which is worthwhile in order to stimulate employment.

Senator Ciaran Cannon: In the spirit of consensus.

Senator Terry Leyden: Indeed. If there are good ideas they are worth taking as far as I am concerned.

It is important to welcome the opportunity to discuss the reality of where we currently are and the current challenges being faced by the business community and putting forward some constructive solutions. I commend the Opposition in endeavouring to put forward constructive solutions. The Fine Gael motion is framed in a somewhat uninspiring manner but I look forward to Members of the Opposition outlining and expanding on the ideas they have put forward.

The fact is that we are dealing with national, European and global challenges. There is no doubt about that and the Minister of State knows the situation in Britain today. The cutbacks there are no help to us here as it is one of our largest export markets, alongside Europe and America. Britain has always been one of our main markets and Ireland is also a very important market for Britain. People may not realise that we are one of its best customers.

For the past two years the Government, with the support of its Green Party colleagues, has taken brave, tough and decisive steps. These steps have been recognised by international commentators and our European and international partners as necessary and pragmatic. We are seeing a positive effect as a result of the decisions, which is borne out by a plethora of reports. Employment rates are creeping up. The level of unemployment is stabilising. Manufacturing output has increased by almost 13% in the past year and exports have increased by almost the same percentage. Again, the Minister of State is leading this campaign. The growth will be in exports which are key to employment.

Small and medium-sized businesses must be able to reaffirm themselves and take advantage of recalibrated and repriced markets. Small businesses are vital and the motion is correct from that point of view. The vice president of the US multinational company Hollister, at the announcement of the expansion of its Ballina plant, complimented the Government on the priority it has given to job creation, the support given by the employment creation agencies and our educated workforce. As a former Minister of State I was at the Hollister plant outside Chicago and it is a fantastic operation. The fact that Hollister has recommitted itself to the project in Ballina is a boost to the economy in Ballina and as Senator Carty said, not just to Mayo but to Ireland.

Senator Phelan is correct in highlighting credit flow as the most important factor for the survival of small and medium-sized enterprises. I hope he would agree that I am not being dramatic when I say small and medium-sized enterprises represent a family, town or village and their failure or demise would be a very serious matter. There is no doubt that they are a vitally important part of our industrial employment. The Government is serious about credit flow and bank lending to such businesses. The Government amendment to the motion mentions the recent smart economy strategy which is focused on job creation and has the objective of creating more than 300,000 jobs over the lifetime of the programme.

Other initiatives are also being taken, such as the Credit Review Office which is equipped to assist small and medium-sized enterprises and a good report was given on the people contacting the office at our Ardilaun think-in, including farmers and sole traders who find themselves refused credit by banks. It is not oversubscribed but I understand the work of the office will be promoted. At the end of the day, it is vital that we increase production, encourage and support small and medium-sized enterprises, encourage inward investment, which is vitally important, utilise Enterprise Ireland as far as trade is concerned and utilise the new markets which are opening up for Ireland throughout the world.

We are an open economy but we are extremely well respected as far as our products are concerned. We need to encourage small and medium-sized enterprises to expand into Northern Ireland, which is part of the country, or Britain which is a very close market in which to get a foothold, the Netherlands which is a very attractive gateway to Europe and is very receptive and utilise the offices which are available to Enterprise Ireland. It supports young companies and will provide a desk and backup. I ask that the Minister of State ensures that companies are well aware of the facilities which are available. Information can be found on the website of Enterprise Ireland.

I commend our President for her leadership of a trade delegation to Russia which was supported by the Minister of State. It was well received. It is a tremendous market. The Dublin Airport Authority has tremendous outlets throughout the world, as far as shops are concerned. They are the types of expansion which we need to consider. The Minister of State is considering the potential of the Olympic Games which are being held in Britain. That has been exploited very well.

[Senator Terry Leyden.]

I developed a programme where people were encouraged to make in Ireland and build in England. Components for the building industry were manufactured in Ireland and exported in packages. It is currently being done but the more of that kind of expansion which takes place the better. We are a good manufacturing base and we can develop the industry. We should not give up the ghost.

Senator Liam Twomey: If one considers the figures which were put forward by the Government in regard to its support for small and medium-sized enterprises over the next five years, one finds the figure is at least €1.5 billion, most of which is front-loaded in the next year or two. There is also an expectation that the banks will provide €3 billion in loans to small and medium-sized enterprises. With that sort of money expected to be going into small and medium-sized businesses, one would have to ask if there is any need for this motion.

The reality is that the Government is little bit like Hitler when he was moving tank divisions around the eastern front in late 1944 when a lot of the divisions did not exist. A lot of the Government's commitment to enterprises does not seem to exist. Businesses are still closing at a faster rate this year than in the previous two years and small and medium-sized businesses are still worried that the Government does not understand their concerns. We are still seeing fairly solid businesses — we are not talking about funding businesses which are basket cases and will not survive — which have reasonably good business plans and need a bit of support which they are not getting from the banks and they do not believe the Government is buying into it either.

The Government has not done anything radical to make business easier, reduce the amount of Government interference and help businesses to work more efficiently. There is a need for that. At the height of the boom we had regulations for everything. For example, how much change does the Minister of State envisage is required to NERA? It is seen as the bane of the lives of some businesses. In fact, the more one runs one's business properly, the more NERA can be seen to be a troublesome Government agency than if one paid no heed to regulation at all. This comes from my experience of the concerns that have been raised with me about regulations and legislation promoted by the Government. There is a need for the Government and the Department of Enterprise, Trade and Innovation to take notice of people's concerns. In recent years, the Government has paid a great deal of lip service to what it can do for small and medium-sized businesses, but I do not get the sense that it has bought in to their concerns and this has also been conveyed to me by many business people in that sector.

Last week, we discussed CAP reform and over recent years one dramatic change that has taken place in agriculture in this country is the development of small artisan businesses which produce specialised foods or cheeses. The Department of Agriculture, Fisheries and Food and the Department of Enterprise, Trade and Innovation have not quite bought into how much can be done in this sector. They do not have the same vision as Sir Anthony O'Reilly did in the 1960s, when he was made chairman of Kerrygold and brought to that organisation a vision that made Kerrygold a brand leader in butter throughout the world. Prior to his intervention we mass-produced butter, packaged it with no labels or branding and exported it to the UK. We did not get the maximum value for the product. We need the same drive to be innovative and to help small and medium-sized enterprises.

The Government response is that it is giving so many million euro to Enterprise Ireland and to county enterprise boards. This is like a continuation of what was done in the Celtic tiger, which was to throw a few million here and there. The Minister of State needs to explain to us how the money is being spent and what governance is overseeing it. How will he tell us that the money is being well spent? One thing we see from the Comptroller and Auditor General's

reports is that much of the money spent in the past decade was not spent very sensibly. We need a new focus and to make every euro count, whether in research and development, marketing or helping these companies to structure and organise themselves properly.

There is a need for smaller government and the Minister of State should drive this forward. Look at all the regulations and rules. Some of them are necessary and have a role to play in protecting workers and standards but others seem to be long past their sell-by date and best got rid of. There is also a need to buy in people's help. People refer to the Government's initiatives on the smart economy as the smart alec economy. They do not see the Government as doing much with regard to the smart economy apart from making announcements about it. They do not feel the Government knows what it is talking about when it discusses a smart economy and what it will do for the country.

A large number of small very specialised companies work with software and micro-engineering, which I do not quite understand. We could assist them in a far more positive way but, instead, we seem to have a big notion of a smart economy, which we keep speaking about. The smart economy is quickly going the same way as the announcements on 300,000 jobs to be created over five years. I remember prior to the most recent general election there was a big announcement of 300,000 jobs to be created over a number of years. The same five Ministers were lined up in front of the cameras to have their pictures taken. Unfortunately, what has happened is that we have lost 300,000 jobs, but that is a story for another day.

There is a need for the Government to put forward proposals the public can buy into and can believe will happen. Proposals are often put to Ministers which are a bit different or difficult to understand. People in the business community have a sense that Ministers are great at paying lip service but do not seem to have the inclination to follow through and drive forward some of these projects. This motion is about showing that Government policy is failing because businesses are failing faster and showing how difficult it is to obtain credit. The Minister for Finance poured cold water over some of these proposals in the Lower House. There is a need for the Government to be more open-minded and to try to identify what works. There is also a need for it to change how it does business and realise we are in a different environment and that we need to knuckle down and get things done.

Senator Fiona O'Malley: I welcome the Minister of State back to the House. I was amused listening to the previous speaker because we always lose sight of what this and previous Governments have achieved. He mentioned the Government having no credibility with the people. Not that long ago, complexions of this Government delivered jobs at a phenomenal rate. We have lost sight of things. Yes, there has been an international economic downturn—

Senator John Paul Phelan: Yes, international.

Senator Fiona O'Malley: —and we have to deal with those problems. I listened attentively to Senator Twomey's speech because he spoke about the 1960s when Kerrygold was launched as an international brand. Now, it is well marketed and internationally recognisable as an Irish brand. It reminded me of the indomitable Irish spirit that can, for a small country, get out and market good products very well. As well as having a good product, one needs a good sales person and sales team, and that is what we have managed to have. Our ability to attract and become the biggest provider of software at a particular point in time was also quite remarkable. Irish politicians and business people did this.

