

DÁIL ÉIREANN

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

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

Déardaoin, 30 Meitheamh 2016

Thursday, 30 June 2016

The Select Committee met at 9 a.m.

MEMBERS PRESENT:

Deputy Michael D'Arcy,	Deputy Paul Murphy,
Deputy Pearse Doherty,	Deputy Michael Noonan (<i>Minister for Fi-</i> <i>nance</i>),
Deputy Michael McGrath,	Deputy Sean Sherlock.
Deputy Eoghan Murphy (<i>Minister of State at</i> <i>the Department of Finance</i>),	

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

Estimates for Public Services 2016

Vote 7 - Office of the Minister of Finance (Revised)

Vote 8 - Office of the Comptroller and Auditor General (Revised)

Vote 9 - Office of the Revenue Commissioners (Revised)

Vote 10 - Office of the Appeal Commissioners (Revised)

Chairman: I welcome the Minister, Deputy Noonan, and the Minister of State, Deputy Eoghan Murphy, to the meeting. While we are dealing with the Estimates, we are overshadowed by Brexit. Members may well like to deal with some of the issues arising from the fallout of that decision. Perhaps we will begin with the Minister's opening statement.

Minister for Finance (Deputy Michael Noonan): I thank the Chairman. I am pleased to have the opportunity to appear before the finance committee today in connection with the 2016 Estimates for my Department and for the offices under its ambit, including the Revenue Commissioners, the Tax Appeals Commission and the Comptroller and Auditor General. I wish to take the opportunity to welcome the new committee and I look forward to the ongoing engagement proposed within the new budgetary framework. The publication of the summer economic statement and the hosting of the national economic dialogue, which took place on Monday and Tuesday, form important parts of this new framework.

As members know, the Department of Finance is structured around two directorates, the economic and fiscal directorate and the finance and banking directorate. If I may, I will take a few moments to bring the committee up to date on the key outputs of the Department during 2015 and to date in 2016.

The EU and international division of my Department manages and advances Ireland's interests at EU and international level on issues relating to the economic, fiscal and financial fields. In addition, it ensures effective co-ordination of the Department's EU policy. This division represents Ireland at European Stability Mechanism, ESM, and European Financial Stability Facility, EFSF, meetings. A key output of this division in 2015 was the conclusion of the early repayment of a major part of the IMF loan, thereby achieving significant interest savings. The post-programme review process also continues to be successfully managed.

The EU financial services division of the Department continues to represent national interests in, and made a positive contribution towards Council agreement on, a range of financial services dossiers in the past 18 months. Key achievements in this area included the transposition of the bank recovery and resolution directive, BRRD, the deposit guarantee scheme directive, DGS, Solvency II, the transparency directive, the credit rating agencies regulation, CRAR, the Single Resolution Board (Loan Facility Agreement) Bill and regulations providing An Post

with the necessary authorisation to begin providing payment services. The division will also continue its review of policy in the insurance sector, which is expected to be completed by the end of this year.

On the domestic banking landscape, small and medium-sized enterprises, SMEs, are the lifeblood of the Irish economy. They comprise the majority of businesses in Ireland and account for approximately seven in every ten jobs. Data indicate that there is an upward trend in lending application numbers and new money lending by both banks. Approval rates also continue to rise, averaging at 89%. The Strategic Banking Corporation of Ireland, SBCI, was incorporated in September 2014. Its goal is to ensure access to flexible and lower cost funding for SMEs. The SBCI has a total of six on-lending partners and is in advanced discussions with a number of other potential on-lenders. The increased number of on-lenders is a key step in creating greater competition for SME lending in the Irish market.

In the mortgage lending space, there has been a continuing increase in the level of new lending for residential purposes. Recent data show that almost €4.9 billion in new residential mortgage lending was drawn down in 2015. This represented an increase of 26% on the previous year and was the highest level of mortgage lending since 2009. This upward trend continued in the first quarter of 2016 when more than €1 billion in new mortgages was provided. First-time buyers remain the largest single segment of mortgage borrowers, accounting for almost 46% of the first quarter 2016 mortgage borrowing.

It is important to support prudent new lending to help people to meet their desired housing needs and to support overall economic development. The new programme for a partnership Government recognises this and sets out a number of initiatives to promote and protect home ownership.

Following an extended period of increasing mortgage arrears as a consequence of the financial crisis, the trend since late 2013 has been downwards. The most recent Central Bank bulletin - for the first quarter of 2016 - shows that the number of mortgage accounts in arrears for principal dwelling houses fell for the past 11 consecutive quarters and stood at 85,989 accounts, representing a decline of almost 18% since the first quarter of 2015. The number of accounts in arrears declined for all maturity categories. The programme for Government contains some additional commitments in respect of supporting those borrowers who are in arrears and further details on the implementation of these measures are being developed.

Following a difficult period, the public finances are continuing to move in the right direction. I am pleased to state that significant progress has been made in this regard, given that an underlying deficit of 1.3% was recorded last year. This has resulted in the public finances being placed on a sustainable footing, which enabled Ireland to exit the excessive deficit procedure successfully and in a timely manner.

Growth of 7.8% was recorded in 2015, with growth of 5% forecast this year. Importantly, the expansion in economic activity, initially led by the exporting sectors, has broadened. Increasingly, growth is driven by domestic factors, as both consumer and business confidence continue to recover. While economic growth is not an end in itself, it is an enabler and is therefore important. The economic recovery is perhaps more clearly evident in the labour market. Almost 47,000 jobs have been added in the first quarter of 2016 and CSO statistics show that gains have been recorded in virtually all sectors. This labour market growth is expected to continue and we are forecasting that employment will exceed the 2 million mark this year, for the first time since 2008. I am also greatly encouraged by the latest Exchequer returns. After the first five

months of 2016, tax revenues were €750 million, or 4.3 %, above expectation, which represents an annual increase of 9%, or just over €1.5 billion, when compared to the same period in 2015. I should point out that the Revenue Commissioners have assessed that not all of this additional tax revenue is of a recurring nature. Nonetheless, this solid performance provides confidence.

As committee members are aware, from this year the Irish public finances will be subject to the rules of the preventive arm of the Stability and Growth Pact. The summer economic statement sets out the fiscal parameters under which the programme for Government objectives will be achieved, while simultaneously ensuring our fiscal obligations under the Stability and Growth Pact are met. These rules are designed to ensure that increases in public expenditure will be sustainably financed and safeguarded from dependence on cyclical revenues. With this in mind, the summer economic statement also sets out our intention to establish a contingency, or rainy day, fund to cushion our open economy against unforeseen events that might occur.

Revenues from taxation are key to the funding of our public services. To this end, the Department remains committed to conducting ongoing reviews of tax incentives and tax expenditures. We have also undertaken a number of public consultations and a joint consultation with the Department of Social Protection.

Our report on tax expenditure, which was published at the same time as budget 2016, listed all tax expenditures that had taken effect in the previous 12 months. It also incorporated the outcomes, in full or in summary, of eight reviews and public consultations carried out between October 2014 and September 2015. It is the Department's intention that this will become an annual publication.

Turning briefly to the decision of the British electorate to leave the European Union, the process must now take its course, which will commence with a formal application from Britain under Article 50 of the treaty. This will be followed by the drawing up of an exit agreement. As such, there will be no immediate change to the free flow of people, goods and services between our islands. The Government has, to the greatest extent possible, prepared for this eventuality. We have published a summary of the key actions we will now take to address the contingencies arising from the UK's decision. Our primary objective remains to protect and advance this country's interests.

In terms of budgetary impact, the 2017 fiscal space is not expected to change very much because the factors used to calculate it are largely fixed at this stage. Over the medium term, there could be implications for the general government deficit, the structural balance and, potentially, for the level of fiscal space that could be used. We remain committed to adhering to the fiscal rules of the Stability and Growth Pact and we will monitor developments closely.

Turning to the business of the committee today, the funding allocation sought for the Finance group of Votes for 2016 totals €379 million which compares to a 2015 Vote group total of €368 million. This represents an increase of €11 million or 3%. The primary driver of this increase is the provision of €10 million for the new service of a fuel grant scheme for disabled drivers.

Leaving this scheme aside, the allocation sought for the Department of Finance Vote in 2016 is €29.479 million, a reduction of just over €1 million compared to 2015. This allocation provides for the administrative and non-administrative costs of the Department. The vast majority of this, 62%, is provided to cover salaries and allowances, with a further €6 million, or 20%, to cover facilities and non-pay administrative costs. The remaining €5 million is provided to

cover the legal, advisory and committee costs necessary to support the Department in the delivery of its remit.

The allocation for Vote 8, the Office of the Comptroller and Auditor General, is applied towards a single programme with the following outputs: auditing the financial statements of 300 Departments and State bodies; control of issues from the Central Fund; and examining and reporting on financial management arrangements in public bodies and the value for money of public services. As committee members know, the Comptroller and Auditor General also assists the Committee of Public Accounts in its scrutiny of the public finances. The allocation for this office in 2016 is €6.761 million, which is broadly unchanged from 2015.

On Vote 9, the Office of the Revenue Commissioners have requested a budget allocation of €331 million, an increase of €2 million or 0.6% on the 2015 net Estimate. The Office of the Revenue Commissioners plays a vital role in our economy by collecting taxes and duties due to the State. Nearly three quarters of the budget is related to payroll for an employment ceiling of 5,924. In its statement of strategy, Revenue is committed to two key strategic priorities, which are to make it easier and less costly to be tax compliant and to identify and confront non-compliance. Under the first strategy, Revenue's service for compliance approach in 2015 provided more user-friendly and digital ways of doing business with them, making it easy for customers to pay the right amount of taxes and duties at the right time. This approach included the initiation of a comprehensive customer engagement strategy.

Proof of the success of the strategy is evident in the numbers. In 2015, almost 1.9 million payments were made through the Revenue Online Service, ROS, an increase of 11.2% on 2014. The number of transactions through the PAYE anytime service increased by 16%, and more than 1.3 million customs declarations were processed by the automated entry processing system, 96% of which were cleared immediately. This focus on service for compliance is paying clear dividends, with the majority of customers filing and paying on time and the number of phased payment requests in decline, down to almost 50% of the numbers at the peak of the economic downturn.

For those who choose not to comply with their tax and duty obligations, Revenue, under its second core strategy, operates a range of intervention approaches. In 2015, the yield from Revenue's audit and compliance interventions grew by 5.3% to €642.5 million. To underpin this commitment to tackling non-compliance, the 2016 Estimates provides for an increase of 50 full-time equivalents to Revenue's audit and compliance staff resources. Tackling tax evasion is an important element of Revenue's non-compliance focus. Revenue uses its powers to identify untaxed income and assets held abroad and in 2015 this work yielded just over €60 million. Addressing tax avoidance is another priority for Revenue. In 2015, 160 tax avoidance cases were settled, netting €42 million for the Exchequer. In my budget speech I referenced some additional measures being taken by Revenue to address non-compliance. I am happy to report that significant progress is being made in this area. The introduction of sophisticated analytics and early intervention has been a key part of this success.

In other areas, Revenue continues to assist and support the Department of Finance in the formulation and implementation of tax policy. During 2015, Revenue also continued its active involvement in the OECD base erosion and profit shifting, BEPS, project, culminating in publication of the final reports in October 2015.

On Vote 10, the new Tax Appeals Commission, formerly the Office of the Appeals Commissioners, requested a budget allocation of €1.44 million, a net increase of €665,000, or 86%, on

the 2015 net Estimate. The increase in the 2016 Estimate is to take account of the establishment of the new Tax Appeals Commission. Specifically, the increase relates largely to a planned addition to staffing numbers and the provision of new ICT equipment, including an electronic case management system. One of the key reforms designed to strengthen the independence of the Tax Appeals Commission is that since 21 March 2016 taxpayers make their appeals directly to it instead of via the Office of the Revenue Commissioners.

I thank members for their attention and I commend the Estimates for the Finance group of Votes to the committee.

Deputy Michael McGrath: I thank the Minister and welcome him and his officials. What is the Minister and his Department's assessment of the impact on Ireland's economy of the decision this day last week by the UK to start the process of leaving the EU? Yesterday, the Central Bank said it would revise its forecasts for the growth of the Irish economy. We have immediate uncertainty regarding our economic prospects and I am very anxious to know the Department's reaction. In the Minister's opening remarks, which were somewhat different to what he said last week, he said the 2017 fiscal space is not expected to change very much, given that the factors used to calculate it are largely fixed. Is it expected not to change at all and remain at €1 billion in regard to the 2017 budget or, as I suggest, does the summer economic statement need to be updated and revised to take account of what happened last week? Over July and August, the Department should take the time to consider the impact, revise the statement, publish it in September and make budgetary decisions based on it.

Deputy Michael Noonan: The Deputy knows, from previous experience and discussions that took place around the summer economic statement, that even if there were no Brexit, the figures in the statement are subject to change between now and budget day. As new data comes in, figures are always revised. Therefore, I would not attach too much importance to the phrase the Deputy quoted. There will be changes. Before Brexit, we expected the changes would be positive. The earnings on which we will levy corporation tax have already taken place. Regarding income tax, we do not foresee a decline in employment between now and the end of the year. The tax streams for October and 2017 are relatively fixed. That is why there is very little variation.

We had to take into account the possibility of a vote in favour of Brexit, and there is a section in the summer economic statement that deals with it and gives the expected decline in growth based on it. The data in the forecast was threefold: data produced by the UK Treasury, to which we had access; work the ESRI published last autumn; and work done by the equivalent of the ESRI in the UK. The forecasters in the Department of Finance assessed the data and produced the figures in the summer economic statement.

This is the initial impact. Beyond that, it will depend on what the new arrangement is between the UK and Europe. If the new arrangement is full access to the Single Market and free movement of people, goods and labour, the impact will be low, and may even be to our advantage. If it is very difficult to come to an agreement and it reverts to some sort of World Trade Organisation style relationship, whereby the UK is treated as an economic unit outside the EU without any specific bilateral arrangement, there may be tariffs, border posts and all sorts of inhibitions to trade and the impact will be bigger. While it is impossible to forecast the impact with any accuracy, it would be serious.