The 300,000 jobs are mentioned as though the Government's integrated strategy will never be achieved. The proof of the pudding is in the eating. What have complexions of this Government delivered previously? We have delivered that level of employment and no one can argue with those facts. The notion that we do not have a hope of delivering anything again is an awful

[Senator Fiona O'Malley.]

message to be sending out. The Opposition must get tired of delivering this negative message time and again. Ireland has got out of recession before and, against all types of odds, we have succeeded and led the way in many innovation areas. We will do so again. What we need is a belief in ourselves.

This goes to what happens in a team talk midway through a match when things are not looking good. One motivates one's people and team to get out and win and really go for the last bit because it will be over at a certain point. This is what I cannot understand about the Opposition. Consensus is breaking out to a certain degree, and that is welcome. We are beginning to no longer confuse the economy with the Government. The Opposition tries to kick the Government, but it should not kick the economy because we all have a responsibility for it and need to look after and protect it. No one will look after the economy better than the people. At least we are making progress in so far as the Opposition is keen not to fool or mislead the public into thinking there will not have to be hard choices. It is commendable that it is willing to participate in recognising the extent of the savings that need to be made.

This co-operation needs to come out in terms of job creation. The people who will build this economy are the Irish people, each and every one of us, through spending on home improvements or buying another car.

We are depending on each other to bring ourselves out of economic stagnation. The political class in this country likes to talk down the economy all the time. That does not inspire confidence in anyone. We have a particular responsibility with regard to job creation. I am sure many Members of this House know from experience in their own family lives that unemployment can have a debilitating effect on people. We need to avoid it at all costs. We can help to create employment by encouraging confidence in the economy.

I hope Senator Buttimer has been inspired by my speech. I hope he will deliver something positive. He is a positive individual, by and large. His instinct is to talk a good talk. I look forward to hearing him speak. I am sure he will not play the doom and gloom card. We all have the responsibility I have mentioned.

I wish to speak about the availability of credit to small and medium-sized enterprises. When we discussed the importance of the SME sector issue in the Chamber last week, we said it was important not to get complacent about the positive developments that are beginning to emerge.

6 o'clock Other speakers have alluded to the improvements in access to credit. The Credit Review Office is a good invention. We can all come up with anecdotes, but they are not of much use if we are constantly listening to the same story. The Credit Review Office is asking people to provide tangible examples of where credit has been refused and to suggest how the question of access to credit can be dealt with. This small and cost-effective measure is offering great solace to businesses that are frustrated by credit flow issues. During last week's debate, I mentioned an engineering company that is unable to get access to a modest sum of money. As a result, it may have to make people redundant. That is really not what we are about. That is why it is important that SMEs can access credit.

I will conclude by referring to the Construction Contracts Bill 2010 which was before the House yesterday. I thought it would be discussed on Second Stage, but that did not happen. If I had spoken on the Bill, I would have made a point that occurred to me during last week's discussion, which I have mentioned. It is interesting that the Bill ensures that certain facilities are provided to the construction industry to make payments easier for builders. I welcome that provision because no one likes to see money tied up in any place. That said, I do not understand why the same facilities are not being provided to small and medium-sized enterprises, which we discussed last week. I will make that point again during the Committee Stage debate on the

Construction Contracts Bill 2010. I hope it can be amended to give SMEs an opportunity to operate on the same level playing field. All businesses should receive the same treatment under the law.

Senator Jerry Buttimer: Cuirim fáilte roimh an Aire Stáit. I was struck by Senator O'Malley's euphoric speech. I wish her well with her colourful revisionism.

Senator Fiona O'Malley: The facts are the facts.

Senator Jerry Buttimer: The facts are the facts. The Senator is dead right. Governments of various hues since 1997 have brought us to where we are. Small and medium-sized enterprises, which are the lifeblood of our communities, are in serious trouble. I agree with Senator O'Malley that we need to get our house in order. We need to ensure this country's SME sector survives. I am concerned we will have nothing left.

I wish to refer to an e-mail I was sent by a friend of mine who owns a small enterprise in Cork. In the section of the e-mail dealing with the issues that affect him, he says that "costs are still too high". He mentions that his turnover has receded at a higher rate than costs like rent, rates, bank charges and energy costs. He asks legislators to force banks, energy companies, local authorities and insurance companies to realise that small businesses are the lifeblood of many local towns and that the services and employment they provide "must be preserved". He accepts that business people must endeavour to fulfil their obligations to the various institutions. That is the balance we must try to strike. We must allow SMEs to sustain, create employment and survive. The institutions must allow revenue to be generated and the banks must provide liquidity.

In the e-mail I mentioned, my friend also refers to the importance of allowing long-term leases to be amended to protect tenants in circumstances in which the level of business is not what was anticipated in the original business plan. Rightly or wrongly — he is approaching it from his own point of view — he calls on landlords to negotiate with lenders in order for them "to be able to service any borrowings." During the Celtic tiger years, the price of property was astronomical, rents went berserk and people lost the run of themselves. The fundamental task that faces all of us is to maintain and preserve the jobs we have, to create new jobs and to keep businesses afloat. This must be done. We cannot favour special interest groups or friends — we must look after all of our people. The other difficulty we have relates to consumer confidence. There is money in our country. People have money but they are afraid to spend it in advance of the budget. They are worried they are facing into four years of doom and gloom, brought to them in the main by Fianna Fáil and its friends.

The motion before the House notes that "1,132 businesses have been declared insolvent since the start of the year". That represents an increase of 12.5%. If that rate is sustained, almost 1,500 businesses will be gone by the end of the year. I listened to Senator Mooney's comments about the construction industry during the earlier debate on the banking sector. The construction industry is suffering the most. It is worrying that businesses in the services sector are also being affected. Almost 200 of them have gone out of existence. A further 140 businesses in the retail sector are also gone. We were told the establishment of NAMA would provide liquidity, ensure credit would flow, help to create viable businesses and households, allow our country to get moving again, enable people to get back to work and encourage consumer spending. Sadly, that has not happened. We need to send our banking institutions a message to the effect that credit must be allowed to flow. Approximately 40% of firms that have applied for credit facilities have encountered credit refusals. That is twice the refusal rate experienced during normal economic times. None of us wants bad business plans to be activated. At a time when viable businesses need to be able to access liquidity and credit, it is not

[Senator Jerry Buttimer.]

good enough that so many of them are being refused. The Minister of State is familiar with this problem from his previous portfolio. I am concerned that the banks have become so insular and have retrenched to such an extent that they do not understand what they are doing.

Senator O'Malley spoke about pride. We all have pride in our country and want to see it rise Phoenix-like from the ashes to become a vibrant economic force once again. However, for that to happen leadership is required, as is a commitment and a willingness to reward entrepreneurs and help small and medium-sized enterprises, including that of the person who sent me an e-mail and whose small business is struggling.

The Minister of State is familiar with the Cork City and County Enterprise Boards. They carried out a confidence survey in which 61% of those surveyed said the level of credit availability was the same, which meant it was poor, while 36% said they believed bank credit facilities had deteriorated in the previous six months. That presents a massive problem in terms of confidence. Bank clients cannot access credit or pay suppliers and have outstanding debts. At a recent meeting between the Credit Review Office, the creation of which I welcome, and the Cork Chamber of Commerce there was a very clear indication of the need for businesses to use the Credit Review Office.

It is important that we establish the facts. The Financial Regulator and the Government can only do so much. The banks must play their part. We have bailed them out by giving them billions of euro. They, in turn, must help the economy to flourish and our entrepreneurs, not the big fat cats but the small business person whom the Minister of State and I both know and who is struggling to survive.

Minister of State at the Department of Enterprise, Trade and Innovation (Deputy Billy Kelleher): I am delighted to speak to the Private Members' motion. Small and medium-sized enterprises are the backbone of the economy. This has been well established by the statistics for the numbers they employ and the goods and services they provide for larger companies. This is critically important.

Senator Carty referred to the need to attract foreign direct investment. Having a small and medium-sized enterprise sector is hugely significant in attracting foreign direct investment because such businesses are capable of servicing the needs and requirements of such companies.

It is because of the important role small firms play and in recognition of the challenging environment in which they have operated in past two years that the Government has placed support for the sector at the heart of its strategy for economic recovery. The Opposition will be well aware of the Government's jobs strategy discussed in the Oireachtas recently. It is clear that the best way to support business and create jobs is to fix the banks, address the deficit in the public finances and improve our national competitiveness. These actions are not aimed at firms of a particular size, in a particular sector or in a particular ownership; rather they are aimed at improving the overall business environment in the country in order that all firms can survive and grow. Central to this strategy has been the repair of the banks which are the key facilitators of business transactions in the economy on a daily basis. Specifically, credit for the enterprise sector, especially small and medium-sized enterprises, should primarily come from a properly functioning banking system. This is critically important.