The Taoiseach has already commenced positioning us for negotiations. Our position is clear. We would like the UK to continue in the Single Market. When Norway was negotiating

with the EU, the “price” of access to the Single Market for a non-member country was that it would respect the four freedoms. One of the primary freedoms is the free movement of people, which seems to have been a crunch issue during the campaign by those who advocated Brexit. It will be very difficult to combine full access to the Single Market with free movement of people. It was around this that the Brexit advocates in the UK seemed to have greatest difficulty. It is an evolving situation and it is very difficult to know who in the UK will be negotiating, what group of people they will primarily represent, what Government will be in place and what the alternative government will be. There is no clarity.

Deputy Michael McGrath: My question was whether the Department of Finance intended to revise the forecast for the Irish economy. Does the Minister intend to update the forecast in the summer economic statement and republish it as the Central Bank is revising its growth forecasts?

Deputy Michael Noonan: No, the summer economic statement is a top-down view of the economy at a point in time. We have done it. We have signalled that there is a down-side risk from Brexit and have tried to quantify it in the forecast. The next step is to revisit all these figures before the budget in September, and in the budget a new set of figures will be published using the most recent data.

Deputy Michael McGrath: But not before then?

Deputy Michael Noonan: We are not in a position to do anything before then. The people involved in forecasting are watching all the movements. We see no reason to depart from what we have done in the past. We used to produce a spring economic statement, but for reasons we all know it became the summer economic statement. Given that it is a top-down view, circumstances change and the view changes. We will provide all the data before the budget or in the documents accompanying the budget and there will be new estimates of growth and all the vital statistics of the economy.

Deputy Michael McGrath: What impact will Brexit have on the State’s strategy regarding its shareholdings in the banks? The Revised Estimates for Public Services for 2016, under the heading Banking and Financial Services Policy, include the following output target: “Prepare for/execute AIB sale subject to Government decision. Continue to explore further State investment disposals”. Could the Minister clarify his strategy regarding the possible sale of a stake in AIB, the 14% we continue to own in Bank of Ireland and his thinking regarding Permanent TSB?

Deputy Michael Noonan: I spoke about this recently. We own 14% of Bank of Ireland and the policy is, in due course when we can get the best price possible, to sell it, either in one tranche or in increments. We did not tie it to any timeline and there is no pressure on us to sell bank shares to reduce our debt. It is a stand-alone decision based on when we can recover the most money for the taxpayer. There has been movement in bank share values all over the world, and particularly in Europe. Bank of Ireland shares had declined by 38% on Monday compared to the day before the Brexit vote. A week previously, in anticipation of a remain vote, Bank of Ireland shares had increased in value by 19%. Yesterday, they fluctuated again. It is volatile. While the volatility remains, I am not planning to sell Bank of Ireland shares.

While Permanent TSB is recovering well, its balance sheet is significantly repaired and it is doing much additional business, it is not ready for market yet. There is no active consideration of selling Permanent TSB shares. I set out the position regarding AIB in the Dáil recently in

response to questions from Deputies Michael McGrath and Pearse Doherty, and the position has not changed. The programme for Government states that we will not sell more than 25% of any bank for a certain period of time. Our intention was always to sell 25% of AIB during the last quarter of the year. However, before ever there was Brexit, it was quite clear there was volatility emerging in the value of bank shares in different parts of Europe. We said we would not go to the back end of this year but, more likely, do it in the first six months of next year. That is the position as stated. I am not stating a new position today. Everybody knows, however, that as circumstances change, strategy changes.

The underlying policy is that it is our intention to sell a tranche of AIB shares, up to 25%, at a time when best value for the taxpayer can be achieved. Again, we are not under any pressure from any other consideration. If we were still in the position that obtained three years ago, we would be saying we would have to sell the shares because our national debt is too high and we need to get the yield to bring it down. Matters have moved on because the national debt at the end of 2015 - having peaked at over 120% - is down to 94% of gross domestic product. The estimate for the end of 2016 is for it to be down to 88%. The estimate for the end of the forecasting period to 2021 indicates that it will be down to 72%. We are ahead of the European average at this stage, and certainly ahead of the Eurogroup average. We are not constrained by considerations of debt reduction to sell bank shares or any State assets at a time other than when it suits in order to get the best return for the taxpayer.

Deputy Sean Sherlock: I, too, welcome the Ministers. My question also relates to Brexit. From his wisdom and experience, what does the Minister see as the potential impact of Brexit on foreign direct investment in this country? The programme for Government has clear targets for job creation over the lifetime of the Government's mandate. If the UK tax position becomes more competitive, particularly regarding financial services and the lowering of VAT rates or even corporation tax rates, does the Minister have a sense of the potential impact that will have on job creation in this country, as well as the ability to attract foreign direct investment?

While there might be an early boost of foreign direct investment into Ireland, the UK still remains the largest attractor of foreign direct investment in Europe. In the context of the financial services sector, there is a concern that Ireland may not be sufficiently diversified in access to markets and exports of financial services. Is there an over-reliance on exports of financial services to the UK? Has there been a significant diversification of exports to the Asian and North American markets?

The Minister stated that there are still 85,998 mortgage accounts in arrears. While this represents an 18% decline, there is a commitment in the programme for Government to examine further measures to support borrowers. Have any of those measures been advanced at this juncture?

Deputy Michael Noonan: The figure for arrears is the number of outstanding arrears, taking all files into account. The other side of that coin is that arrangements have been made in respect of 120,000 mortgages. It is well beyond the tipping point or the average now. Up to 89% of the arrangements being made are sticking. The definition of "sticking" is that they are still in place and the borrowers are compliant with the new arrangement 12 months after the event. If one was to take a pen picture of the number of mortgages in resolved arrangements today, it would be more than the 120,000 figure because it does not go into the statistics until the arrangement sticks for 12 months.

There are several commitments in the programme for Government in respect of this mat-

ter. There are issues around consultancy legislation and the courts. The Department of Justice and Equality has commenced work on delivering that particular commitment. Then there are services to people in arrears, which is within the remit of the Department of Social Protection, which is advancing work as well. Some work has been done and it is moving forward in line with the commitments in the programme for Government.

As for the consequences of Brexit on foreign direct investment, the best way to examine that is to look at what has happened in the markets. As we all know, the markets move in response to people who have the task of managing billions in finance all over the world. One will see that the movements have been adverse to the UK, both with the exchange rate and stock exchange values. The international expectation is that the UK will be a less strong economy than it was before Brexit. That is from simply looking at market trends and where people are deciding to put their money. That would mean it would be a less attractive location for foreign direct investment.

If one considers the current set of policies in the UK and Ireland, there is an advantage towards Ireland. How one would quantify it is not possible yet. An incoming UK Government may, after the country exits the European Union, change the suite of policies, particularly the tax offering. If it does so, there are new relativities then. For example, the UK may no longer have to be compliant with certain EU regulations around issues such as climate change, although it would still be bound by parallel international agreements. It is not possible to give an accurate forecast until we see how it develops.

By way of information, the UK Chancellor, George Osborne, two budgets back outlined a policy of reducing corporation tax in the UK over several years, with a destination of 18% by 2020. That is not too far above our 12.5% rate in terms of the attractiveness of London as against the attractiveness of Limerick. The UK was already moving into a place to be competitive in any event. It was also one of the first European countries which moved to having a patent box with a tax rate of 10% for the development of intellectual property, which is below our 12.5% rate. We tried to match that with our own patent box, for which the top-line tax rate is 6.25%. We are under the UK on that.

Foreign direct investment is a competitive business. While the relative strength of the economy and the opportunities it affords to a foreign direct investor is one factor, the other is the suite of measures on offer. It was in the process of change anyway before Brexit. Obviously, if an incoming UK Government sees a significant movement of foreign direct investment out of its jurisdiction or if its pipeline for foreign direct investment dries up, in the normal political process, it will probably adjust policy to forestall that. Again, we have to keep watching and assessing it and using the best information possible to protect our interests.

Minister of State at the Department of Finance (Deputy Eoghan Murphy): I will pick up on the point relating to financial services because there are some possible gains in this area. We complement and compete with London in a range of areas, so there are going to be challenges and opportunities for us.

There is a strategy for financial services job creation. It is not simply about the IFSC; there is a whole-of-Ireland approach. The aim is to create 10,000 extra jobs by 2020. The data shows we are a little ahead of profile in that regard. That is a good thing, but IDA Ireland and Enterprise Ireland are in a state of perpetual motion working on the job creation targets and selling the brand abroad. Considerable work is being undertaken by the agencies although perhaps it is not being seen publicly - it is happening behind the scenes. The quarterly joint committee

of industry and the public sector met on 20 June ahead of the vote. Since then there have been several contacts between industry and the relevant agencies. The public sector co-ordination group is meeting again next week. In so far as the strategy is concerned we are keeping our eye on the job creation targets in the light of Brexit and a special communications sub-committee was set up. It is meeting today. It will look to see how we sweat the existing action plan for 2016 in light of what has happened. For example, it will consider the plans for our missions abroad and what new missions need to be undertaken, promotional material to sell the brand in light of the new reality and what needs to go into the action plan for 2017.

The second European financial forum will be held in January. Through this, Ireland tries to position itself, similar to the process for the Asian financial forum. Of course, we are the gateway. Ireland is the way in and that will present a major opportunity for the country in light of what has happened. By that point, perhaps, we will have a little more certainty on what direction the UK is going.

Reference was made to Enterprise Ireland. I was with some Enterprise Ireland exporting companies on Friday. Those involved had spent the entire day dealing with the currency fluctuations and the associated difficulties. EI has a number of strategies and contingencies in place. These are outlined in the summary contingency framework that was published recently. I spoke with those involved yesterday on some of the actions that might need to be taken and the new trade missions that may need to be put in place quickly.

Deputy Sean Sherlock: My question was in respect of financial services and the IFSC. Let us suppose the UK departs from EU taxation legislation or case law in respect of VAT. Is the financial services sector in this country sufficiently diversified such that there is no over-reliance on the UK market? I have in mind exports of financial goods and services, the financial technology industry and everything that sails in that ship. This includes exports of services from Ireland to the UK. Have we diversified sufficiently into Asian markets, EU markets and North American markets? That is really the question.

Is there contingency planning in place? I am asking the question insofar as it is possible because we are in a state of flux politically and economically and it is impossible to predict what is going to happen in terms of the effect on the Irish economy, the UK economy and the European economy no matter how much contingency planning we put in place. All we can do is go by the ESRI and the Department of Finance predictors in so far as that is possible.

Can I get a sense from the Department of Finance or the Government of whether there is contingency planning under way? Is the Department seeking to ensure that the gains made by the financial services sector will not be lost and that we will continue to grow? That is an important message and signal.

Deputy Eoghan Murphy: Many of the meetings and contacts are happening daily and hourly, even if they are not happening publicly. However, the public roll-out of that is about to commence. EI is diversifying all the time and that is important. Right now, it is dealing with protecting companies that export to the UK which have not hedged against currency fluctuations. EI is working on that strategy. At the same time there are schemes and strategies as part of the contingency framework in terms of upping the ante in new markets. In so far as Asia and America are concerned, I will be in Asia twice in the coming six months at least and the Taoiseach will follow there as well. All that work is being done and the committee members will hear more about it publicly in the coming weeks.

Deputy Michael D’Arcy: I welcome the Minister. The budget for the Tax Appeals Commission is €1.5 million versus the Revenue budget of €330 million. It is less than 0.5%. From memory, the predecessor to the Tax Appeals Commission overturned a significant number of cases. Is the budget sufficient for that office at €1.5 million?

Deputy Michael Noonan: We brought in legislation last year to revamp the Office of the Appeal Commissioners. Provision was made for a third appeals commissioner to be appointed. Historically, there were two commissioners. We changed the process of appeal as well. Historically, appeals had to be channelled through the Office of the Revenue Commissioners. Now, appeals can go directly to the appeals commission. There was significant debate in the Dáil about it, including whether the appeals would be public or *in camera* and so on. The estimate from the Tax Appeals Commission was that it needed extra money. Committee members will see from my initial statement that the extra money is being provided. The increase will be sufficient.

The Tax Appeals Commission was established as an independent statutory body on 21 March 2016 by the commencement of the Finance (Tax Appeals) Act 2015. Since then, the commission has put in place new rules and procedures reflecting the legislative changes introduced by the Act. It has commenced managing hearings and determining appeals in accordance therewith. The commission has also established a new website, which, later this year, will allow the electronic submission of appeals directly to the commission, on which written determinations are now available to the public and tax professionals. The commission is in the process of putting in place a new electronic case management system for the better management of its caseload.

There is a significant increase in the allocation. The increase is largely for the planned addition to staffing numbers and the provision of new ICT equipment, including the electronic case management system to which I referred. The short answer is “Yes”, we believe the commission is sufficiently resourced to carry out the new job it has been asked to do.

Deputy Michael D’Arcy: In the Department, the banking and financial services policy group has €11 million according to page 9 of the document we received. The output to the end of May is €2.5 million. The output for consultancy services is €162,000 but the Estimate for the year is €5 million. It seems very low given the importance of the banking and financial services sector and given that it includes the shareholder management unit section along with others.

I am concerned that it smacks a little of the bad old days in the Central Bank when there were only a few people looking after the banks. The Department output is €2.5 million to date, almost half way through the year but the budget is €11 million. Have we enough people in place? Have we enough people keeping an eye on the SMU? Have we enough staff engaged to ensure no lacunae develop or that there will be no slip-ups in a period that is now far more unstable than previously?

Deputy Michael Noonan: First, consultancy costs are lower than anticipated.

Deputy Michael D’Arcy: They are almost zero from the budget of €5 million.

Deputy Michael Noonan: Yes, but consultancy and legal costs do not come in on a month-by-month basis. They are expected to rise as the year goes on. There may be some money left over at the end of the year. It is difficult to estimate what legal or consultancy costs would be required in any particular year. Moreover, there are a number of payment dates in the year for

the pay bill. There are 26 payment dates in the year but because of the way it runs only ten have been reached to date. From a payments point of view, we are not halfway or anything like it.

Deputy Michael D’Arcy: How many staff are within the SMU?

Deputy Michael Noonan: My officials will come back to Deputy D’Arcy on that.

Deputy Michael D’Arcy: On the shareholder management unit, SMU, the Minister does not have the number of full-time staff. Is there a figure for consultancy in regard to the SMU?

Deputy Michael Noonan: As I said, there is a provision for consultancy, but it is drawn down as required. Thus far, very few consultancy bills have come in.

Deputy Michael D’Arcy: The SMU has such a huge brief, involving the banks, NAMA, IBRC and the credit unions. Multiple billions of euros are overseen in terms of the policy. Nearly half the members of the banking inquiry are in this room. We were concerned that the Central Bank was not on top of its brief. Is the SMU on top of its brief?

Deputy Michael Noonan: There are 20 to 25 people in it and I believe they do a pretty good job. They do not run the Central Bank. The Central Bank has a huge staff and budget. The NTMA and NAMA have big staffs. It is a question of the relationship with the Department of Finance and these organisations in terms of oversight and advising the Minister. They are not directly running any of the operations.

Deputy Michael D’Arcy: I am aware of that but I am referring to the importance of the staff being completely on top their brief to ensure the NTMA and the other agencies do their job appropriately in advising the Minister.

Deputy Michael Noonan: Yes, I believe the unit does a good job. As need arises, and if anything happens now as a result of Brexit, there is no reason we cannot add to the numbers. At present, my advice is that there are sufficient numbers and that the unit is resourced sufficiently to carry out adequately the job it is supposed to carry out.

Deputy Michael D’Arcy: The Minister is satisfied it is doing so.

Deputy Michael Noonan: Yes.

Deputy Michael D’Arcy: On miscellaneous and incidental items, while I do not mean to be picky in this regard, there is a bill under Vote 7 for hospitality and official entertainment amounting to €35,000 and a bill for water for €40,000. Has the Minister a breakdown of this expenditure?

Deputy Michael Noonan: I will have to revert to the Deputy with a breakdown on those.

Deputy Michael D’Arcy: With regard to banking and financial services, there was some conversation on splitting the section into domestic and non-domestic categories. Has there been any further conversation on that prospect?

Deputy Michael Noonan: Nothing has crossed my desk. We have an EU services division, which represents the international aspect. It is headed by a principal officer. There is that differentiation internally.

Deputy Michael D’Arcy: I could not find a breakdown anywhere within the documentation we received. The International Financial Services Centre has a staff of tens of thousands.

Could we get a note on the oversight available for the non-domestic sector of financial services?

Deputy Michael Noonan: We will do that.

Deputy Pearse Doherty: On cherished licence plate numbers, 177 people paid the extra €1,000 to get a certain number. They have little to be doing. In any case, we will move on to other matters.

There has been a lot of talk about Brexit. Deputy McGrath referred to the fiscal space this year. The Minister suggested that, in regard to Brexit, it will not alter anyway. It may alter because of the new data but there will be no significant alteration as a result of the Brexit vote. The Minister mentioned it is unlikely to alter until the medium term. While we hold the view that there will be no alteration this year as a result of the decision by the English and Welsh to withdraw from the European Union, what about next year? Could there be an alteration in regard to the net fiscal space available for 2018?

Deputy Michael Noonan: Yes, it is likely there will be some reduction in 2018, but I could not go beyond making that kind of general comment until we see what the new arrangement is likely to be. If it plays towards us rather than against us, there may be a very marginal effect on the fiscal space. It is another moving part that has to be taken into account in forecasts. However, even if there were never a Brexit, forecasts are less definite for times further out in the forecasting period. They are not estimates; they are forecasts.

Deputy Pearse Doherty: I appreciate that. With the Minister, we have been dealing with the arrangements to set up the budget oversight committee. The difficulty is that data can sometimes become outdated the following day or sometimes the following week. As the Minister implied, a portion of the summer economic statement was dedicated to the impact of Brexit, and it covered the extreme scenario of a reduction in GDP in Britain of approximately 6% and the impact of this on our economy. We are well used to documents showing risks that may or may not materialise. It is prudent to show what could happen if a risk materialises. The risks have now materialised, although we do not know how this will play out. Brexit is no longer a risk. It has happened and the decision has been taken. Therefore, in estimating our GDP and fiscal space over the coming years, would it not be prudent to say that our most up-to-date data allow us to say that GDP, for example, will not grow by a certain percentage because we have already identified that a vote in favour of Brexit could reduce GDP by approximately 1%? Is it not important for the Department of Finance to think like this? I cannot see how this would be a major issue for it given that it has already done the analysis. The Minister has referred to the ESRI, what the British Government has done and what the Department of Finance has done to update the data available in order that we can have the most up-to-date data given the decision on Brexit.

Deputy Michael Noonan: The way it was approached was that the work was done in the spring economic statement on the basis of the United Kingdom remaining in the European Union. Then there were forecast data available as to the downside if the United Kingdom were to leave the European Union. As the Deputy knows, there is a page in the summer economic statement setting out the risk and how it would diminish growth and the consequences of that. Now that this has happened, it is a fact. The potential risk in the summer economic statement has become an actual risk. Beyond that, we are not in a position at present to refine the forecast further, except to say that, depending on the result, there will obviously be consequences. However, there are still some people in the system who say this will play to Ireland's advantage because of a stronger run of direct investment or activity from London being transferred to

Dublin. We simply do not know. Forecasts are made on estimates. New stability programme update, SPU, figures will be generated that will have to go to Brussels in the autumn. There will be many people making forecasts and I presume the movement will be downward. The Central Bank said yesterday it will revisit its forecasts. The IMF is running numbers as we speak and will probably have data out at the end of July. It normally has a very cautious attitude so I would be surprised if it improved our figures. It is more likely to be marking down. That is what is happening everywhere now as a result of Brexit.

We do not know the full impact of Brexit yet. The damage in Ireland so far has not been significant and has been contained. We know there is movement on the currency and on sterling against the dollar. We can predict some of the effects of this on exporting to the United States. We know sterling has declined in value against the euro, but we know the euro has declined in value also, so the relative trading positions are not far from where they were for the past six months. These things must be factored in. It will settle with about 10% taken off the value of the Irish Stock Exchange. One can see that Irish companies quoted on the UK stock market, where there are many UK and international investors like Bank of Ireland and Ryanair, took big hits early on but we are not sure where it will settle. In terms of our core economic activity, there is no serious economic hit yet. We have often talked about economic instability following political instability. There is great political instability in the UK about who governs and who the alternative Government is. There is political instability about Scotland. There is less political stability about Northern Ireland but the vote there raised some serious and interesting questions. The big issue in Northern Ireland is the question about whether people are serious about having a land Border of 60 km north of Dublin cutting across the island and making it an international border. I do not believe that is a runner but we will not be able to do a bilateral arrangement on that. The EU must be involved in it. In respect of controlling the movement of people, we have all gone through various airports. When a person comes through Dublin Airport, he or she shows his or her passport if he or she is an EU citizen. People are in a different queue if they are a non-EU citizen. I cannot see why an arrangement could not be made whereby the control points are at Larne, Belfast Airport, Liverpool or Southampton - the access ports to the UK - rather than having some kind of cut across the middle of our island. I think that is an impossible proposition. I do not think it is a runner but the solutions must be negotiated. What those solutions might be will have an impact on economic activity on this island and one cannot yet factor it in regarding a forecast.

Deputy Pearse Doherty: From the point of view of someone who has to travel across the Border on two occasions to get back to my constituency and has a deep conviction regarding the reunification of this country, I would hope that the Minister would talk to the Taoiseach so that along with arguing for the Scottish people's vote to remain within the EU to be respected, he would make the same arguments for people in the northern part of this island.

Returning to the economics of this, the summer economic statement showed the potential impact it could have on our economy. Would it not be a fair assessment to say that even the adverse position, a 6% drop in GDP in Great Britain translating into a drop of about 1% here, is very much containable given the level of growth that is expected in the Irish economy over the next number of years?

Deputy Michael Noonan: The answer in terms of economic activity and achieving full employment and a balanced budget and resources even for a rainy day fund is "Yes" but that is not to say that the fiscal space for future budgets, apart from the forthcoming one, might narrow. It is difficult to predict because it is only one of a number of what I would call moving parts.

I have great respect for my forecasting unit in the Department but it is usually conservative in its forecasts so maybe we will grow stronger in future years if the domestic economy can pick up. One of the big factors driving the Irish economy is domestic demand. Domestic demand is largely based on consumer sentiment or, to put it simply, confidence. If Brexit affects confidence, it is very hard to measure what the knock-on effect of that is in terms of consumer demand and economic activity domestically.

Deputy Pearse Doherty: I know.

Deputy Michael Noonan: There is no point in us running a set of figures if we cannot stand over them. What I am saying is that we are fairly certain regarding what we have. We have put in the data about the adverse effect of Brexit and we will have a new set of figures in the autumn to inform our budgetary position. Things should have been clarified, at least politically in the UK, the negotiations with the EU will have commenced and we may have some shape of it.

Deputy Pearse Doherty: I am not sure they will be commenced by that stage in terms of budget dates but we will leave that for another day.

I want to pick up on the issue of the rainy day fund. Is it still the Minister's intention to commit the level of funding that has been laid out in the summer economic statement given the likelihood that the net fiscal space in the coming years will reduce? Can the Minister tell us when he expects to bring forward concrete proposals for the rainy day fund? There has been a lot of talk, including from the Government side, that the rainy day fund can be deployed for this, that and the other. The reality is that we are governed by the expenditure benchmark so the fiscal space for any given year is the fiscal space. If the fiscal space is €1 billion and we have €5 billion in the rainy day fund, we cannot use the €5 billion. We can only use €1 billion of it. There is an issue here about how the rainy day fund can be used and for what purposes, so can the Minister give us an indication as to when we will see some real proposals about how the rainy day fund will operate and whether he is still committed to that level of money being set aside given the likelihood of the net fiscal space being contracted?

Deputy Michael Noonan: First of all, it is a contingency fund and a contingency fund is unallocated resources that are to be deployed if the unexpected happens. The unexpected has happened and we are lucky we had not allocated all of this for spending purposes because we would be into reversal very quickly. The principle of establishing a rainy day fund remains but on current information, it will be a figure of about €1 billion from 2019, 2020 and 2021 and it is within the fiscal space. It is not additional money outside of the fiscal space. That position remains but I am sure that with Brexit, future Ministers for Finance will have a view regarding how much to assign. Do members remember the phrase "If I have it, I'll spend it" uttered by one of my predecessors? This is to say that we have a lot now but we will not allocate it all for spending. We will put some of it aside for unexpected events in the future that will adversely affect our economy and it can then be deployed as the Government and Minister of the day see fit. That is the idea.

In terms of getting into the detail of it, I said in the Dáil that we would develop a paper on it at the back end of this year or the start of 2017 and that I would welcome input. It will be hard to peg the magnitude of it and move from the principle to an actual figure but the indicative figure is €1 billion. I would like to hear Deputies' opinions on the circumstances and events that would trigger the drawdown of this and turn the contingency fund into budgetary expenditure in an individual year. What are the circumstances that would lead to that decision in Government and what advice can we give to future Governments on that issue? As well as the trigger

for drawing down and converting the rainy day fund into budgetary expenditure, what should the nature of that expenditure be? Would it be more current expenditure for services, should we deploy it totally into capital as a kind of Keynesian counter-cyclical investment to stimulate demand in a declining economy or should we approach it through the tax side and put more money in people's pockets by increasing the minimum wage or cutting income tax? I have not made up my mind on this but I am putting it formally to the committee that either as individuals or collectively, I would like their input into the preparation of the paper I am talking about dealing specifically with the triggers which would lead to drawdown and then the nature of the expenditure which they think might be more advantageous.

Chairman: We will take the Minister up on that in the context of the joint committee.

Deputy Michael Noonan: Good.

Deputy Pearse Doherty: Let me just-----

Chairman: Deputy Paul Murphy has indicated and we are working against time.

Deputy Pearse Doherty: I am sorry but that was not clear. Could I ask a couple of quick questions?

Chairman: No, because Deputy Doherty already had 16 minutes and I must allow Deputy Paul Murphy to contribute because we must close the meeting shortly. If we have time at the end, then I will allow the Deputy in.

Deputy Paul Murphy: I wish to pick up on the rainy day fund. The first point is an obvious one in that for lots of people out there the rain is already pouring in terms of the crisis of homelessness, especially when 2,000 children are sleeping in hotels. The questions I have relate to, first, the recognition of that reality and, second, the fact that we already have what one could call a rainy day fund in terms of the Strategic Investment Fund. My point is the same one as Deputy Doherty made, namely, that we are constrained from spending such a fund because of the expenditure benchmark. What is the point of accruing a further rainy day fund into which one puts as much money as one wants but the expenditure benchmark will still apply so down the line we will have a problem in terms of spending it? It depends on what the medium-term potential economic growth in the future is, as to whether we could spend it, but the worry is that we will end up doing to the rainy day fund what we did to our previous rainy day fund, the National Pensions Reserve Fund, where more than €20 billion was used to bail out the banks. Is that the intention? In the summer economic statement it was said that the purpose behind the fund is to ensure that liquid assets are available to be deployed in a timely and countercyclical manner to help smooth the business cycle. Is that a reference to having an amount of money set aside for a future bailout because we raided the existing bailout fund?

Another question relates to the Apple tax case. When does the Minister expect to receive a decision from the Commission on that? The Government has been very eager to welcome the response to the question posed by Marian Harkin, MEP, on water charges but it seems less willing to accept a decision to the effect that a major multinational corporation owes the country an amount of tax and let us see how much that is. Is it the case that the State has spent €670,000 to date defending the case? If the Commission rules against the State and therefore the State continues to fight it and the case goes to the European Court of Justice, has the Minister set aside money to fight that and how much in terms of legal costs would he expect that to be? At any level does he see the deep irony for people that we are going to spend taxpayers' money to de-

find a court case that is about a multinational giving us money? We are saying we do not want the money and we do not want tax that the European Commission is saying is owed to the State.