There were statements in the House earlier on the bank guarantee scheme and the Minister for Finance's statement of 30 September. Some are already beginning to rewrite history in terms of what happened two years ago. The following point is hugely significant. If the banks had not been guaranteed in 2008, there would have been a catastrophic meltdown in the financial institutions in this country. This is accepted by independent commentators. The bank guarantee scheme was hugely important in ensuring that we, at least, retained some element

of integrity in the banking system. The supports offered thereafter in the context of recapitalisation of the major banks, the nationalisation of Anglo Irish Bank and other supports ensured that, at least, we had the bones of a functioning banking system. With support from the taxpayer, through the Government, we now have a system under which we can begin to get credit flowing to the small and medium-sized enterprise sector. If the bank guarantee scheme had not come into effect on that fateful night, the banks would have been incapable of borrowing on the wholesale money markets, would not have had access to credit to lend to small and medium-sized businesses, could not have cashed employees' cheques or provided short-term credit. It would have been catastrophic, in particular, for the small and medium-sized enterprise sector which depends on short-term credit on a continuous basis. It can only access credit through the banks. The most important step, therefore, in recent times was the introduction of the bank guarantee scheme to retain the integrity of the banking system. I acknowledge the role the Minister for Finance has played in trying to support the banks to prevent what would have been a huge meltdown in the Irish banking system. If we are to address the problems we face, we must accept the reality and try to move forward.

There is also the backdrop of the international recession, which most people do not want to accept. The last time I looked at the globe Ireland was on planet Earth, not anywhere else. It is an integral part of the world economy. For that reason, it is critically important our small and medium-sized enterprise sector is able to compete throughout the world and, more important, that the markets to which we export pick up. Until there is an upturn in our major trading partners, growth will be sluggish. For that reason, ensuring our competitiveness is critically important and that is within our remit. We must try to reduce the burden on small and medium-sized businesses, get credit flowing, stabilise the public finances and create an environment which can support and stimulate the small and medium-sized enterprise sector. It is critically important that the world economy picks up because we export more than 80% of everything we produce. The Government, through the State agencies, has put a lot of effort into trying to find new markets, keep current markets open for the small and medium-sized enterprise sector and encourage the internationalisation of the sector in order that we will not be solely dependent on the UK market and that we look further afield to try to find new markets. This is hugely important.

I refer to the code of conduct which has been established, the bank guarantee scheme, the recapitalisation of the banks, the nationalisation of Anglo Irish Bank and the establishment of the National Asset Management Agency. With other Senators, Senator Buttimer said he believed that once the National Asset Management Agency had been established credit would flow. The purpose of NAMA was to look at the balance sheets of the banks to see how impaired they were and address the problem by transferring the impaired assets to NAMA in order that the banks would have balance sheets which would allow them to access credit on the money markets to enable credit to start flowing again to the small and medium-sized enterprise sector. We stated at the time that this was not a quick-fix solution to the credit difficulties being experienced, bearing in mind the position in 2008 when we faced a possible meltdown of the banking system.

The primary objective of the code of conduct for lending to small and medium-sized enterprises is to facilitate access for sustainable and productive businesses. The code promotes fairness and transparency in the treatment of the small and medium-sized enterprise sector by all regulated entities. It applies to those areas of banking of key importance to small firms such as overdraft facilities and term loans. It is specifically aimed at regulating the relationship between small firms and financial institutions and is not optional. Regulated institutions must comply as a matter of law. Not only has the code addressed how banks lend to small firms but the Government has also secured commitments on the actual levels of credit the banks must

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extend to the SME sector. The House will be aware that the Government secured a commitment from the main lenders, AIB and Bank of Ireland, to make available a sum of not less than €12 billion in total for new or increased credit facilities to the sector in 2010 and 2011, including for working capital. When it comes to honouring this commitment, the Government will not be prepared to simply take the banks' word. The Credit Review Office is making a major contribution in dealing with the outflow of credit not only in reviewing cases in which credit has been refused but also in reviewing bank lending policies and driving the process in providing businesses with a proper professional banking service.

The Minister for Enterprise, Trade and Innovation, Deputy Batt O'Keeffe, has made it a priority to regularly meet the banks to discuss the availability of credit for businesses, especially small and medium-sized enterprises. With the Minister and the Ministers of State, Deputies Conor Lenihan and Calleary, I have travelled around the country to meet businesses to hear about their experiences at first hand to ensure the Government hears both sides of the story. For my part, I attended a regional meeting in Shannon in August and I had 12 regional meetings in the year previous to that. In fact, I attended one in Athlone in July 2008 as well.

The concerns of business regarding credit availability have been conveyed to the banks. The banks are fully aware of the Government's view, not only in the context of the recapitalisation and the code of conduct, but also in the feedback from these regional seminars on how their lending practices could be improved and ensuring the considerable investment of the taxpayer in funding and supporting the banks for the purpose of lending to small and medium-sized businesses is continued.

Some Senators raised the issue of the banks' expertise in the area of assessing business plans. Enterprise Ireland has made available its expertise in this area to the banks and has put key staff into the banks to train up their personnel who for many years would have based lending policy on property values as opposed to the commercial merits of the proposition in front of them.

That we have someone of Mr. John Trehowan's calibre monitoring the banks and assessing their policies is having a positive meaningful impact on this respect of banking performance. Mr. Trehowan stated this month that the worst is over for small and medium-sized borrowers and that the situation was much more positive for bank customers than it was six to nine months ago. It is important to recognise that there is definitely an easing of credit to the small and medium-sized sector. There is a great deal more work to be done but we acknowledge that there is a start to this process. Having the Credit Review Office overseeing not only individual applications that may have been refused by the banks but also the lending policies in macro terms is critical as well. This echoes the views that have come back from small and medium-sized business representatives as well. In recent surveys they have stated that the flow of credit is beginning to filter out into the economy. As a practising politician who meets business representatives continually, however, I accept there is still much to be done in this area.

While fixing the banks has been a key element of our recovery, the Government has, in parallel, focused on maximising direct and indirect supports to enterprise with a specific emphasis on SMEs. The SMEs in Ireland benefit not only from the direct financial supports available through the county enterprise boards and Enterprise Ireland but also from foreign direct investment activity supported by IDA Ireland right up to the multi-billion multi-annual capital investment programme. The Government has targeted interventions and supports for small firms but they also benefit from our initiatives in the wider economy.

Regarding targeted support for entrepreneurs, the House will recall last week's announcement by the Taoiseach and the Minister, Deputy Batt O'Keeffe, of the provision of additional

capital funding of €3.3 million for the county and city enterprise boards supporting more than 450 new jobs in small firms. This is in addition to capital funding of €15 million provided in 2010 to the enterprise boards. The Government responded quickly to the rapid economic downturn by providing financial support to almost 2,000 companies through the employment subsidy scheme and the enterprise stabilisation fund.

The public sector, as a large procurer of goods and services provided by small firms, must do what it can to improve the cash flow of the small and medium-sized sector as well. I mentioned in the House in the course of an Adjournment debate on Thursday last that all Departments are now required to pay their business suppliers within 15 days of receipt of a valid invoice. This directly impacts on the cashflow of the SMEs and there is scope to see this approach extended more widely.

Small firms in existence today are the product of the creativity and effort of entrepreneurs who believed in their ideas and worked to make them a reality. Government assists these risk takers, in particular, through the programmes provided by Enterprise Ireland. In 2010, Government increased the funding available to Enterprise Ireland by 26% on the outturn for 2009. We did this to stimulate the development of new businesses and facilitate the expansion of existing companies through a broad range of initiatives, including direct financial and non-financial supports. We are also investing in small firms in the earliest stages of development via Enterprise Ireland's €150 million seed and venture capital programme. We are committed to developing the venture capital landscape further and we are doing this through the €500 million Innovation Fund Ireland.

As I stated earlier, SMEs benefit from our targeted investments but also from initiatives in the wider economy. The Government's new integrated strategy for trade, tourism and investment creates a platform for small firms to maximise their potential, either as suppliers to exporting firms or as exporters themselves. The strategy sets a number of priorities and targets to be achieved by 2015. It will increase the number of new export focused jobs by more than 150,000 in manufacturing, tourism and traded services, with a similar number of indirect jobs also being created; increase the value of exports by indigenous companies by 33%; diversify the destination of indigenous exports; increase overseas visitors to 8 million; and secure an extra 780 inward investment projects through IDA Ireland.

The UK market, which is key to many small indigenous firms, will, along with the US, continue to be a key market for Ireland. There is also considerable potential to expand business with our eurozone partners and the new and exciting potential growth markets such as Brazil, China, India, Russia, Japan and the Gulf states. Our small firms will face obvious barriers such as language and cultural attributes as well as different business practices and regulation. The co-ordinated effort of all agencies will be focused on helping our small firms overcome these barriers, win new business, succeed in new markets and reach their potential. In doing so, Government is both providing leadership and taking action in support of small firms. Of course, these facts are absent from some of the Opposition's analysis of the Government's economic strategy, and I can understand that as well.