Deputy Michael Noonan: Yes, first of all it is not a case that is being pursued on tax grounds. It is being pursued on state aid grounds and that is why the Competition Commissioner is driving the process. Other cases were taken against companies in Luxembourg, the Netherlands and Belgium and in all cases adverse conclusions were drawn and an amount of arrears was described in the adjudication, and I think they are all under appeal.

The Apple case is different. It is not the same type of case as the other cases. We thought it would have been adjudicated on long before now. The rumour from Brussels before Brexit was that there would be an adjudication in July; we were not formally notified of that but I believe the rumour is probably correct. I cannot say whether the cases will proceed or if Brexit has changed the timetable. Brexit has given a blow to economic confidence in Europe already and an adverse finding with large arrears against a major American company operating in Europe might not be a road that is travelled in July. There will be an adjudication in due course and when we find out what that is, if it is adverse, it will be accompanied by a suggestion of payment of arrears by the company or a recommendation. We will see what happens when the time comes.

I put the amount of money that was spent into the public domain in reply to a parliamentary question during the week so the figure Deputy Murphy quoted is correct. We are not assigning particular moneys because it is very hard to do so. One must operate internationally with the best legal advice when vital national interests are being threatened, so we will do that. What was the Deputy's second question?

Deputy Paul Murphy: Fundamentally, whether the Minister is going to use the rainy day fund for future bank bailouts or-----

Deputy Michael Noonan: Many members present were involved in the banking inquiry, and there were several other third party inquiries, and all of them came to the conclusion that if we had operated countercyclical economic policies it would have been of great benefit during the crisis. In their simplest terms, countercyclical policies, as Deputies are aware-----

Deputy Pearse Doherty: What about-----

Deputy Michael Noonan: One does not overheat an economy that is growing very strongly and one does not tax and cut in an economy that is in decline. Everybody knew the theory. It was not because they did not understand the theory, it was because they had no resources. What I am saying now is let us have a fund for the first time where there are resources for countercyclical intervention. The thinking has gone as far as saying we are looking at the Estimates and until we balance the budget in 2018, money is going in three directions; it is going to spend extra on public expenditure; it is going on the tax side – either tax increases or tax reductions; and it is going to reduce the deficit. When we balance the budget the tranche that was going to reduce the deficit will no longer be required for deficit reduction purposes so it gives us scope. If we allocated all the money that was available in the fiscal space, that would run into departmental budgets immediately and by the time the annual budget would arrive there would be no discretion because it is pegged in that we are going to spend X amount. What I am saying is that we put a fund aside, and it is either allocated for expenditure or it is not by the Government of the day depending on the circumstances. It is an instrument of macroeconomic policy to be deployed by the Government of the day. That is not to say it will never be spent. That is not

the issue.

Deputy Paul Murphy: I think the problem there-----

Deputy Michael Noonan: The issue is not to spend everything upfront just because we have it, but to get away from the boom and bust and if I have it I will spend it theories. The way the world is changing so fast, Deputy Murphy could very well be the man deploying it so he should not paint himself into a corner now.

Deputy Paul Murphy: The problem we have is the fiscal rules and the fact that countercyclical policies, Keynesian policies, are pretty much made illegal by the fiscal rules. That is the fundamental problem.

I will move on to more detailed questions. There is no increase in the Estimate for the Revenue Commissioners compared with what was outlined in the budget. A significant event happened in terms of tax internationally in that space, namely, the Panama papers, which did detail a number of members of the Irish economic elite being connected to Mossack Fonseca. We know Ireland is a bit of a centre in terms of tax avoidance and that can shade over into tax evasion. Are the Revenue Commissioners sufficiently resourced to deal with tax evasion? Would they like more resources to deal with the issue? If they had more resources, could they do more?

The budget for the Comptroller and Auditor General is very small considering the extent of responsibility for auditing that it has. It is responsible for all the money that goes to the HSE and that money is then effectively outsourced to the likes of Console. We see the impact of outsourcing public services in that way at the moment but that is a broader discussion. The main question I would pose is that it is responsible, in particular, for NAMA, and given that NAMA is entering into a crucial period as it will write off €40 billion to developers in the next couple of years, surely it needs more resources to be able to properly monitor that situation.

Deputy Michael Noonan: First, the Revenue discusses these matters with the Department of Finance and, usually, unless there are extravagant demands, it gets what it looks for. It needed funding on this occasion to hire extra staff and it has been hiring extra staff. In 2015, for example, it got 126 extra staff made up of 56 in compliance, 50 on local property tax and 20 for the international tax. There is an increase of 50 staff in 2016 and it is for compliance.

This represents good value for money. When Revenue looks for funding for extra staff then taking into account the fiscal space and all the other matters, if each extra member of staff is able to collect more of tax forgone than his or her salary then it is a fairly good decision to hire him or her. One should think of it in those terms. It is not unlimited; Revenue is happy with its allocation.

On the Panama papers, I understand that Revenue is accessing specific data to ascertain the extent of the involvement of Irish taxpayers and what significance that has to the Irish tax position, and that it has sufficient resources to do that. Beyond that general remark, I do not know the specifics. If the Deputy puts down a written question, we will get some more information for him. Revenue has sought access to the Panama papers, both from the media outlets and directly from Panama under our double taxation agreement. The Department has since reacted to international developments, including agreeing to the pilot initiative on the exchange of information on beneficial ownership at informal ECOFIN meetings. The Dutch Presidency got the tax directive through the ECOFIN two weeks ago and it will go on to the European Parlia-

ment now for trilogues, etc. The speed at which that was processed was a direct response to the Panama paper revelations.

Deputy Paul Murphy: I asked about the Comptroller and Auditor General, in terms of NAMA.

Deputy Michael Noonan: The Office of the Comptroller and Auditor General has the resource that it requests. The former Chairman of the Committee of Public Accounts would have a view on that. I am not adverse to considering a submission because I am aware that there are commentators who think that the range of powers of the Comptroller and Auditor General should be widened somewhat.

Chairman: If I may take up that point, the Minister made mention of the Revenue Commissioners and the collection of taxes. They do a good job and do it with great care and diligence. When one looks at the Comptroller and Auditor General's report for as long as I have been a Member - the Minister is a former Chairman of the Committee of Public Accounts - it does not appear as if all of the Departments and agencies of the State spend that money with the same care and diligence used to collect it. As a result, there are issues, such as Console and Project Eagle. I understand that the Comptroller and Auditor General is conducting an investigation into a number of transactions within NAMA. If the Comptroller and Auditor General's office and the Committee of Public Accounts had been empowered to act and had the requisite funding it is quite possible that we would have had greater scrutiny with a better outcome in terms of Console and others.

The Comptroller and Auditor General cannot forensically examine every account. My experience of the office has been that it is difficult for it to get down to the ultimate expenditure of taxpayers' money allocated to different agencies. Until such time as the Government brings about a change in that regard, we will still be in the same difficulty in five years' time without the necessary reform. I say this, as the Minister said, from my experience as former Chairman of the Public Accounts. The Minister, too, chaired that committee. The Office of the Comptroller and Auditor General has never been substantially reformed to do the business that the State and the citizens expect it to do.

It is similar to this process here. Earlier, each of the speakers had roughly between ten and 12 minutes to make their contribution. We are dealing with a budget here of €379 million and we have not got into the detail of it. Standing Orders do not allow us. Standing Order 90 provides that we can consider this but we cannot vote against it, nor can we vote for it. We cannot comment on it. On the issue of a comment on this, the comment is already preordained; it is already established. We cannot even change that. There is not time within what we do in the committees to deal with these issues. It becomes something of a farce and a little misleading for the public which believes that we are examining its accounts. I will use my few minutes by asking the questions, of which that is one.

Returning to the committees, I note that at least two previous Finance committees and two previous Committees of Public Accounts made reference to a single case of an individual in terms of return of tax and it has never been completely dealt with. The cross-party committees decided that an individual should be repaid the full tax amount and Revenue refused to do it. The Minister is aware of it. The Taoiseach is aware of it. The same applies to previous members of Government. Revenue just ignores the recommendations of Oireachtas committees, not just of one, that were made up of different individuals over time.

I will take the Minister up on some of the comments in his opening remarks. Unfortunately, we are out of time to deal with them. The Minister mentions, for example, domestic banking and the SME credit and personal debt. I do not know who said, "There are three kinds of lies: lies, damned lies, and statistics". While these statistics look good, the experience of the SME sector in dealing with the banks is nothing short of horrific. It is extremely difficult to get to grips with what the banks require and extremely difficult to get funding for the SME sector out of those banks. In fact, when there is an attempt to access the Strategic Banking Corporation of Ireland, SBCI, fund through a bank, mainly AIB, the SBCI can decide not to give the funding but it does not necessarily explain why. In one case, in terms of the Credit Review Office, even if the SBCI supports the application, that bank can still say "No" and still not give the reasons for that negative response. That needs to be addressed.

In terms of mortgage arrears, merely to put it on record because we do not have time to deal with it in detail, I accept that there are 85,989 accounts in difficulty but the Minister should visit the eviction courts to see what happens there. It is incredible how badly those in mortgage arrears, in the main, Irish citizens and families, are being treated in those eviction courts. With the county registrar present, they attempt in their own way, because they cannot afford legal representation, to fight their cases. Often the decision of a previous court and judge is not even followed up. No one knows what is going on within those courts except the individual at the end of the day, who may get a negative response. I believe that we are now down to a situation where families in this country will be evicted from their own homes simply because the due process that they have entered into is not functioning for them and it is up to the Government to provide the appropriate legislation to keep them in their homes.

There is another point with regard to Brexit, an issue to which the Minister has referred and on which members have raised questions. I am a supporter of Europe and our future is in Europe, but if we lose this opportunity to question Europe and where it is going then the SME sector and businesses across the board will not be able to deal with the amount of legislation and regulation that is due to be issued and that will affect them directly. Europe, therefore, must be for the citizens of each member state and not necessarily and totally for the institutions of that state. We should perhaps use this opportunity to insist on bringing some humanity and compassion to an organisation that needs reform and seems cold to the citizens of the member states.

The other issues are insurance, which the Minister mentioned in his opening remarks, and the financial services division of his Department. Insurance is having an impact on businesses and individuals because their insurance costs, be they for a car, property or whatever else, have increased substantially. Whereas the Minister's Department and its financial services division may say that they will continue to review policy on the insurance sector, while we wait SMEs are under extreme pressure and individuals are under pressure. Again, the time it has taken the Government to react - it is the same for government of any kind - to matters affecting people's lives has been at a bureaucratic snail's pace, and something must be done about it. I know the Minister cannot respond to these few points while the Taoiseach is waiting to come before us now, but perhaps after the summer we will have the opportunity to consider all these issues again in the context of the Estimates or the budget for 2017, unless he wants to comment before we close.

Deputy Michael Noonan: I thank all the members of the committee. We had a pretty good discussion this morning. Shortage of time is always an enemy of discussion, but I am not averse to coming back whenever the committee decides to discuss any of the issues.

The SME position is improving. The data in my speech come from the surveys carried out

by RED C, the polling organisation. A total of 1,500 SMEs were accessed, and that is the result.

The Strategic Banking Corporation of Ireland was asked to make additional funding available to SMEs. It has lent almost €172 million to 4,600 Irish SMEs at lower costs than would be received from the banks. It will publish its half-year review in July, so there will be more data in that input. We are constantly trying to ensure that there are alternatives to bank finance available to SMEs, preferably at lower interest rates than in the banking system, but that is not to say that one cannot find individual cases where there is a problem. The Revenue Commissioners state that they have communicated with the committee. I presume that is on foot of the case referred to by the Chairman, but I do not know the details of that. Could the committee contact the Revenue Commissioners again or copy the correspondence to the former chairman?

Chairman: We will do as we are asked and state that we have considered the Estimates - not very well, may I add - so I ask members to accept that on the basis that the information has been promised to them-----

Deputy Pearse Doherty: We have the option not to consider them and finish our consideration next week.

Chairman: Whatever members want.

Deputy Pearse Doherty: There are a number of questions, unfortunately, that I would like to have asked regarding NAMA and other areas that we did not get an opportunity to consider, given the Minister's willingness to come in.

Chairman: Depending on the Minister's availability, I am quite happy to accept that.

Deputy Michael Noonan: We have a funding problem. We need decisions so that money can be drawn down.

Chairman: What do members wish to do? Will we dispose of these instruments or request a further meeting?

Deputy Michael McGrath: It depends on the consequences of not disposing of them.

Deputy Pearse Doherty: What would be the consequence of meeting next week?

Deputy Michael Noonan: If members really want a session next week, that can be facilitated, but there is the rule that one cannot spend more than 80% of the Estimate, unless the Parliament has endorsed it, and we are running very close to the line.

Deputy Michael McGrath: Through the Chair, how much extra time is required? Does Deputy Doherty have a few more questions?

Chairman: Maybe we will dispose of the Estimates and then, as we intend to meet in September anyway, we will have a longer meeting and deal with the questions to which Deputy Doherty has not got answers, if that is agreeable.

Deputy Pearse Doherty: Okay.

Deputy Michael Noonan: I can offer a private briefing by officials to anybody who has questions.

Deputy Pearse Doherty: I may take the Minister up on that.

MESSAGE TO DÁIL

Deputy Michael Noonan: Take me up on that.

Message to Dáil

Chairman: In accordance with Standing Order 90, the following message will be sent to the Dáil:

The Select Committee on Finance, Public Expenditure and Reform, and the Taoiseach has completed its consideration of the following Revised Estimates for public services for the year ending 31 December 2016: Vote 7 - Office of the Minister for Finance; Vote 8 - Office of the Comptroller and Auditor General; Vote 9 - Office of the Revenue Commissioners; and Vote 10 Office of the Appeal Commissioner.

Sitting suspended at 10.36 a.m. and resumed at 10.44 a.m.

Estimates for Public Services 2016

Vote 1 - President's Establishment (Revised)

Vote 2 - Department of the Taoiseach (Revised)

Vote 3 - Office of the Attorney General (Revised)

Vote 5 - Office of the Director of Public Prosecutions (Revised)

Vote 6 - Office of the Chief State Solicitor (Revised)

Chairman: We will resume. I welcome the Taoiseach and his officials. We have his opening statement but, in the interests of time and given the fact that he will have to leave at 12 noon, perhaps he will outline the main points so that members will have time to ask questions.