One point that has come across strongly in my dealings with small business owners is that they thrive on confidence. This is most significant. Senators O'Malley and Carty and others referred to it. We need to be honest and open in debates in this House. I have stated time and again that the negative narrative that permeates the Houses of the Oireachtas and the media is having a damaging impact on confidence. Less confidence leads only to less investment and less spending which equals more job losses. We have an obligation, not only in this House and in the other House but across society, to try to be as positive as we can in facing the adversity in a challenging way with optimism to prevent the nay-sayers from having their day because

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this is having a shattering impact on individuals, families and businesses. When one looks at the amount of money going into deposits in recent times *vis-à-vis* the times of exponential growth in the economy, savings are up rapidly and that is because people are frightened and fearful. I do not want to downplay the significant challenges that exist but this country has developed itself into one of the wealthiest countries in the world, whether people like to admit it or not. It has one of the best social welfare systems in the world, it has a good education system, it continually turns out top quality tradespersons and graduates and it has a good health system. We would like to do more in all these areas but we have achieved a great deal. The State is only 90 years old. Getting from the pillage of colonialism to where we are today in 90 years has been a considerable achievement. It has been achieved by one means only — the resourcefulness of our people. We have very little other than the resourcefulness of the people on this island.

It is critical we send out a message that Ireland is in a challenging position but can overcome the adversity. We have done this previously. I left school in 1985-86 when there was a workforce of 850,000 and almost 20% unemployment. There is now 1.8 million in the workforce and living standards have improved dramatically in that 25-year period. It is not as if we have lapsed back to where we were. There are significant challenges. Unemployment is stubbornly high at 13.6% . We want to ensure that changes and we start to expand the economy and drive down unemployment, but it will not be achieved, or certainly will not be helped, by the continuous negative narrative that is pervasive in commentary across the airwaves. This is not about shooting the messenger. This is about explaining that confidence helps people to spend, invest and create opportunities and employment, which themselves create further confidence. We did this in 1986-87 when we started a programme of renewal in the country and people had an appetite for change and a belief in their determination and in themselves. I am definite that residual belief exists still. It is just that it must be turned on again.

I make that point because it is something I genuinely and passionately believe. As I stated in this House previously, I have more at stake as a father of three young children in ensuring the present Government proposals work and bring us through these challenging times than I will ever have as a Minister of State, and I mean that passionately. We have an obligation to be confident, to lead people and make them believe they can come through these difficult times, as the people have done on numerous occasions since the foundation of the State.

Good news is important and there have been positive signs in recent weeks. Redundancy claims have declined and recruitment agencies are indicating there has been a healthy increase in the number of jobs advertised. I was informed recently by a financial services company that it will recruit 300 people by Christmas and it hoped to recruit a further 200 people after Christmas. Opportunities are available, even in these challenging times. Three quarters of the jobs advertised are for newly created positions. More important, the number of job placements increased by 55% in the third quarter of this year compared with the third quarter of last year. These figures come on the back of Ireland's improved trading performance. The value of exports, for instance, increased by 12% in July compared with the previous July.

Notwithstanding whether people are prepared to admit it, the recession was international. If that were not the case, Irish exports would have continued to grow. They did not increase because the economies of our trading partners, including Germany, the United Kingdom, the United States and most other eurozone countries, shrank. The contraction in world markets damaged our export potential. Enterprise Ireland has indicated, however, that its firms will recover approximately 70% of the export earnings lost last year in the deepest recession the world has seen since 1929. This and other messages will encourage small business owners and consumers and engender the confidence required to get the economy growing again.

I have referred to the daily negative rhetoric which discourages potential investors, entrepreneurs and consumers in Ireland. One cannot take small and medium-sized businesses in isolation. Foreign direct investment is of major benefit to the small and medium-sized enterprise sector which services and feeds off the large multinationals. SMEs also create a critical mass among themselves. If we continually highlight negative factors without referring to positive factors, we will dissuade people from coming here to invest or explore potential markets for investment and discourage tourism.

While we must acknowledge and address the position we are in, we must do so in a manner that demonstrates a belief that we can emerge from the current circumstances. As the Minister of State with responsibility for trade, I travel abroad to promote Ireland as a location for foreign direct investment and a country that exports goods and services. The negative commentary reported daily around the world has a damaging effect.

The Government recently announced a trade strategy, Trading and Investing in a Smart Economy. People frequently ask what is a smart economy. The answer is not scientific. A smart economy is simply one in which one does things in a smarter fashion, whether making agricultural trailers in a more efficient and design friendly manner or using the highest end technology. It is about being smarter, thinking outside the box and using technology, innovation, creativity and imagination. Having a smart economy is a straightforward approach in which one uses all available resources in the most intelligent manner possible, breeding competitiveness and efficiencies into one's production lines right through to the end product and delivery to the customer.

The Fine Gael Party motion claims the Government has broken a promise to introduce a loan guarantee scheme. This assertion is completely at odds with information provided by the Minister for Enterprise, Trade and Innovation, Deputy Batt O'Keeffe, in the Dáil last week. The Minister indicated that his officials are working with their colleagues in the Department of Finance, the Credit Review Office, Enterprise Ireland and Forfás to address access to credit for viable small and medium-sized enterprises, including the option of a targeted loan guarantee scheme. The most recent meeting was held on Monday of last week. A range of issues relating to SME credit was discussed and follow-up action is under way. These meetings are aimed at building on the already substantial progress that has been made in identifying the critical elements for further initiatives. It is important that any new initiatives complement rather than substitute the main banks' lending commitments and activities under the recapitalisation package and provide value for money from the perspective of taxpayers.

Taxpayers have stepped up to the plate by supporting the banks. We do not want to introduce another scheme that would impose an obligation on taxpayers to underwrite more risk. We must, therefore, strike a balance to ensure any loan guarantee scheme does not displace credit a bank would otherwise lend.

The activities I have outlined can hardly be described as equating to a broken promise on the part of the Government. On the contrary, they are evidence that the Government will take every step necessary to ensure small firms have access to the credit they require. This will be balanced with ensuring the banks meet their obligations and taxpayers are spared undue risk. I am concerned at the implication of the motion that initiatives should be progressed in haste and a blind eye turned to outcomes expected from the banks in light of the measures taken, as outlined by the Minister of State in his earlier statement to the House on the announcement of the Minister for Finance on banking.

Even more worrying is the Fine Gael Party's pursuit of a strategy that overlooked the potential exposure to the taxpayer. The main source of credit for viable businesses is through a functioning banking system, which has been well supported by the taxpayer. The Fine Gael

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Party motion implies that we are willing to put taxpayers' money at risk by promoting an all-pervasive loan guarantee scheme and allowing the banks to get off the hook. The motion would redirect responsibility from the banks to the taxpayer. The Government, on the other hand, is focusing on targeted measures for business that are critical to the economy and indigenous export growth.

It is obvious the Government has a multifaceted approach to supporting small firms. Our strategy ranges from one-to-one advice and grants provided through county enterprise boards to a range of supports from Enterprise Ireland delivering spin-off benefits from IDA Ireland and Science Foundation Ireland activity. In addition, we have a €40 billion capital stimulus programme and ambitious strategy for international trade and investment.

Government is a complex business and no single initiative will solve all the financial concerns of our enterprises. The Government recognises this and has provided leadership and a broad range of policies to restore our economic fortunes and support our enterprises, especially the small and medium-sized enterprise sector. It will not be distracted from its path and will not follow the lead of the Opposition in taking a populist, narrow stance, rather than demonstrating an understanding of the complexity of the broader business environment.

The motion is welcome in that it allows the Government to outline the initiatives it is taking. We have heard much about the need for inclusiveness and to support the Government's initiatives in a challenging environment. The issue is not that the environment is challenging politically but that it is challenging for Ireland inc. and Irish people. We need to ensure there is a broad political consensus for a buy-in to the four year plan.

The British Chancellor of the Exchequer today outlined his four-year plan to the House of Commons. The United Kingdom, which is also in a challenging position, has established a four-year plan. While the plan is opposed by the Labour Party, it gives citizens, investors and business as much certainty as a forecast can give that a pathway to economic recovery is in place. Under the plan, the budget deficit will be reduced, public finances stabilised and the generations to come will not be shackled with a high level of debt.

Senator Nicky McFadden: That is what the Government here has done.

Deputy Billy Kelleher: That is what would happen if the Government shied away from its responsibility. The House heard a number of veiled references to the Fianna Fáil Party. As a practising politician, I will accept some blame for what my party did or did not do. That said, we cannot airbrush the fact that my party has been at the centre of building the economy and trying to ensure we are competitive, have a strong domestic economy and good investment in social services, health, education and infrastructure. This cannot be forgotten lightly. If we want to discuss how we should address our current problems, some commentators will have to acknowledge that the Fianna Fáil Party was central to many of Ireland's positive achievements. More important, these achievements were not secured by a political party but by the people. We simply created the environment in which they were secured. People are Ireland's greatest natural asset and one of the few raw material resources on this island.

Senator Fidelma Healy Eames: Exactly. There is nothing else left.

Deputy Billy Kelleher: For that reason, I believe one should try to put forward a view of confidence and optimism, even in these challenging times. One should state quite clearly to the small and medium-sized business sector, the trade union movement and all the country's stakeholders that it is possible to get through these challenging times by pulling together as well as addressing and facing up to the reality of our present position. Moreover, political

parties also have an obligation in this regard. There is no painless way out of the present difficulties and everyone must shoulder a certain element of the burden. Obviously, a political party or a Government would wish to ensure those who can carry the most will do so and the most vulnerable will be protected as best as possible. Those who spread myths and fantasy to the effect that there is an easy or painless way to address our problems do a disservice to themselves and, more importantly, do a great disservice to the people and to the honesty of a debate that is required on how we should face up to challenges and obligations as a Government, as a Parliament, as political parties and as a people. I commend the amendment tabled by Senator Carty. I take into account the views expressed by Opposition Members. As the Minister, Deputy Batt O’Keeffe, stated last week, this proposal has not been dismissed but is being analysed and examined. Other issues must be taken into account, however, to ensure we do not simply replace one form of credit with another, thereby simply putting the burden back on the taxpayer.

Senator Nicky McFadden: I welcome the Minister of State to the House and welcome his positive demeanour although I wonder whether we live in the same country. I also am pleased his children are young because it will take so long for the country to recover from the mismanagement of the Celtic tiger that it is to be hoped that they will benefit from the recovery that will take place in years to come. The Minister of State referred to change and the change I seek is for Fianna Fáil and the Green Party to be out of office. I seek an election in order that Fine Gael will be the party in power that can rebuild trust in this country because the Government has betrayed the people. Almost 500,000 people are unemployed and I find it extraordinary that the Minister of State speaks to Members about being positive when, after 13 years in government, Fianna Fáil has destroyed this country. I find this incredible. I attended a meeting last night at which a young man stated that all of his class will be obliged to emigrate. As no apprenticeships are available and there are no jobs for graduates, whom the taxpayer has spent so much money educating, they all must emigrate.

I commend Senator Phelan on tabling this motion because Fine Gael is concerned for the small businesses of Ireland. NAMA certainly has not encouraged credit to flow. While the Minister of State stated that recapitalisation eventually will cause credit to flow, that has not been the reality thus far. Two years have elapsed since the banks were recapitalised by the taxpayer. Why can a loan guarantee scheme not be put in place to recapitalise and get credit flowing for small businesses? Every single job created by a small business generates money for the local community and for families and means taxes are paid to the Government. The Government is not helping to keep open small businesses. Local authorities insist on their rates, a 5% increase in energy costs has been imposed and in some urban areas there certainly has been no reduction in rent. I do not know what country the Minister of State is living in. I have a small business and in my experience it is impossible to make ends meet. I spoke to a lady today who has an art framing business. She told me she has not paid herself since last January but is lucky because she got a job for three days a week that now sustains her business and helps her to put bread on the table for her family.

A total of 1,132 businesses have been declared insolvent since the start of the year. While I would love to be positive, I live in reality whereas the Minister of State appears to be in cloud cuckoo land. People are going out of business every day of the year. This is the reason that, similar to Deputy Perry in the other House, Fine Gael Members in this House have proposed that a loan guarantee system be put in place to ensure credit flows to try to help people to stay in business. We have proposed that this should happen rather than the continual bailing out of the banks. It is all right for the taxpayer to do that and the Minister of State asked what would have happened had this not been done. In my opinion it would have been a fine day had Anglo Irish Bank been allowed to go to the wall.

Deputy Billy Kelleher: That is not the opinion of the Governor of the Central Bank.

Senator Nicky McFadden: I did not interrupt the Minister of State. The Government begrudges bailing out small businesses that provide revenue and sustain the economy in small villages or towns. This proposal is about keeping small, incidental jobs, not those of big bankers or the Galway tent people about whom the Minister of State has been congratulatory. In addition, he congratulated the Minister for Finance while our country is going down the tubes. This is an outrage.

Two years ago, I spoke in this House about the possibility of setting up a bank for the poor. Mr. Muhammad Yunus of Bangladesh won the Nobel Peace Prize having set up a bank for the poor, whereby small businesses such as window cleaning or cleaning businesses would be able to get a small sum of money and be sustainable. Although I suggested this a long time ago, it has fallen on deaf ears. The Minister of State, Deputy Mansergh, was in the House at the time and although he promised to look into it, he never reverted to me about it.

Why should the Minister of State say consistently that one must be positive when so much negativity exists? Were the Government to put in place a system whereby credit could be given to small businesses, one could then be positive. It is to be removed from reality to speak about confidence and being positive in the face of so much heartache in respect of businesses going to the wall. One need only consider the boarded-up shops in any provincial town. One will see streets where windows are empty as shops have departed and formerly thriving businesses have closed down. This is the reason Fine Gael has tabled this motion requesting the Government to set up a loan guarantee system that would help capitalise such small businesses in order that the single jobs that I believe are so important can be retained.

Acting Chairman (Senator Geraldine Feeney): Is Senator Butler offering to speak?

Senator Larry Butler: I just want to——

Acting Chairman (Senator Geraldine Feeney): I advise Senator Butler that if he is offering to speak, he will have five minutes.

Senator Fidelma Healy Eames: May I make a contribution?

Senator Larry Butler: I will say a few words because it is only fair——

Senator Fidelma Healy Eames: Can the Acting Chairman confirm that I will get a chance to speak?

Acting Chairman (Senator Geraldine Feeney): As the Acting Chairman, I must offer the speaking slot to the opposite side of the House. Consequently, Senator Butler is in control of the time now.

Senator Larry Butler: Perhaps we could share a couple of minutes each.

Senator John Paul Phelan: Senator Butler could take three minutes.

Acting Chairman (Senator Geraldine Feeney): Is it now being put to me that Senator Butler wishes to share time?

Senator Larry Butler: Yes, I will share time with my colleague.

Acting Chairman (Senator Geraldine Feeney): The Senator has five minutes in total.

Senator Larry Butler: Perhaps we could have two and a half minutes each. I ask the Acting Chairman to notify me when my time has expired.

Senator Fidelma Healy Eames: On a point of order, may I check——

Acting Chairman (Senator Geraldine Feeney): Time is running out. Is the proposal to share time agreed to?

Senator Fidelma Healy Eames: It is agreed but can the Acting Chairman can give me a little additional time, given that I was going to look for something?

Acting Chairman (Senator Geraldine Feeney): I cannot because the Minister of State must attend another meeting and I need to call Senator Phelan.

Senator Fidelma Healy Eames: Very well. I accept that.

Senator Larry Butler: I will be quick about this. It is not fair to say any Government, especially the present Government, is responsible for mishandling the economy when there was a complete collapse of the banking sector and the worldwide economy. A further bad situation resulted when the construction industry bubble burst. That made things much worse for this country. Therefore, the Government had no choice but to support our banking system to ensure our economy could function.

I would be the first to agree we must support small businesses. The only way to get out of the trouble we are in is to support the small entrepreneurial businesses that take on five or ten people. They will be the backbone of the country and get us out of the trouble we are in.

We have gone beyond the blame game. We — and I include the Opposition in this — have reached a reasonable consensus that we must do things together and ensure we put on the green jersey and get the job done. I believe the country will come out of the deep recession it is in.

We have turned a corner. While the economy is still fragile, it is important we bring in strategic budgets over the next four years and ensure we get our deficit down to 3% of GDP and below. It is important the Government takes stimulus measures in these four budgets so that we see growth in the next four years.

It is also important to look at mortgage holders. Banks should take a 20% or 25% stake in the properties of each of the 36,000 householders who are in trouble. That would help to reduce mortgage payments and remove negative equity, which could be sold on if the householder moved. Banks must take responsibility in that regard. The Government has put safeguards in place to ensure people cannot be turfed out of their houses.

Senator Fidelma Healy Eames: I appreciate Senator Butler's sharing his time with me. I thank the Minister of State for being in the House once again. I will tell the story of a business whose owner has written to me.

The Minister of State does not like to be accused of being out of touch. I will not tell him he is out of touch because perhaps I am out of touch as well. We have said the blame game is over. If that is so, the Government must consider real solutions that could save business. I compliment Senator Phelan on his motion and the minutiae of the solutions he proposes. I ask the Minister of State to listen. The Government met the leaders of all the parties today and Ministers said they are interested in consensus. Let us be genuine about it.

Business is in real trouble. Here is an account sent to me by the owner of a recruitment firm:

[Senator Fidelma Healy Eames.]

As an indication of what has happened in some private sector companies let me briefly outline what has happened in this company. Since 2008, 13 of the 27 employees have had to be let go. The remainder had their salaries reduced by 30% and had their commission arrangements cancelled. I, as the managing director, took a 70% pay-cut, as I could not see how I could impose 30% pay-cuts on my staff if I did not take a much larger cut myself. I also ceased any pension provisions I had been making. I see no particular virtue in what I or my staff had to do. It was pure pragmatism, as we did what we had to do to keep the company afloat and to retain a salary, however depleted. We reduced the expenditure of the company until it matched the income of the company, as did all other private companies who started to lose money in 2008. Two years on, and even with these pay-cuts the company is in a precarious position but at least we have done everything we can to stay afloat, so far, and to get through this crisis.

The actions taken in this company have been taken in SMEs all over Ireland. This is not being seen in the CSO figures, which are being distorted as they are aggregated with some of the more successful companies in the multinational sector, many of which have not had to endure any pay-cuts.