Taoiseach and Minister for Defence (Deputy Enda Kenny): I am glad to be here for the committee to consider the 2016 Estimates for Votes 1 to 6, excluding Vote 4, covering the Central Statistics Office, which has already been approved by the Dáil. I was not able to provide members with an advance copy of the briefing material but I know they are anxious for material on the UK referendum so I have circulated that. The Estimates are for the President's Establishment, the Department of the Taoiseach, the Office of the Attorney General, the Office of the Director of Public Prosecutions and the Office of the Chief State Solicitor. I am joined by staff

from the Department, namely, Mr. Martin Fraser, Secretary General; Mr. John Shaw, assistant secretary; Ms Mary Keenan, head of corporate affairs; and Ms Geraldine Butler, finance officer.

The Revised Estimate for 2016 in respect of the President's Establishment is €3.811 million. This includes €2.6 million for pay and administration, with the balance for the centenarians' bounty. It is estimated that 420 centenarians will receive the bounty in 2016. Increased funding was provided to cover the cost of the President's 1916 centenary event in Áras an Uachtaráin.

The figure for the Department of the Taoiseach is €29.35 million, which includes €16.68 million for pay and administration. The core role of the Department is to support the executive functions of the Taoiseach and the Government and to oversee the implementation of the programme for partnership Government. There are four Ministers of State: a Chief Whip; a Minister of State for European affairs, data protection and the EU digital single market; a Minister for diaspora affairs; and a Minister of State with responsibility for defence. An important part of this Department's work is providing the secretariat for meetings of the Government and Cabinet committees. I established a number of Cabinet sub-committees, from housing to arts, Irish and the Gaeltacht, which I chair myself. It has recently been difficult to get fixed times for meetings but we will work out a convenient time for members to attend. The Department deals with all the items listed on page 7, such as Cabinet meetings, Government meetings, press events, freedom of information requests and so on.

The 2016 centenary commemorations were an important part of the work of the Department of the Taoiseach. The Secretary General chaired the steering group and that led to a cross-departmental effort in which everybody played their part. I am very proud of the efforts people made, the time they gave to it and the comprehensive, sensitive and inclusive manner in which it was carried out. Planning for the anniversary of the 1916 Easter Rising started in late 2014 and involved a collaboration across a range of Departments. At the heart of the process was a need to stimulate debate and the wealth of books, material, pamphlets and information that has now come to light about 1916 and the families and people of the time has been a revelation for most people. People now look at our flag differently and have a much deeper understanding of the movement from 1916 through to independence. The highlights included a wet day on 1 January in Dublin Castle when the flag was raised; the Easter Sunday wreath-laying ceremony in Kilmainham; the Easter Sunday ceremony in the GPO and the parade; the Easter Sunday State reception at Dublin Castle; and the interfaith ceremony at the Glasnevin cemetery remembrance wall. All were seminal moments and they were conducted in an exemplary way.

The Department is also co-ordinating the ceremony at the Irish National War Memorial Gardens at Islandbridge to commemorate the 100th anniversary of the Battle of the Somme. The Minister for Arts, Heritage and the Gaeltacht is in France today and the President will be there tomorrow. President Hollande will be here towards the end of the month as part of the Somme commemorative events and an additional €433,000 has been allocated for a commemoration programme. I commend the staff of the Department, who gave many long hours over and above the call of duty to make this a real success, and I was really proud of them.

The committee discussed the results of the UK referendum with the Minister for Finance earlier and I will also take any questions members may have. We published a national risk assessment on this in 2014 and in March 2015 we set up a dedicated unit in the Department of the Taoiseach to look at contingencies in the event that the British electorate decided to vote to leave. The European Council met on Tuesday and Wednesday and I will talk to members about that if they wish. On Tuesday, the Prime Minister, David Cameron, gave a presentation on the background to the result and on Wednesday morning, with the British Prime Minister absent,

there was a full-scale discussion for a number of hours about the situation and how the resulting issues should be addressed. Our interests are in the extent of trade across the Irish Sea, the common travel area, the peace process, an open Border and maintaining our links with Northern Ireland, the UK and the European Union.

Chairman: If the Taoiseach wants to elaborate on any of those matters now, he can. We have time.

The Taoiseach: The meeting took place on Tuesday in Brussels. There was the normal meeting first when they went through the issues of migration and NATO - co-operation between the European Union and NATO with clarity for any country with a policy on neutrality such as ours - and a number of others. In the evening the discussion was about the Brexit referendum. I think the Prime Minister, Mr. Cameron, was disappointed with the result. I saw some of the headlines, that he had made a real case that the issue of migration had to be dealt with. He said he was disappointed that the number was 180,000 instead of the 80,000 he had thought it might be, which might be relevant. The referendum was held and the "Leave" side won. There were a number of comments from leaders around the table. On the Wednesday morning, there was a far deeper discussion. The basics are that the nomination and appointment of a new British Prime Minister will be completed by 9 September, forward from the original date he had mentioned. The second point is that there will be no negotiations between the United Kingdom and the European Union until such time as the Commission is informed by Britain of its intention to withdraw from the Union. The clock will start to tick from that moment. The discussions and negotiations will take place within a two-year period, but there may be a short extension. If they are not concluded within that time, we will automatically move to the World Trade Organisation conditions that apply to trade and so on.

It is important to note that there are three institutions in the European Union, as the Chairman is well aware - the European Commission, the European Parliament and the European Council. Traditionally the European Commission has had expertise and experience of dealing with applicant countries to join the European Union. It has made the case that that experience should continue to be used and it will, but I want to make it clear that there will be political oversight of the process by the European Council, that is, the elected leaders of the different countries. Therefore, all three institutions will be involved in one way or another. There were quite a number of views expressed about this, but, in the absence of being informed formally by Britain, negotiations cannot and will not commence.

I have to say the leaders were very clear at the European Council that there were lessons to be learned and that the challenge for the European Union was to demonstrate a human interest in the peoples of the different countries, to show an understanding of the challenges and difficulties and the hardship many people experienced, but the agenda for the European Commission is one of simplification, the abolition of red tape, investment to increase growth and competitiveness, and dealing with migration and security matters. The European Council decided that there would be a meeting in Bratislava in September. I made the point that it was very important for the citizens of the European Union to actually be able to understand the progress the Commission was making on that agenda. It is important to be able to point to the issues that have been simplified, the red tape that has been eliminated and the programme of investment to ensure growth and job creation and increase competitiveness. One of the issues, if one likes, is that the Juncker programme is a major infrastructural programme, but the funds have not been drawn down to the extent that was thought, but there are other issues that need to be addressed also because within the same element one has EUROSTAT which is independent in its work-

ings. It has been inconsistent and unpredictable in its assessment of the financial investment opportunities. That issue needs to be addressed, not just in the case of Ireland but in the case of others also. Some work is ongoing in that regard.

Both meetings were very measured and calm. There was no sense of hysteria or hysterics about what might or might not happen. The economics and the markets will obviously adjust and affect all countries, but the politics in the European Council overseeing the negotiations that will inevitably take place will have to bear in mind that, at the end of the day, this is all about citizens in the different countries. Britain will continue as a full member until it actually leaves the European Union. The British will continue to pay their charges and abide by all of the rules of the European Union. They will continue to keep their ships in the Mediterranean and play their full part.

The question can be asked of what is best for Ireland's interests. It is that the United Kingdom still have access to the Single Market, but it was made perfectly clear by the European Council that access to the Single Market carried with it a responsibility to accept in full the four principles of the European Union, one of which is freedom of movement. Obviously, those who supported the "Leave" campaign put forward the proposition that the issue of migration should be considered and the numbers reduced. It has been made perfectly clear by the Council that, in the event of access to the Single Market being available, it will carry with it that requirement and it will not be changed.

I see some headlines on the Scottish position. A number of weeks ago I attended a meeting of the British-Irish Council in Glasgow when, obviously, we discussed some of these issues. First Minister Sturgeon made it perfectly clear that, if the outcome of the referendum was to leave, Scotland would very much be of a mind to discuss with the European Commission the opportunities that might present to allow it to remain a member of the European Union. I was asked to convey that message, which I did. I know that First Minister Sturgeon met the President of the European Parliament, Mr. Schulz, and the President of the European Commission, Mr. Juncker. She did not meet the President of the European Council, Mr. Tusk.

Before I went to Brussels, I spoke to the First Minister, Ms Foster, and the Deputy First Minister, Mr. McGuinness. I am glad to see that, while they represent different parties and elements of the referendum campaign, they have issued a joint statement on behalf of the citizens of Northern Ireland, which we support fully. The Minister for Foreign Affairs and Trade, Deputy Charles Flanagan, was there on Wednesday and we will have a North-South ministerial meeting on Monday. I have already asked officials at a high level to identify the priority issues of real importance to Northern Ireland. We will discuss them at the meeting on Monday and issue a statement on them.

For our part, I assure the committee that the European Council is very much aware of the common travel area with Britain since 1922. It is very much aware of the impact of the peace process. It is very much aware of the open Border we have with Northern Ireland. It is very much aware that our particular interests are the common travel area, the peace process in Northern Ireland, our trade links with Britain and our pivotal position between the United Kingdom and the European Union. As there will be no discussions until such time as the European Commission is informed by Britain of its decision to leave, the negotiations on these issue cannot take place.

I want to deal with the matter of how long the process should take. As announced, there will be a new Prime Minister by 9 September. The feeling was that he or she should have a

short time within which to assess his or her strategy and what it was Britain actually wanted. That is going to be a matter for some consideration because there are different models, be it the Norwegian model, the Canadian model, the Singapore model, or the Swiss model of connections. It may well be that Britain might decide to look for a different variation of any or all of those models. At least 60 countries have achieved independence from the United Kingdom which had a global empire. Obviously, when one looks at the numbers travelling to England from former colonies as diverse as Afghanistan or countries in Africa, one can understand this has been an issue for 250 years.

The discussion yesterday was very calm, rational and considered and members will reflect on it for the future. We will continue to develop and expand the unit across all Departments. I have asked every Minister and Secretary General to make an analysis of how they see Brexit impacting on their Departments in so far as their responsibilities are concerned in order that we will have as full a picture as possible.

I called in the leaders of all the Opposition parties last week for as full a briefing as I could give them based on the information we had available. We will update Members on a regular basis. This is an issue that requires us to work together in the interests of the country, the people and the economy and at the same time to understand we have important connections with Britain and Northern Ireland and the European Union. I have asked every Minister to liaise with his or her opposite number in the Opposition. The EPP had a Brexit reflection group at European Parliament level. The ambassador spoke to all of the Irish MEPs from different parties and we will keep them regularly informed. Parties in the Oireachtas that support our continuing links being strengthened agreed to discuss with their group leader at European level the fact that Ireland was the country that could be most affected by Brexit adversely.

We want to make Northern Ireland a priority and it will be, particularly in the context of the common travel area. The structures under the Good Friday Agreement will continue. We are co-guarantor of the Agreement with the British Government. The North-South Ministerial Council is best used to ensuring we work together to safeguard the peace process and maintain strong relations on these islands. While quite a number of the newer eastern European leaders might not be well acquainted with the details, they are very much aware of the peace process in Northern Ireland which has been continued for almost 20 years following the Good Friday Agreement.

There is a lot of ongoing work between Secretaries General and Permanent Secretaries at official level. Shortly after I became Taoiseach, we signed a memorandum of understanding with Britain which we have followed through each year with regular meetings at official level. These meetings and updates are helpful to Ministers as they go about their work on behalf of the Government.

I set up a small office within my Department to monitor implementation of the programme for Government which contains over 600 commitments.

The Deputy will understand the reforms taking place with the assistance of the Ceann Comhairle and the Business Committee, as well as the new ways of doing business in the Dáil, including reform of the budgetary process and the development of a broader consensus. I am very happy to support this process. The reforms have implications for all Ministers and Departments. The Chief Whip's office will work closely with a new parliamentary liaison unit and the programme for Government office to make progress on policy and legislative commitments.

We recognise that economic and social progress go hand in hand. I like to think that following the discussions on the formation of a Government we have tried to reflect the need to invest in people and facilities to deal with the many challenges we face. The economy grew strongly last year and the level of unemployment has fallen to 7.8%, but we still face challenges. The Action Plan for Jobs 2016 includes 304 specific actions. I will bring the relevant agencies and Ministers together at the appropriate Cabinet sub-committees.

Housing provision is major priority for the Government. There is a Minister with specific responsibility for housing and I hope the draft action plan will be available in the next two to three weeks. We will deal with the issue today at the Cabinet sub-committee on housing.

Chairman: I might bring in members of the committee at this stage. I do not want to cut the Taoiseach short, but I am conscious of the time.

Deputy Michael McGrath: Our deadline is noon.

Chairman: Members can take ten minutes each.

Deputy Michael McGrath: I welcome the Taoiseach and his officials.

Chairman: The Deputy can take less time, if he wants.

Deputy Michael McGrath: We will go with the figure of ten minutes, if that is okay.

On Brexit, the Taoiseach is fresh from his return from the European Council. I will start with how the process will be managed on the Irish side. The Government published a contingency framework, work on which will be co-ordinated by the Department of the Taoiseach. Will the Taoiseach tell us about the team involved? Has he put together or is he putting together a team, including people with a legal or financial background or diplomatic experience? How many will be involved and what will the process involve? Will the Taoiseach send a team to Brussels or Downing Street? What are his plans in this regard?

The Taoiseach: The framework document involves the tracking of a number of policy issues and developing negotiating positions. It is important when the new British Prime Minister is elected that he or she set out what he or she wants to do and the intentions of the British strategy. There is speculation about what it might entail. I need to take our unit which was located in the Department of the Taoiseach and make it interdepartmental. That means we have to be able to call on Ministers when needed to reflect on the monitoring of progress by the unit in the Taoiseach's Department. I do not want to have a very large number of people who will have to meet regularly. It might be more important to have issues addressed as they develop. We will also have to have more people in Brussels where we have a very good section. When the process starts, we will need to be right on top of it because our interests are critical. We will strengthen the existing facilities, including the Cabinet sub-committee on European Union affairs, the joint UK Permanent Secretaries-Ireland Secretaries General group, the North-South Ministerial Council, the British-Irish Council, the European Union senior officials group and the interdepartmental group. Business, trade and commerce links are very important.