There is a reality. Some 200,000 people have lost their jobs in the private sector since 2008. The Minister must accept some real proposals. What is this person proposing? He certainly condemns the farcical benchmarking without outcomes. He is also seriously condemnatory of the way this House has brought in rules to make fat cats of Ministers and Deputies. Expenses have been abused in this House by our own colleague, Senator Callely. It has been absolutely appalling.

Acting Chairman (Senator Geraldine Feeney): That matter is before the courts.

Senator Fidelma Healy Eames: I appreciate that.

Acting Chairman (Senator Geraldine Feeney): Please withdraw what you are saying, stick to the facts and do not mention names.

Senator Fidelma Healy Eames: I am sticking to the facts. I withdraw the name but the Member is in this House. It is absolutely appalling. We have a banking crisis that will result in a debt which will cost us €6 billion just to service by 2014.

The Minister of State should get real and listen to the real issues affecting business. I do not ask him to listen to me but to the account I have read of the struggle of a business that is still in place, giving employment and paying taxes which go towards paying Members of this House. I will hand over to Senator Phelan, who has some real proposals. If the Minister of State is genuine, he will implement at least one or two of them.

Senator John Paul Phelan: I thank the Minister of State for his comments on my proposals. No copy of his speech was circulated, which is unusual. The sentiments expressed in the Government amendment are not very different from those expressed by Fine Gael in the original motion. The Minister of State spoke about how the Government's endeavours are not aimed at any particular sector or group within the economy. We are talking about the 800,000 people who work in small and medium-sized enterprises. That is more than half of private sector jobs. The Government should be focusing on that area because those jobs are in every parish.

Successive Governments, including those led by my own party, have focused on attracting large industries from overseas to provide huge numbers of jobs. There was a good announcement in Ballina in that regard this week. If we are to affect real communities everywhere in the country, however, the SME sector is the one that deals with real people. I have listened to comments made here and in the other House. We are talking about the local shop or pub or the local carpenter who has a few people working for him. The Government should be focusing on that group.

The Minister of State and speakers in the Dáil referred to John Trethowan's comment that the worst is over. I wish we had a euro for every person who said the worst is over.

Senator Fidelma Healy Eames: Hear, hear.

Senator John Paul Phelan: I have just come from a meeting where we discussed figures contained in an ESRI report which clearly indicate that the worst is far from over. The number of small businesses that closed in the last nine months compared with last year and the previous year has risen. This clearly indicates that the worst is far from over.

It is important to set targets. I reject the Minister of State's comment that the Fine Gael motion was proposed in haste and should not be acted upon. We acted in haste, correctly, to save our banking system. It had to be done. These proposals were not drawn up in haste. There have been large-scale closures in the SME sector over two to three years. There is nothing hasty about this.

I agree with much of what Members on the Government side said but the initiatives outlined in the amendment are not having an impact on the ground.

The Minister of State criticised the Opposition for its daily negative rhetoric. We are not indulging in rhetoric; we are putting forward genuine proposals. Almost 100 countries, including our nearest neighbours in Britain, have similar loan guarantee schemes. Neither Deputy Perry nor I would for a second claim our proposal is perfect but the Government's efforts are not working. We have to reflect the views of the people we meet on the street who are involved in small businesses and who tell us about their difficulties in accessing credit. That is not negativity; it is the truth. We have engaged in the blame game over recent months but now we are all agreed on the need for consensus and progress. We know what has to be done but I am not convinced the Government's proposals to maintain and create employment have borne fruit.

Amendment put:

The Seanad divided: Tá, 27; Níl, 21.

Tá

Boyle, Dan.
Brady, Martin.
Butler, Larry.
Carroll, James.
Carty, John.
Cassidy, Donie.
Corrigan, Maria.
Daly, Mark.
Dearey, Mark.
Ellis, John.
Feeney, Geraldine.
Glynn, Camillus.
Hanafin, John.
Leyden, Terry.

MacSharry, Marc.
McDonald, Lisa.
Mooney, Paschal.
Ó Brolcháin, Niall.
Ó Domhnaill, Brian.
Ó Murchú, Labhrás.
O'Brien, Francis.
O'Donovan, Denis.
O'Malley, Fiona.
O'Sullivan, Ned.
Ormonde, Ann.
Walsh, Jim.
Wilson, Diarmuid.

Nil

Bacik, Ivana.
Bradford, Paul.
Burke, Paddy.
Buttimer, Jerry.
Cannon, Ciaran.
Coghlan, Paul.
Cummins, Maurice.
Doherty, Pearse.
Donohoe, Paschal.
Fitzgerald, Frances.
Hannigan, Dominic.

Healy Eames, Fidelma.
McCarthy, Michael.
McFadden, Nicky.
Mullen, Rónán.
O'Reilly, Joe.
Phelan, John Paul.
Regan, Eugene.
Ross, Shane.
Ryan, Brendan.
Twomey, Liam.

Tellers: Tá, Senators Niall Ó Brolcháin and Diarmuid Wilson; Níl, Senators Maurice Cummins and John Paul Phelan.

Amendment declared carried.

Motion, as amended, put and declared carried.

An Cathaoirleach: When is it proposed to sit again?

Senator Donie Cassidy: Ag 10.30 maidin amárach.

Adjournment Matters

Apprenticeship Training Programmes

Senator Liam Twomey: I wish to raise an issue concerning those individuals not in a position to complete their apprenticeship training because, for some reason, they are no longer working for the employer to whom they would have expected to return following their spell in college. It is estimated that approximately 7,000 individuals throughout the country are in limbo in terms of not being able to complete their apprenticeship training, mostly electricians, carpenters and others involved in the construction industry which is experiencing a massive downturn. There is a need for the Government to take radical action to assist these 7,000 individuals to complete their training. If they were able to so, it would, at least, give them an opportunity to travel abroad to seek work and make a living for themselves. There are great opportunities in countries such as Canada, Australia and the United Kingdom for young people with a trade to make a life for themselves. They know scope will be limited in this country for the next couple of years, but if they are young and have no commitments, they can avail of the opportunity to travel abroad to work. However, unless they can complete their apprenticeship training, the opportunity to earn a good wage abroad will not be open to them and they will have to go as unskilled workers, whom many countries will not accept.

There is a concern that if such a radical plan were to be devised, employers might put the apprentices they currently employ out of work and thereby swell the numbers involved. However, when drawing up a plan, the Minister could apply and enforce an entry deadline, for example, the end of this month, for apprentices not in a position to complete their training because their employer has gone out of business or laid them off. The Minister must do something radical. I am aware a payment is available from FÁS to apprentices if they can find someone to take them on. There is an opportunity for local authorities, State organisations and even the Army to take on these apprentices to help them to finish their training which perhaps

extends to a period of six or nine months in many cases. It appears SIPTU is insisting on the individuals concerned being paid €600 per week and there is a sense it is obstructing the Government in coming up with a scheme to help them. I would like the Minister of State, Deputy Moloney, to confirm whether this is the case. However, if the end of this month could be used as a deadline for those apprentices not returning to their employers, we could allay any concerns the union might have that the figure could explode because employers would simply put the apprentices they currently employ out of work in order to benefit from the scheme.

Whatever solution is reached — it must be reached quickly — we must do something for the 7,000 young men and women who have been left in this position. Many were in training for well over two years and, in some cases, over three years. We need to help them and it would not take much to do so. FÁS has the funding to pay them €260 per week. What we need to do is to mobilise the resources of the State to find positions for them. I do not know whether we could do this by finding them placements for them in the Army, the Naval Service, local authorities or semi-State organisations or even by asking private sector companies to rally round and provide those to whom I refer with assistance. There are approximately 300 individuals in County Wexford who require such assistance and it is possible to provide it for them. I ask that everything possible be done to provide this unique group with assistance. If they were college students and the Government closed down the institution at which they were studying, there would be uproar if they were prevented from completing their courses because this would jeopardise their chances of obtaining employment either here or abroad. I will be interested to discover what the Department intends to do for them.

Minister of State at the Department of Education and Skills (Deputy John Moloney): I apologise that the Tánaiste cannot be present. I will be replying on her behalf. I thank the Senator for raising the matter because it gives me an opportunity to outline the measures introduced to assist redundant apprentices.

As of 30 September, 7,614 apprentices of the total number of 18,380 were redundant. The number of redundant apprentices who, having reached the minimum qualifying standard, can progress in their apprenticeships is 4,320. Some 3,294 redundant apprentices cannot progress until they successfully pass their outstanding assessments. To deal with this problem in an effective way, FÁS has introduced a number of measures to assist redundant apprentices. To date, over 4,000 have been assisted with on and off-the-job training.

The rules relating to off-the-job training have been amended to permit redundant apprentices to progress to their next off-the-job training phases and, to date, 2,439 have completed such training. A further 955 are attending this type of training. The total number of redundant apprentices to benefit in this regard this year will be 3,587. In addition, the redundant apprentice placement scheme was introduced in April. This provides opportunities for redundant apprentices to complete on-the-job training at phases 3, 5 and 7. It also provides a weekly subsidy of €250 for their employers towards employment costs. As of 8 October, 283 redundant apprentices were in employment, with 27 having completed the relevant phase and a further 31 scheduled to commence training. It is expected that up to 477 redundant apprentices will be placed this year.