Deputy Michael McGrath: Will the unit in the Taoiseach's Department be focused on managing the implications of Brexit for Ireland?

The Taoiseach: Yes.

Deputy Michael McGrath: Will the Taoiseach indicate how many people will be dedi-

cated to that work and who will be in charge?

The Taoiseach: I cannot give a precise number, but we will see to it that whatever staff are required will be able to do this work. As Taoiseach, I will have to oversee it.

Deputy Michael McGrath: How many are in the unit currently?

The Taoiseach: Eight.

Deputy Michael McGrath: Eight people in the Department of the Taoiseach.

The Taoiseach: It is one of the smallest Departments.

Deputy Michael McGrath: Does the Taoiseach plan to strengthen and beef up the unit? The number strikes me as being very small, given the significance of what we are dealing with.

The Taoiseach: We made several announcements on it being set up at the very beginning in March 2014. It was set up in May of that year and we could not determine what the outcome would be. There are 24 people in the European division. It is one of the smallest Departments.

Deputy Michael McGrath: Yes.

The Taoiseach: We need to expand it. The areas I have mentioned-----

Deputy Michael McGrath: Let me move on because time is tight. What scope does the Taoiseach see for bilateral engagement with the United Kingdom? On the broader issues that fall under the heading of EU competence, the negotiations will take place at EU level between the remaining 27 member states and the United Kingdom. What scope is there for Ireland and the United Kingdom to engage in bilateral negotiations? Are there issues on which the Taoiseach believes we can reach agreement with the United Kingdom on a bilateral basis?

The Taoiseach: The first is the common travel area. The process worked well when the two countries were outside the European Union and it has worked well with both inside. It has not been tested with one outside and one inside. I spoke to the Prime Minister, Mr. Cameron, about this on Tuesday. Obviously, he has been well aware of it for a long time. He wants us to do everything possible to maintain the common travel area. In respect of the peace process, we want to maintain the open Border with Northern Ireland if that is possible. The Deputy is aware that trade is a European issue. Ireland is a European country, but we do not want a hard Border from Dundalk to Donegal as a European land frontier here in our own country. There is of course scope for bilateral talks on those issues.

Deputy Michael McGrath: Okay. When will those talks start?

The Taoiseach: These issues have been mentioned at the highest level over the last couple of years in Downing Street and elsewhere. The need to retain the common travel area, the peace process and the open Border with Northern Ireland has been raised with the Prime Minister and senior officials.

Deputy Michael McGrath: Sure.

The Taoiseach: I would say we have mentioned this on each occasion over the last few years.

Deputy Michael McGrath: Will meaningful talks begin in September when the new Prime

Minister comes into office?

The Taoiseach: Yes.

Deputy Michael McGrath: The common travel area is one thing, but the right of Irish people to take up employment in the UK is clearly another thing. That is not a question of the common travel area; it is a question of the right to travel. We need to protect the rights of Irish people who are currently working in the UK and the ability of people who are currently in Ireland to go to the UK to take up work. Does the Taoiseach see that as an issue on which we can reach bilateral agreement, or does he see it as an EU competence?

The Taoiseach: I see it as something that evolves all the time. I was talking this morning to representatives of a firm that intends to purchase a firm in England. I see that as something practical and realistic. I think this will continue. A difficulty was raised about the question of in-work benefits in the context of our traditional links with Britain and the unique relationship we have with that country. The British Government has been acutely aware that where this applies at lower-paid levels, everything will be done to ensure it continues as it is and there will be no discrimination of any type against Irish workers going over there to work. Talks are ongoing at official level in London and Belfast as we speak. There will be a North-South ministerial meeting here in Dublin on Monday.

Deputy Michael McGrath: The Taoiseach was quoted as saying at the European Council meeting that, given the way Scotland voted last week, it should not be dragged out of the EU against its will. Does he feel the same about the Six Counties? The people of Northern Ireland also voted to remain within the EU.

The Taoiseach: I was reflecting what the First Minister of Scotland had said. Her view and that of the Scottish Parliament is that Scotland should not be dragged out of the EU against its wishes. That is why she wanted to go to Brussels: to talk to the President of the Commission and the President of the Parliament. I cannot interfere in the negotiation process in the case of a state like that. I cannot speculate on what the outcome might eventually be.

Obviously, we want to continue to develop our links with Northern Ireland. We want to maintain an open border if that is possible. I do not accept the proposition that there should be a Border poll in this regard. It is important for us to make it a real priority to maintain the peace process. Regardless of the outcome of the negotiations, there is a €3 billion fund on the table from the EU between now and 2020. We want to see that money spent in those communities, which are still fragile as we emerge from a turbulent time.

Deputy Michael McGrath: The Taoiseach said that if agreement is not reached at the end of the two-year period, or following an extension beyond that period, the UK will exit the EU and the default position will be the WTO trading terms, which involve trade barriers and so forth. What would be the implications of that for Ireland? It is likely that the UK position will be that it wants to negotiate open-market, free-trade access to the Single Market. If that is the UK position, does the Taoiseach believe it will be possible to separate access to the Single Market from the free movement of people, labour and capital?

The Taoiseach: To be honest, I hope that regardless of when the negotiations start, they can be concluded within the period referred to by the Deputy. In light of the decision of the British people, it is in our interest for Britain to have access to the Single Market. It is perfectly clear that if such access is to be given, the four fundamental freedoms will have to be accepted. One

of those freedoms is the free movement of people.

I cannot say what the outcome of the British Prime Ministerial election will be. It is a matter for the Conservative Party to decide whether to elect a person who supported the “Leave” campaign or a person who supported the “Remain” campaign. That person will have a short period of time in which to make his or her mind up and announce what his or her strategy is for Britain. We cannot have negotiations until we have a sense of what Britain wants and what structure it is looking for. I have mentioned some of the possibilities already.

I hope we do not reach a point at which the WTO circumstances apply here. That would obviously create difficulties for us. The best thing for Ireland is for the UK to have access to the Single Market in a way that allows us to continue to trade as we are trading. At the same time, the UK must accept that the principles of the EU have to be applied.

I will conclude on this point. Europe is an evolving peace process. Central to our thinking here is not only the links in terms of the common travel area, but also Northern Ireland issues such as the maintenance of a free and open border and the development of a prosperous, peaceful and outgoing Northern Ireland.

Deputy Michael D’Arcy: I welcome the Taoiseach. I would like to raise the issue of principal dwelling homes. According to the briefing document we have received, some 8% of principal dwellings are in arrears. The actual figure is approximately 85,000 homes. I would mention as evidence of the sustainability of that figure that it is almost twice what it would be in a normally functioning housing market. I would like to get the Taoiseach’s opinion on how financial institutions are interacting with their clients. I am using the phrase “financial institutions” rather than the word “banks,” because many of these institutions are not banks; they are financial companies that do not provide banking services.

The Taoiseach: Will the Deputy repeat his question?

Deputy Michael D’Arcy: I am suggesting that approximately 12% of principal dwelling homes are in arrears, and that this figure is approximately twice what it would be in a functioning market. Some 85,000 people live in these homes. I would like to hear the Taoiseach’s view on how financial institutions are interacting with their clients who are in arrears. I have evidence that they are interacting very badly - worse than heretofore - principally because the asset has increased in value, which means that the institution can get its money back if it repossesses the house. Can we get the Taoiseach’s view on the interaction between the financial institutions and their clients who are in arrears?

The Taoiseach: As the Deputy can see, the number of borrowers in arrears continued to fall throughout 2015. In the fourth quarter of last year, after ten consecutive quarters of decline, 88% of accounts in principal dwelling homes were not in arrears. The number of accounts in arrears has continued to fall in 2016. Many of those who are in serious arrears have never made any engagement at all with the lending institutions. That is something that needs to be addressed. People who are in trouble have a genuine fear and a deep anxiety about answering the letters they are sent. I do not have information on the number of cases of voluntary surrender of houses, as opposed to the number of repossessions ordered by the courts. Under the code of conduct for lending institutions, they are supposed to treat their clients with courtesy. It takes two to come to a solution. There is a solution in all these cases. The number of cases has decreased from over 100,000 to the current number and is continuing to decrease. Although progress is being made, many people still have a real difficulty in this regard. One would like

to think that the institutions will comply with the code of conduct by treating their customers in a fair, proper and courteous manner. Some people have failed to demonstrate the courage or the capacity to engage with the lending institutions, even though structures have been provided to help them through the personal insolvency practitioners or MABS. The failure of people to engage will not bring their problems to a conclusion. We are trying to help them.

Deputy Michael D’Arcy: When MABS tries to help, it is ignored in many cases by financial institutions that are intent on one action. I am seeing a lot of evidence that these institutions, rather than leaving those who are only partially paying their mortgages in their homes, are choosing to repossess properties now that the increase in asset values means they will get all their money back. There is a great deal of evidence of this throughout the country. I would contend that it is a pretty consistent approach.

The Taoiseach: When a repossession is ordered, it is practically the end of the line. The majority of houses that have been repossessed have been handed over voluntarily. I hear comments and stories about how some houses have been repossessed following court orders. Further work needs to be done in terms of proper, fair and courteous treatment of clients by lending institutions. There is a solution to all of this. It is not in anyone’s interest that engagement would not take place. I understand that people feel fear and loathing when required to answer letters from their lending institutions but the position will only become worse if they do not deal with the issue.

Deputy Michael D’Arcy: The allocation for commissions of investigation has increased substantially from €2 million in 2015 to €3.4 million in 2016. Some members of the committee were involved in the banking inquiry which sat for almost two years. Does the allocation for commissions of investigation represent value for money? A figure is not provided for the cost of the Fennelly commission, while the figure provided for the Guerin report is €157,000. In light of the report by Mr. Justice O’Higgins, which contradicted the Guerin report, was the €157,000 cost of the Guerin report money well spent?

The Taoiseach: Commissions of investigation are set up by the Dáil. A process is in place for charging their costs and my Department pays out what it is requested to pay at the determination of the judge in question.

Deputy Michael D’Arcy: What I am saying is that the O’Higgins report was produced after €157,000 had been spent on the Guerin report and resulted in the Dáil record having to be amended. Was the cost of the report by Mr. Seán Guerin SC money well spent?

The Taoiseach: Mr. Guerin was appointed by the Government in February 2014 to conduct an independent, non-statutory inquiry into certain allegations that had been made and he did that. The underspend under the relevant subhead in 2015 was due to some aspects of the Fennelly commission’s operating costs being somewhat lower than anticipated. Subsequent to the Guerin report, we had the O’Higgins report which made very clear findings.

Deputy Michael D’Arcy: Does the Taoiseach believe the €157,000 spent on the Guerin report was value for money given that its findings were contradicted by the O’Higgins report?

The Taoiseach: There have been some court cases about this matter and obviously I cannot comment on that aspect of the report. There are legal issues arising that do not allow for detailed discussion of that aspect of it. When this issue was raised with great vehemence in the Dáil, it became clear that a scoping exercise needed to be undertaken. Mr. Guerin’s exercise

was then followed by a full-scale analysis by Mr. Justice O'Higgins.

Deputy Michael D'Arcy: The Taoiseach's opinion on the €157,000 cost of the Guerin report would not be a legal issue.

The Taoiseach: I do not have a function in determining what are the charges as there is a process laid down and the Department of the Taoiseach merely pays out the costs. It should be noted, however, that my Department has assumed responsibility for a number of commissions of investigation because other Departments were being investigated and it became necessary for another Department to monitor and oversee the process. In these cases, my Department assumed that role.

Deputy Michael D'Arcy: Should an office be established for carrying out inquiries and replace the *ad hoc* approach under which the Fennelly, IBRC and Guerin inquiries came under the Department of the Taoiseach? Some Members spent nearly two years working on the banking inquiry. Would it not be preferable to have a specific body with responsibilities for inquiries? Of the €3.5 million allocated to commissions of inquiry this year, €157,000 was spent on the Guerin report which was essentially contradicted by the O'Higgins report.

The Taoiseach: The Social Democrats expressed the view that a permanent entity with legal expertise and so on should be established. There is something in that proposal, as opposed to having issues constantly raised in the Dáil and becoming matters of public concern, out of which demands are made for commissions of investigations. For example, a demand has been made for a commission of investigation into the National Asset Management Agency, on which the Comptroller and Auditor General is doing an analysis.

There is merit in the suggestion that a body of experience would be available to the Oireachtas because when Deputies raise issues which become matters of public concern we need to have a method of addressing them. The only method available at present is to have either a full-scale tribunal or a commission of investigation. As the Deputy is aware, these things cost money. The inquiry into matters related to IBRC is a good example. This matter was raised on a number of occasions as being in the public interest and the Government responded to claims in the Dáil that a commission of investigation was required by agreeing to establish a commission, with the necessary legislation set to be published this week. The point is that all Members and representatives of the different parties have been informed of the challenges that arise in this regard. The commission of inquiry will cost at least €10 million and the judge in charge of it has pointed out the scale and timeframe involved in dealing with the matter. I cannot predict the outcome of that.

Deputy Michael D'Arcy: Is the Taoiseach open to the possibility of establishing an office of inquiry?

The Taoiseach: I am.

Deputy Michael D'Arcy: How many meetings of the Economic Management Council were held in 2015?

The Taoiseach: Last year, we held 15 meetings of the EMC which, as the Deputy will be aware, no longer operates. To be clear on this issue, when Mr. Eamon Gilmore was Tánaiste, it was important, given the perilous state of the economy at the time, to have regular and constant engagement between senior Departments. This required regular meetings to be held and it was important that both parties in a Government that was dealing with highly sensitive issues were

able to engage regularly as issues or crises of one sort or another arose. It is not necessary to have an Economic Management Council now and I did not re-establish it as a sub-committee on this occasion. The EMC did not act as a government because it had to bring any recommendations or proposals it made to Cabinet for endorsement.