ESB Networks is providing on-the-job training for 252 eligible redundant apprentices — electrical and motor mechanics — at phases 5 and 7 this year. To date, some 189 have completed their training. A further 63 are in training.

FÁS has developed phase 7 equivalent off-the-job assessments for redundant apprentices for the trades of carpentry and joinery, electrical, plumbing, brick and stone laying and cabinet making where phase 7 assessments cannot be obtained on the job. As of 30 September, 52

[Deputy John Moloney.]

redundant apprentices were undertaking assessments, while 91 had completed them. Apprentices eligible to undertake assessments have been notified by FÁS. Redundant apprentices may also avail of the existing specific skills training and evening courses available at FÁS training centres to enhance their employable skills. To date this year, 1,133 programmes have been availed of by redundant apprentices.

Under the European Union's Leonardo Da Vinci III lifelong learning programme, Leargas, in collaboration with FÁS, has supported 25 redundant apprentices to complete on-the-job training overseas. Some 18 redundant apprentices are engaged in on-the-job training overseas and a further 17 are scheduled to pursue such training in the first half of 2011.

I again thank the Senator for raising this matter. The Tánaiste is very conscious of the plight of many redundant apprentices, particularly those in the construction sector, and is committed to taking all of the steps necessary to constructively address the problem. The variety and relevance of the initiatives I have outlined are testimony to her resolve in this regard. She is open to considering any other proposal the Senator may wish to make in respect of other interventions that might assist in this regard.

Senator Liam Twomey: The Minister of State has mentioned that 4,320 redundant apprentices have reached the minimum qualifying standard and that a further 3,294 cannot progress until they successfully pass their outstanding assessments. Do the 4,000 redundant apprentices who have been assisted with on and off-the-job training represent a separate cohort?

Deputy John Moloney: Yes.

Social Welfare Appeals

Senator Brian Ó Domhnaill: Tá lúcháir orm go bhfuil an Aire Coimirce Sóisialaí, an Teachta Ó Cuív, i láthair chun éisteacht leis an díospóireacht seo.

I raise this matter because of my concern about the excessive length of time people are obliged to wait while their appeals against the disallowance of disability benefit, jobseeker's allowance, etc. are processed. However, the position has improved in recent months and appeals are now being processed much more quickly. I am in daily contact with the staff of the local social welfare appeals office who have been assisting me with a number of appeals dating back to 2009. I am dealing with a number of appeals made in August, September and October of that year which have not yet been processed.

I refer to the case of one gentleman who has appealed a decision of the Department of Social Protection to refuse him a disability allowance, even though he is medically unfit for work and has absolutely no income. He is a former taxi driver who endured a period of extreme stress, had a massive heart attack and almost died. He is just about able to walk and the medical evidence shows that he is not able to work. He is suffering from severe stress and anxiety because a number of financial institutions are on the verge of taking him to court. This morning he received a summons to appear in court on 7 November in respect of the repossession of a car. He cannot engage with the lending agencies because he has no income and has been kicking to touch by informing them that he is awaiting the outcome to an appeal lodged with the Department. To date, that decision has not been forthcoming.

The gentleman in question is awaiting an oral hearing with the Department. Constituency representatives have provided me with anecdotal evidence to the effect that those awaiting oral hearings in respect of appeals lodged in 2009, in particular, have not yet been given dates for such hearings. There is not even a suggestion that information on the dates on which the

hearings might take place will be provided. Likewise, there is no suggestion that dates will be provided in the near future.

As the Minister will appreciate, this is a major cause of anxiety to the man to whom I refer. I ask that he do everything in his power to discover if there is a way that the appeals which have been awaiting a hearing since last year can be dealt with as soon as possible. I acknowledge that he has taken steps to deal with this matter since he assumed control of the Department. Appeals are usually lodged when someone's benefit or allowance is stopped. The relevant paperwork should, therefore, be available within the Department. In such circumstances, would it not be possible to make decisions on appeals within a six to eight-week timeframe in order that the individuals involved might get on with their lives? I appreciate that medical evidence must be presented and that oral hearings must be held. However, we must consider introducing a new system. If we do not do so, we will drive people over the brink. The man I am referring to is approaching that brink and I am fearful for his health and safety. I urge the Minister to consider that case on its merits and to consider all other cases of a similar nature which the Department deals with. If additional resources are required in the social welfare appeals office, the Government should assist the Minister in ensuring those resources are provided. Those most in need must obtain the assistance of the State when they are on the rocky road.

People like the man to whom I refer are on the rocky road and there is a moral obligation on the State to provide the assistance which they deserve. Knowing this gentleman and having read all the evidence and information in the file, I genuinely believe this man is entitled to the payment. I hope this gentleman and others will receive a decision much sooner than has been the case up to now. Does the Minister feel a waiting time of 13 or 14 months for an oral hearing is satisfactory, as I do not believe so? The matter should be addressed.

Minister for Social Protection (Deputy Éamon Ó Cuív): Ba mhaith liom buíochas a ghlacadh leis an Seanadóir as ucht an cheist seo a ardú. Aontaím leis go bhfuil sé thar a bheith tábhachtach go ndéanfaimid na hachomhairc seo a phróiseáil chomh scioptha agus is féidir. Ó tháinig mé isteach sa Roinn, tá mé dírithe go mór ar an gceist seo. Déanfaidh mé mo dhícheall, i dteannta na hoifigigh seo, a chinntiú go dtabharfaí seirbhís maith don phobal.

The social welfare appeals process is quasi-judicial in nature and, as such, is subject to inevitable time lags before appeals can be finalised. I recognise that a key factor of satisfaction with the social welfare appeals system is the promptness with which those availing of the service get a decision on their appeal and every effort continues to be made to keep processing times to the absolute minimum.

A number of elements within the procedural process are inevitably time-consuming and can have an adverse impact on the speed with which appeals can be determined. These include the need to ensure due process and fair procedures are adhered to, including the application of the principles of natural justice; the statutory obligation to provide the Department's deciding officer with an opportunity to comment on the grounds of appeal; the need for further investigation of the grounds of appeal or, in the case of certain illness related cases, arranging for a further medical examination or assessment before the appeal can be determined; the need to arrange for an oral hearing of the appeal to resolve conflicts of evidence or where an oral hearing is requested by the appellant; and the need to accommodate appellants who are not in a position to proceed with their appeals or are slow to respond to requests for additional information.

There was a 46% increase in the number of appeals received by the social welfare appeals office in 2009 when compared with 2008, which in itself was 27% greater than the numbers received in 2007. There was an increase of a further 44% in the number of appeals received in the first eight months of 2010. Currently it is anticipated that some 33,000 appeals will be

[Deputy Éamon Ó Cuív.]

received during 2010, which is compared with roughly 15,000 a year for 2007 and in the years preceding 2007. These increases have also caused delays in the processing of appeals.

Improving processing times continues to be a major objective of the social welfare appeals office. A number of initiatives have been put in place to enhance the capacity of the office to deal with the current caseload and inflows. In that regard, two additional appeals officers were assigned to the office in 2009, a number of additional staff were assigned to the administration area of the office, the organisation of the appeals officers' work was changed so to increase productivity, a project to improve the business processes in the office was undertaken and resulted in a number of improvements being implemented, and significant enhancements were made to the office's information technology and phone systems. In addition, it was decided to use experienced retired staff strictly on a short-term basis to supplement the current resources, and the services of eight retired officers have been secured and have been operating on a part-time basis since July. I am assured by the chief appeals officer that she is keeping current processes under continual review with a view to achieving a more effective throughput of appeals while ensuring any progress does not conflict with due process in terms of the rights of appellants and adherence to the requirements of natural justice.

In the case of the person concerned, the social welfare appeals office has advised me that his appeal was registered in that office on 14 November 2009. In line with statutory obligations the appeal was referred back to the deciding officer in the Department for a submission on the grounds of appeal and for the case papers. This process involved a further assessment by a second medical assessor of the Department and the papers were received back in the social welfare appeals office on 9 February 2010. They have been referred to an appeals officer who proposes to hold an oral hearing in this case. Given the logistics involved in organising an oral hearing, a considerable period of time is added to the process. To be fair to all appellants, oral hearings are dealt with in chronological order and for that reason its not possible to give an actual date in this case. The person will be notified when arrangements have been made.

We amended the law to allow retired staff to return on a part-time basis to the Department and I am sure the Senator agrees that was a good change in the law since I became Minister. The social welfare appeals office functions independently of the Minister for Social Protection and of the Department and is responsible for determining appeals against decisions on social welfare entitlements.

Senator Brian Ó Dombhnaill: I thank the Minister for his response, although it does not provide me with a date for the appeal. I cannot speak to my constituent and reassure him in any manner because of that. I appreciate that the social welfare appeals office is separate from the Department and must be for obvious reasons. Notwithstanding this, it is important that this independent office be in a position to operate in a more efficient manner. I do not question the efficiency of the staff but if additional resources on top of what has been provided is required, the matter should be considered. I hope an oral hearing for this case will be held as quickly as possible because I fear for this gentleman's safety as well as his mental and physical health.