Deputy Pearse Doherty: As an Irishman who holds the position of Taoiseach, how could the Taoiseach travel to Europe and represent the view expressed by people in Scotland that they do not want to be dragged out of the European Union and fail, in the same breath or sentence, to represent the views of people on this island who expressed the same wishes and desires through the ballot box in the same referendum?

The Taoiseach: I did not see any press at the meeting I was at. Reports are one thing but I was very clear that my first interest is Ireland's interests, namely, the protection of the common travel area, the peace process, the open Border we have with Northern Ireland and the future of Northern Ireland citizens. I stated earlier that when I attended the British-Irish Council in Glasgow, the First Minister of Scotland, Ms Nicola Sturgeon, made clear that if the vote was to leave, she would like that mentioned. I am not representing Scotland and I do not want to interfere in any of the processes. However, in the sense of meeting leaders of assemblies or governments, it is important that we talk about these things. I reject completely that it is not our first interest and priority to state at every meeting, as I do constantly, that Ireland's interests are the common travel area, our trade links with the United Kingdom, the peace process, the open Border with Northern Ireland and our continued and developing interest in the interests of Northern Ireland and its people.

Deputy Pearse Doherty: The Taoiseach rejected a question I did not ask. I asked him a specific question. Does he dispute that at the meeting on Tuesday evening, with Prime Minister David Cameron in the room, he referred to the issue raised with him by the First Minister of Scotland, Ms Nicola Sturgeon, before the referendum result was announced that Scotland would not want to be dragged out of the European Union, but failed to mention that the same views were expressed in the ballot box by hundreds of thousands of people in the North of Ireland?

The Taoiseach: I reject that completely.

Deputy Pearse Doherty: In that case, I presume he did express that view.

The Taoiseach: My first interest, which I have stated publicly and privately on every occasion, is Ireland's interests. I said that before I went to Brussels and in Brussels and I will continue to repeat it. Why would I not do so?

Deputy Pearse Doherty: Did the Taoiseach express the view that Scotland should not be withdrawn from the European Union without its consent?

The Taoiseach: I have seen the reports on that. What I said was that the First Minister of Scotland, Ms Sturgeon, had made clear that Scotland would not like to be dragged out of the European Union. That is not my view but the view of the First Minister.

Deputy Pearse Doherty: The question I originally put to the Taoiseach is why he did not, in the same breath, say that the people of the North of Ireland have spoken and expressed the view that they also do not want to be dragged out of the European Union.

The Taoiseach: It is because I said it in a different forum - at the same forum - before I

went to Brussels and long before I went to Brussels for this particular meeting. My interests are Ireland's interests and my interests are Northern Ireland's interests. I repeat that I will articulate and strongly defend them on every occasion.

Deputy Pearse Doherty: What is the plan B if Britain does not get access to the Single Market because it would not sign up to the four freedoms? What is the plan B in terms of a hard Border of some sort being imposed? Has the Irish Government a plan B in that regard?

The Taoiseach: As I stated, we set up a section in my Department to look at the contingencies that might arise depending on the outcome of the vote. Deputy Pearse Doherty is speculating on the outcome of the negotiations. For our part, we want to maintain our common travel area, as does the current British Government, and to maintain our free and open Border. We do not want a hard Border, with customs, checkpoints and all the rest of it. I made this point during the run-in to that referendum. When I went to Manchester, Liverpool and Glasgow, I made the point that these things are not fully within our control. I also made the point that, in matters of trade, we are speaking from the perspective of being a member state of the European Union if it is the situation that Britain does not have access to the Single Market. As I pointed out to Deputy Pearse Doherty, acceptance to and entry into the Single Market on a continued basis for Britain requires that it accepts the four freedoms of the Union, one of which is the free movement of people.

Deputy Pearse Doherty: That will be decided between Britain and the European Commission in the negotiations over the next two years and we will try to influence the process as much as possible in the interests of people, North and South. However, my question concerns what happens if that is not successful. Others, including Cabinet Ministers, have already suggested that, as a result of the way the vote was cast, Britain may not sign up to the four freedoms. This could have a serious impact on the island of Ireland in terms of there being a hard Border. I want to be reassured by the Taoiseach that a contingency plan has been or is being developed in the event that Britain does not get access to the Single Market and we do not have a common travel area. I want to be reassured that there is some type of plan B or contingency process which has been or is being worked on and which can be deployed. Otherwise, there will be major disruption both North and South, particularly for people living in the Border region.

The Taoiseach: Yes, there would be. However, the Deputy is asking me to accept a speculative theory that Britain will not have access to the Single Market and that it will not accept the fundamental freedoms, one of which is the free movement of people. The Deputy is asking me to determine what the future Prime Minister of Britain will say or what will be his or her view. We will have to wait until 9 September when that person is elected to see what is his or her view and whether he or she supported the "Remain" campaign or the "Leave" campaign.

For our part, we will examine all the options. I do not want to see a hard Border between the Republic of Ireland and Northern Ireland. I do not think anyone else does either. If it becomes an issue, we will deal with it. I cannot give the Deputy an answer on the outcome without knowing Britain's intent, its strategy, where it wants to be or what it wants to do. Obviously, it has to determine those matters. It will not be dealt with by the European Commission alone. It will be overseen by the European Council. All three institutions will be involved, namely, the European Commission, the European Parliament and the European Council.

Deputy Pearse Doherty: I will move on from the question, but I am not asking the Taoiseach to accept all the things he has just outlined. I do not know if the question is being lost in translation as it crosses the room but what I am asking the Taoiseach to do is reassure me

and the people of Donegal, the north west and the Border region that, in the context of these negotiations, if access to the Single Market and freedom of travel is not secured at the end of the process, the Irish Government has a contingency plan on which it is working. I am not asking the Taoiseach to outline the plan because that would undermine the principal objectives of the Government. However, will the Taoiseach please reassure us that the Government has been, or is about to start, working on a contingency plan.

The Taoiseach: I hope this does not get lost in translation but I assure the Deputy that my plan and intent is to maintain the common travel area and not to have a hard Border between the Republic of Ireland and Northern Ireland. While that is my intent and my plan, I do not have full say over all of that. I do not know what the extent of the negotiations will be because I need to know in advance of any negotiations what will be the strategy of the new British Prime Minister. I do not have any function in the election of that Prime Minister, who will be appointed on 9 September.

Deputy Pearse Doherty: Obviously, the Department supports the role of the Chief Whip and we heard her recent comments, which were that if the EU pursued Ireland in respect of its corporation tax rate, we would not, to use her words, be seen for dust. In case that is lost in translation, it means we would withdraw from the EU. These same comments were echoed by the Taoiseach's former junior Minister for Finance, Mr. Brian Hayes. Does the Taoiseach share those views and think that Ireland would withdraw from the EU if there was an attempt to take taxation sovereignty from the State.

The Taoiseach: Certainly not.

Deputy Pearse Doherty: I am glad-----

The Taoiseach: First, corporate tax and taxation generally are matters of national competence protected by the European Union treaties. We will not be leaving the European Union.

Deputy Pearse Doherty: The Taoiseach may want to have a word with his Chief Whip after this meeting. She said it on Vincent Browne's programme, which is available on playback.

The Taoiseach: Vincent is still at it, is he?

Deputy Pearse Doherty: The Taoiseach might go out to him some night. He will show the Taoiseach the clip.

On the Taoiseach's recent correspondence with the EU President, Mr. Juncker, on flexibility in the fiscal rules - rules that the Taoiseach helped negotiate and sold to the Irish people and on which we had a referendum - will he furnish to the committee a copy of the letter to Mr. Juncker and any response received from him on the flexibility the Taoiseach has been seeking? I put it to the Taoiseach that, while we have always disagreed about the fiscal rules, we pointed out from the start that this is the type of implication that would arise, which is that money that is available to us could not be spent on capital investment because of the fiscal rules.

There is a debate on Brexit and one of the arguments is that national governments blame Europe for all the bad things and take all the credit for the good things. Is this not such an example? If the Taoiseach did not make a choice, for example, to cut USC in next year's budget, the Government could spend approximately €1.3 billion in capital investment, yet he sends letters to Mr. Juncker saying we have a historically low level of capital investment and need flexibility in the fiscal rules. I support that, but the reality is that, even within the flexibility available at

this point in time, the Taoiseach is taking decisions to cut taxes instead of investing in capital. The Taoiseach is giving the impression to people, particularly those who are homeless or on housing waiting lists, that it is Europe that is preventing us from building houses instead of the ideological position of his Government, which is to cut USC, not put money into housing and so on.

The Taoiseach: That is nonsense. We want to give working families a break. We have made it perfectly clear that in the forthcoming situation it will be a 2:1 split in terms of spending and tax. We want to give those with incomes of €70,000 or less a break on the USC over the next number of years and we will do that. I am glad Deputy Pearse Doherty supports changes in the fiscal rules-----

Deputy Pearse Doherty: I am glad the Taoiseach supported our position in respect of them.

The Taoiseach: On Irish Water, the European Investment Bank put up money for it and the EUROSTAT agency, which is independent, stated that if we ticked certain boxes it would be allowed off balance sheet. Obviously, to comply we had to tick those boxes, but the rules then changed. That is only one instance. The European Investment Bank stated that it would not provide any more money if that is going to be the way. There is a need for predictability and consistency from EUROSTAT. I have raised the issue with the European President, Mr. Juncker, directly. This issue is not just confined to Ireland. Many other countries have the same problem and work is ongoing in respect of it.

If the leaders of the European Council state that we have to listen to people, invest in facilities and address citizens' human concerns, issues and anxieties, we need to do it in a clear way so that when we go on a pathway for investment it actually stands up and not have the goalposts changed on a monthly basis. I spoke to one of the directors of EUROSTAT on Tuesday about the issue and work is ongoing on it not just between Ireland and EUROSTAT but between other countries and EUROSTAT as well.

On housing, we have changed the structure here and given the housing Minister the specific responsibility of dealing with it as the most urgent priority of the Government. The construction sector is thriving in every area except housing. We hope to continue that development in the afternoon at the housing sub-committee.

Deputy Pearse Doherty: To clarify the question, will the Taoiseach make the correspondence with President Juncker and the response available to the committee?

The Taoiseach: Yes. I will get it to each member.

Deputy Sean Sherlock: I welcome the Taoiseach to the committee. I will start with the Vote. I acknowledge the role of everybody involved in the 1916 commemorations. I know this was a cross-party initiative led by the Taoiseach's Department. We must acknowledge the inclusivity of the programmes and the fact that the occasion was participated in by communities right across the country. It is a programme of which everybody can be very proud. When will the citizens' assembly be established? There is provision for it in the Estimate, but will it still meet the October timeline?

The Cabinet committee on rural and regional affairs deals with rural development, broadband and flooding. I know it has a particular eye on the catchment flood risk assessment and management programme, CFRAM. I hope to get a signal from the Taoiseach that this is not just a talking shop and that the Cabinet committee has a budget line with real actions around it.

Will the Taoiseach provide an insight on that?

Will I start with that opening gambit and come back with a few more?

Chairman: If the Deputy so wishes, he may do so. He has ten minutes.

The Taoiseach: I thank the Deputy for the comment on the 1916 commemorations. The citizens' assembly will consist of 100 people, with no politicians present, and an appropriate chairperson. It will, in the first instance, consider the question of the eighth amendment. We had Government approval a couple of weeks back to implement this commitment in the programme for Government. At this week's meeting on Tuesday, we had approval for use of the electoral register. The next stage is to appoint, under proper conditions, a polling company that will objectively choose people based on gender, age and location to make up the 100 people on the assembly. The original intention was the assembly would be set up and running by November, but I expect to be able to bring that forward by a month. We have to go through a clear and objective process, as was applied before the Constitutional Convention. Authorisation was given by the Government on Tuesday for use of the electoral register to choose those people, and the process is now under way. We expect to have it up and running a month earlier than was originally intended.

With regard to the Department dealing with arts, heritage, regional, rural and Gaeltacht development, the allocation of tendering for broadband, for example, would be handled by the Department of Communications, Energy and Natural Resources. It is a requirement that there be a county task force in each case to roll out the consequence of the allocation of the tender. In other words, this concerns what will happen in Laois, Clare, Donegal or any county. It concerns the process by which the provision of broadband capacity can be rolled out, for example. There is a need for task forces in every county to do that. There has been good development of what could be a template in County Cavan, and we are still looking at how to spread that across the country. The same applies in other areas, and one can draw from different Departments for budgets to fulfil the Department's remit.

Deputy Sean Sherlock: I will make a political point about the citizens' assembly. We are in a citizens' assembly. Notwithstanding the Government's decision, we have received a mandate from the people regarding governance and decisions, so we are well equipped by virtue of that mandate - and its diversity - to deal with the issue.

I am worried about the number of Irish personnel serving in EU and international institutions. I know there is a specific job to be done and the Department is working on that. When the United Kingdom exits the European Union, the number of staff with English as a first language will decrease significantly, so there is scope for Irish people to take up the slack. I hope we will be strategic in that respect.

Are all the case files in the Chief State Solicitor's Office being managed and is it being done in a timely fashion? Is there much of a backlog in the office and are enough resources being allocated there?

I am very conscious of the time but I will speak about Brexit. I do not know why Mr. Tusk refused to meet the Scottish First Minister. I recognise some concerns were raised by the Spanish Prime Minister, who is a member of the European People's Party, of which the Taoiseach's party is also a member. There may have been some issues relating to how Scotland is not recognised as a state but rather as a region. One can consider the political issue of Brexit and

that Northern Ireland voted overwhelmingly to stay within the European Union, as did Scotland. The question did not arise for Ireland. The Secretary of State for Northern Ireland is an avowed Brexiteer and the First Minister of Northern Ireland has a very explicit position on the UK's membership of the European Union. That presents a serious challenge for us, particularly in ensuring there is a negotiated position that does not leave us weakened economically as a result of the decision by the United Kingdom to leave the European Union. I wish the Taoiseach well in the coming months with the economic diplomacy that will have to be gone through, as well as the political diplomacy. Anglo-Irish relations have never been as good as they are now, arguably, and I would like to get a sense from the Taoiseach now or in future as to how we will address the political conundrum of ensuring that once there is a new British Prime Minister we can up the ante in that diplomatic onslaught. At this stage I acknowledge the role of our ambassador in the United Kingdom, Mr. Dan Mulhall, as well as the role of the consulate in Edinburgh in ensuring we did everything we could to encourage Irish people in the United Kingdom to vote on the referendum. In future there should be a mechanism to ensure the terms of trade are enhanced and we do not become disadvantaged due to the potential of the United Kingdom to lower its corporation tax and VAT rates, for example, making us even less competitive for inward investment. It is a political point but I want to put it on record.