Deputy Éamon Ó Cuív: There are 20 appeals officers working in the social welfare appeals office and, as the Senator knows, we appointed two extra in January 2009. There are also eight extra experienced retired staff working on a short-term basis to supplement current resources, and they are vetting claims with the aim of deciding a significant number of these on the basis of the documentary evidence and without the need to resort to an oral hearing.

From July until the end of September, these personnel had vetted 4,724 cases, with decisions given in 3,369, with 1,355 cases listed for oral hearing. They have gone through many cases and given a decision, although some require an oral hearing. Such hearings are by far the slowest part of the process as they must be physically organised. I note the Senator's comments and I continue to work with the appeals office on a general level to try to expedite appeals.

We will never get to a stage where oral hearings will take place within six weeks but I have discussed with the office the possibility of a first port of call being a revised decision from the deciding officer. A second port of call would be a summary decision, with a third possibility the oral hearings. We will try to streamline the process and I know the personnel have been doing good work.

This year the throughput of appeals has improved dramatically but the number of appeals has also increased. I am discussing with the office the reasons for the increase in appeals. It is partly because of the increased workload in the Department but we should be considering ways to reduce the need for people to feel they need to appeal decisions and if there are better information systems to be put in place. Fewer appeals would mean we could deal with the genuine and necessary appeals more quickly.

Nursing Homes Support Scheme

Senator Maria Corrigan: I thank the Cathaoirleach for the opportunity to raise this very important issue. I welcome the Minister of State, Deputy John Moloney. The introduction of the fair deal nursing home repayment scheme has been a very welcome development. It has brought considerable peace of mind to individuals and families who are trying to plan for the future and were concerned as to how they might meet the ever-increasing costs of nursing home provision. I welcome it.

The issue I am raising appears to be somewhat of an anomaly. It relates to older people who are in need of nursing home care and who are suffering from an age-related disorder such as Alzheimer's or senile dementia and who at the time they require care or after they have been admitted to a nursing home, their disorder results in a deterioration in their condition and it is felt they need a higher degree of support in order to keep them safe. Concerns then exist as to whether the level of support they are receiving is adequate. It is then recommended that they are moved to a higher support unit.

In such instances what is occurring is that, even where such individuals have been eligible and approved for the fair deal scheme, if they are moved to a higher support unit, the nature of which, as the Minister of State may be aware, will often come under the auspices of the Mental Health Act, it may not be deemed to be an approved centre for the fair deal scheme. In those instances the financial support from the fair deal scheme ceases to exist. Families suddenly find themselves facing bills of up to €1,200 or €1,300 per week for the level of support required. This can occur in situations where the higher support unit may be in the same building and may even be on the same campus.

I am aware of an example in my constituency, the Bloomfield Nursing Care Centre, an excellent facility which has received tremendous support and funding from the Government. There are a number of nursing home residents and part of the facility is approved under the fair deal scheme. Yet, the moment a resident is required to move to a different corridor he or she is no longer eligible for the scheme and the financial support of the fair deal does not follow him or her even though he or she remains in the same building. I spoke to a constituent today who has already paid in excess of €300,000 in fees and the family savings have run out. The family is now concerned about how it can continue to meet the cost of care of their mother.

[Senator Maria Corrigan.]

I wish to ask the Minister of State whether we can put a proposal on the table which would see us extend the fair deal to approved centres which are specifically for older people who require high support. That could take place in a nursing home or an adjacent facility. Section 3(1) of the Nursing Home Support Scheme Act 2009 contemplates that a fair deal could be extended, not alone to approved nursing homes. It states:

“long-term residential care services”—

(a) subject to *paragraph (b)*, means—

(i) maintenance, health or personal care services, or any combination thereof, provided by or on behalf of the Executive to a person—

(I) whilst the person resides in and is maintained in a facility—

(A) that is publicly designated in writing by the Executive as a facility predominantly for the care of older people, which designation shall, subject to *section 33(2)*, specify the health or personal care services to be provided at that facility, and

(B) in which nursing care is provided on the basis that at no time should there be less than one registered nurse present in the facility who is available to provide nursing care for the persons maintained in the facility.

Centres, such as the one to which I referred, which provide the high level of support required by people who are in the later stages of Alzheimer’s would meet that designation and therefore could be designated as approved centres under the fair deal scheme, and thus alleviate a considerable source of anxiety for families. Is the Minister of State aware that under the fair deal scheme the person contributes to the scheme, whether with the value of his or her assets or property? It is a way to alleviate the concerns people have while they are alive as to how their care will be financed.

Minister of State at the Department of Health and Children (Deputy John Moloney): I thank Senator Corrigan for raising this issue which relates to the nursing homes support scheme, the fair deal scheme.

The nursing homes support scheme is a system of financial support for individuals in public, voluntary and approved private nursing homes. The scheme is available to anyone assessed as needing long-term nursing home care, including dementia-specific nursing home care. However, it does not cover long-term residential care in other settings, such as mental health and disability facilities. As the Senator is aware, the scheme commenced on 27 October 2009. To date, over 15,800 applications have been received and over 11,600 of these have been processed to completion. The HSE is continuing to process applications on a daily basis.

In order to qualify for the scheme, all private nursing homes must negotiate and agree a price for the cost of care with the National Treatment Purchase Fund. This is a necessary feature of the scheme due to the commitment by the State to meet the full balance of the cost of care over and above a person’s contribution. The price agreed with the National Treatment Purchase Fund covers all residents entering the nursing home regardless of the level of their care needs.

For individuals applying to the scheme, the first stage in the application process is a care needs assessment. This assessment is carried out by appropriate healthcare professionals appointed by the HSE. The results of the assessment are submitted to the HSE in the form of a report called a common summary assessment report. Applicants to the scheme are given a

copy of this report. A person must be assessed as needing long-term nursing home care to qualify for financial support under the scheme. In addition to the care needs assessment, the nursing home will carry out its own assessment to determine whether it can meet an individual's particular needs.

Once an individual's application has been approved and their chosen nursing home has confirmed their admission, the HSE immediately arranges for payment of financial support on the applicant's behalf to their chosen nursing home. Financial support will continue to be paid for the duration of the individual's time in care. In the event that a person's needs change after they enter a nursing home, the HSE can carry out a review of the care needs assessment.

The HSE can undertake this review on its own initiative or at the request of the individual. Where the review indicates that a person's needs have changed and it is decided their needs are best met by transfer to another nursing home or to a different unit within the same nursing home, his or her financial support can be transferred with him or her. This may result in a higher level of support being paid to the individual. This feature of the scheme ensures flexibility and allows a person to continue to receive financial support in the event that a nursing home can no longer cater for his or her care needs.

Senator Maria Corrigan: I thank Minister of State for his response and have two comments. The first relates to the first section of his response in which he indicated the fair deal will not extend to mental health or long-term residential facilities. I am not asking for an extension to the scheme. Rather, I refer to free nursing home type settings or settings that are specifically for the support of older people. In cases where people require high level support and where there is an involuntary restriction on a person's individual freedom who then comes within the remit of the Mental Health Act, I ask that some flexibility is shown in that regard in accordance with the section of the Act to which I referred. I ask that such centres, where they are adjacent to nursing homes or part of nursing homes but because of the nature of the high support they provide fall under the provisions of the Mental Health Act, have some flexibility and could also be designated as an approved centre under the fair deal scheme.

I ask the Minister for clarification on the final part of his answer. I am a little confused. I am very happy to see it and if I sent the answer to many centres they would be very happy to see it because it will allow them to believe they will receive money. I know from experience with a constituent that this is not happening. I know of one constituent who was in a nursing home and had financial support, but because the person's needs changed, the person had to change where they were resident and had to pay for that.

I ask the Minister to clarify whether this is a new development which will be introduced in the future. My understanding is that the fair deal scheme cannot extend to parts of a nursing home which are not approved centres, even where they are in the same building or on the same campus. If they fall under the Mental Health Act and are in the same centre, and it is purely for the purposes of providing a higher level of support, the financial support will not follow.

Deputy John Moloney: The Senator's understanding is correct. The response is also correct, however, as support can be transferred provided the person is going from one nursing home to another. I take what the Senator has said as something that the Department and the Minister and Ministers of State at the Department must recognise as a huge anomaly. I recall visiting some months ago with Senator Corrigan the facility to which she referred. If I remember correctly, the situation there has been that beds are available and it is a very upmarket facility. I remember spending some time going through it all and realising that while we have people on waiting lists for such accommodation, especially in the mental health area, the sad reality is

[Deputy John Moloney.]

that under the legislation people cannot apply for the fair deal in this context. To be fair to the Minister, Deputy Harney, she is aware of this and at a recent meeting in the Department we grappled with how to resolve it, not only in the specific case brought to our attention by Senator Corrigan but everywhere, particularly where we consider taking people out of institutionalised settings. Often centres are on the doorstep of institutionalised settings.

In a nutshell, while the response is correct, the money does not follow a person transferring from a nursing home to an unapproved centre. The challenge facing us is to rectify this. It is very important and is an issue which the Minister, Deputy Harney, has placed on the agenda in the Department.

Senator Maria Corrigan: I thank the Minister of State.

The Seanad adjourned at 7.50 p.m. until 10.30 a.m. on Thursday, 21 October 2010.