The Taoiseach: Ambassador Dan Mulhall does a good job, no more than all of our ambassadors. We have the British-Irish Association, the British-Irish Council and engagements between Secretaries General and Permanent Secretaries. There is now constant interaction between Ministers of our Government and their counterparts in Britain. We must first let the Conservative Party decide whom it wants to elect. Let us see who that person is. The new British Prime Minister will then make a statement of intent in how he or she sees the lie of the land ahead. I cannot speak to that, but it is in our interests to keep up a very high level of engagement with counterparts. There has been speculation about everything from an election taking place in Britain, the possibility of reruns of referenda and so on. That is entirely a matter for the British, but I take the Deputy's point.

IDA Ireland would say that the investment pipeline will continue to be very strong. I heard the chief executive comment recently that the back end of this year will be particularly strong. The Minister for Jobs, Enterprise and Innovation has been involved with Enterprise Ireland in terms of companies that are exporting. We have looked at a number of options that may be available to help people. The markets will fluctuate and settle down eventually, but we are concerned about the scale of exports of some of our companies and the competitiveness issues that could arise in that regard. For now, however, we are keeping a very close eye on that. I assure Deputy Sherlock, and the committee, that we will keep up a very high level of engagement. Obviously, we will engage immediately with the person who is elected Prime Minister.

I take the Deputy's point about the Secretary of State for Northern Ireland and the First Minister, but I was glad to see the First Minister and the Deputy First Minister issue a very clear statement about their intent for the Assembly and the Executive in terms of trade, the economy, people and relationships with us here. Obviously, we will keep up that engagement at a very high level also.

In respect of the Chief State Solicitor's office, it had 246 staff in 2015. It received a delegated sanction to fill vacancies below principal officer level without needing sanction from the Department of Public Expenditure and Reform. Appointments at principal officer level and above will require sanction from that Department. The staffing level of the office at the end of 2015 was 121 professional staff, 25 technical staff, 84 clerical staff and so on. I will come back

to the Deputy on the question he asked about the caseload and the backlog.

Deputy Sean Sherlock: If I could get a note on that, I would be happy.

The Taoiseach: I will do that for the Deputy.

Deputy Sean Sherlock: I thank the Taoiseach.

The Taoiseach: In respect of the citizens' assembly, I take the Deputy's point that this is a citizens' assembly but this is an issue that has divided Irish society for over 30 years. The first issue they will examine is the eighth amendment in terms of its completeness. It is important to have a national conversation among citizens, and that is one way of doing it. It will come back to the legislators, believe me. The assembly will have access to the expertise it needs including medical, legal, constitutional and so on and from the Oireachtas committee will come recommendations to the Dáil. If that is the case, people will eventually be asked to vote on those, and they will vote according to their conscience.

Deputy Paul Murphy: I will pick up on that point. It seems that €200,000 is being allocated for this year, which is described as a kind of set-up cost for the citizens' assembly, and the running costs only kick in from 2017. If it is established in October, how will that be funded? In terms of the timing of this, the Chief Whip - on the same television programme - referred to the fact that there would likely be a referendum to repeal the eighth amendment in the early part of next year. Is that a timetable the Taoiseach believes is realistic in terms of the report of the citizens' assembly, the Dáil and then a referendum on the eighth amendment possibly early next year?

The Taoiseach: The €200,000 is three months' money out of the Department's existing resources. That would be the equivalent of €800,000 for the full year. The citizens' assembly would be due to deal with its work in, say, 12 months but it will deal with matters other than the eighth amendment. The first issue it will examine is the eighth amendment.

Deputy Paul Murphy: Would it report then, and then we could have a possible referendum or-----

The Taoiseach: Yes. It will report then on the eighth amendment. The report can be dealt with initially followed by the setting up of the Oireachtas committee and obtaining access to expertise in the various sectors. It can then get on with making its recommendations to the Oireachtas for decision by the legislators. If I get it set up and running by October, which is a month earlier than was envisaged, that would mean that it can start its work and reflection on the eighth amendment. When that element of its work is finished, it can report that to the Oireachtas and proceed ahead either with other issues it wishes to examine or ones that it might want to determine itself that it should examine. Either way, it is envisaged that the citizens' assembly would complete its programme of work inside 12 months.

Deputy Paul Murphy: Is it likely or possible that a referendum on the eighth amendment could be held early next year?

The Taoiseach: Depending on whether the citizens' assembly makes recommendations or proposals, they would come to the Oireachtas committee which would reflect on those and engage with that level of expertise. It would then have to make a decision as to what it wants to do arising from that body of work. Does it want to make propositions for a referendum? Does it want to make recommendations for a change to the eighth amendment? Does it want to make a

series of proposals for the Oireachtas to consider? I cannot answer that question for the Deputy because I do not want to predetermine what the Oireachtas committee might do.

Deputy Paul Murphy: With regard to the European Union, I believe the Brexit vote is an opportunity for discussion across Europe about the kind of Europe we want. An aspect of that is the question of trade relations between the European Union and other states and the kind of trade relations that exist. There is a lot of controversy around the Transatlantic Trade and Investment Partnership, TTIP, deal between the EU and the US, in particular because it contains a provision for an investor-state dispute settlement mechanism, ISDS, which are effectively private courts where corporations can sue states if they interfere with their right to profit. There is already an agreement, the Comprehensive Economic and Trade Agreement, CETA, between the EU and Canada which contains an ISDS. My understanding is that the Commission is seeking two things: first, to have it provisionally applied soon, possibly at the next European Council meeting, before any vote of any member state parliament; and, second, according to reports, to have it redefined as an EU-only trade agreement rather than a mixed agreement, which, therefore, would avoid the need for votes in member state parliaments, including the Dáil. Do the Taoiseach and the Government have a position on that? Will he vote against the provisional application of CETA at the European Council when it comes up, possibly next month? In particular, does the Taoiseach consider that the provisional application of CETA without a vote in the Dáil is potentially repugnant to the Constitution because it is an international agreement that could impose a charge onto the State by virtue of ISDS?

The Taoiseach: The TTIP arrangement was approved at the G8 summit in Fermanagh at the start of 2013. The European approval had been given and the American side agreed to start the process. To be honest with Deputy Paul Murphy, I do not think this will be finished this year.

Deputy Paul Murphy: CETA is what I am interested in. Forget about TTIP. I am interested in the agreement with Canada. The agreement is effectively done, but the Commission wants to apply it without a vote of the member state parliaments.

The Taoiseach: I believe the Parliament here should have a say on that, and I will see that it will do so. It is important that the views expressed by the elected Members of the Houses would be clearly heard.

Deputy Paul Murphy: That is what Deputy Richard Bruton said in his previous capacity as Minister for Jobs, Enterprise and Innovation.

The Taoiseach: I do not know whether that matter will come before the European Council. I have not seen the agenda. The next meeting will be held in Bratislava but I believe that will deal with the agenda for the Commission for the period ahead and reflect on the changes that will have been made either before the British Prime Minister is elected or any developments that have taken place in between.

Deputy Paul Murphy: I ask the Taoiseach to keep a very close eye on that. If it comes up for a vote, and there are reports that it is for provisional application, I ask that he would vote against it, hopefully with other member states. If the agreement is applied, the ISDS would apply for a three-year period, even if the Dáil was to vote against it subsequently. That is politically wrong, but I also believe that it could potentially be in contravention of the Constitution.

The Taoiseach: If that is an issue that has to be decided and if it is repugnant to the Constitution, then we will have to seek legal advice from the Attorney General. I accept that that kind

of advice would be important in the decision the Government would have to take.

Deputy Paul Murphy: If I may ask a brief question on the fiscal rules, I appreciate the Taoiseach sending the letter to President Juncker. Reports relating to the context of the letter indicate that he is seeking more transparency and consistency in terms of the off-balance sheet position as opposed to the change in the rules. Does the Taoiseach not agree that the rules themselves are a significant problem? Is the fact that we have money on-balance sheet, for example, the Ireland Strategic Investment Fund, which we cannot use to invest in building homes to resolve our housing crisis because of these rules not a fundamental problem? Is that not a contradiction in the programme for Government in which there is a huge commitment to abide by all the EU fiscal rules but at the same time there is a commitment to build homes and to resolve the crisis? Do the rules not need to be changed?

The Taoiseach: There are a number of countries that have problems now. Some of them would make the case that if they are prepared to make fundamental structural changes to the way their economies are run, they should be shown greater flexibility. This is a matter that will be discussed in due course by the European Council. In respect of my own letter to Jean-Claude Juncker, this is an issue that affects quite a number of countries. I am not asking for a change in respect of the independence of the EUROSTAT agency but I am asking for predictability and consistency in the way that applications are actually treated.

People in Ireland find it very difficult to understand in that there is such an availability of finance internationally and that when one needs finance, one should be able to get it under consistent and clear rules in order to provide houses for people. As housing is a priority for Government, is there a way of using this facility in the people's interests? If the goalposts have been changed, or change on an irregular basis, there needs to be predictability and consistency about that. Along with other countries, we will try to work on that so that the independence of the agency can be changed but people can plan ahead, knowing that there is that consistency about it.

Chairman: Has the Taoiseach some time to take some questions from me?

The Taoiseach: Sure.

Chairman: I will not delay the Taoiseach. In terms of Brexit and bolstering the number of officials in Brussels during this time of critical discussions and plans being made, is it not an issue for those who are permanently in Brussels on the official side - this is no reflection on them - that they have almost turned native? What is required there is a particular defence of the citizens of the different states within the European Union. It has become very focused on institutions rather than on solutions for the individual citizen we represent. That is where the disconnect started. Therefore, our officials and our politicians and Ministers who go there should do as the Taoiseach described this morning, in terms of the leaders' meeting, that is, make sure that it is all about the citizen and the people we represent.

In terms of free movement and our reaction to Brexit, this country relies heavily on the transport of goods across the UK to Europe. We have to make sure that whatever happens, there is not a further difficulty for our exporters in delivering our goods to Europe as they cross through England into France and other parts of the European Union. At one stage, I was a member of the Irish Road Haulage Association. Its concerns and those of independent operators need to be considered and understood at this stage in terms of involving them in whatever approach the Taoiseach will take with the UK authorities and Europe. If the hauliers' activities are affected,

it will cause further difficulties for our EU clients and for smaller businesses that are linked to, and rely on, Europe. They must be central to any discussions that the Taoiseach might have.

The Taoiseach mentioned housing in his opening remarks. It crossed my mind that there was a €3 increase in the old age pension in last year's budget but the interesting thing was that most local authorities took more than that €3 back from the pensioners in rent increases. I mention this in the context of housing and the Taoiseach's comments. Many difficulties are being experienced by individuals who are before the courts facing eviction from or repossession of their homes. They find it difficult to represent themselves. I mentioned this to the Minister for Finance, Deputy Noonan, earlier. A call has been made to suspend the activities of the courts while people get to grips with their situations. It is not that they will not deal with their situations. I have heard what is going on. These people find it hard to engage with the system. Their family home is at stake and it is as though the State has abandoned them. They need far greater support than what they are getting at the moment. A suspension of those court cases might be necessary while the Government, through legislation, tilts the balance in favour of the family and the citizen. The banks pay absolutely no heed whatsoever to what is being said in those courts. Requests for original documentation are almost always ignored by the banks. One can see at first hand the plight of those families.

I now turn to the tribunals of inquiry. The Taoiseach has indicated €4.5 million for the Moriarty tribunal. Will the Taoiseach indicate if that figure is for this year's Estimate? What is the total? Are other Departments involved in expenditure relative to that tribunal? Who is assessing the total costs and the likely costs of the third parties?

My final point is on banking and the SMEs, which I made to the Minister, Deputy Noonan, earlier. It is extremely difficult for micro-businesses in this country to get access to finance. I know the statistics present a different story but the reality is extremely difficult for family-owned or individually owned businesses. They also find that engaging with the banks has, in general, been a very difficult experience.

On a housekeeping note, and seeing as I have mentioned it to every other Minister who has appeared before this committee, there are two sides to the balance sheet. One is this forum where we discuss Estimates - at least that is the impression we give but, in fact, we do not. If there is one area in need of reform, which I believe is absolutely necessary, it is this type of committee setting where we can ask questions but where everything is predetermined. Members cannot talk to the officials. According to the Constitution, the Taoiseach is the person responsible but the process needs to be reformed. We need more time. If this committee gets it right in terms of what is proposed to be spent, there might not be losses at the other end. At the last meeting we had with the Minister for Finance, we discussed the Office of the Comptroller and Auditor General and the Committee of Public Accounts. I firmly believe that until such a time as committees, such the Committee of Public Accounts and this committee, are reformed and given real powers to chase the money or, in our case, look after the money or understand what is being spent, we will continue to see huge losses of taxpayers' money. I appeal to the Taoiseach to look at Standing Order 50 which states that the only role we have is to consider and the only role after that is to send a message to the Dáil that we have considered when, in fact, we have not done so. In the last session, the committee dealt with an Estimate for €379 million in an hour and a half. The same can be said of the other Departments.

In regard to the expenditure for legal services within the State and the different accounts being presented to the sectoral committees, every one of them has legal fees. Is it not time to reform that element of the administration of the State in terms of having one legal department

to take control of all the other Departments' legal expenditure? The Taoiseach can revert back to me on some of those questions as I know he is pushed for time.

The Taoiseach: For many years, the Irish representation in Brussels, as the Chairman will know from his own experience, has actually performed exceptionally well. It has been very good at making contacts with the different elements of the institutions, the Commission and so on. The Chairman said that the officials might have appeared to "turn native". It is important to hear that they follow political direction. Ministers engaging in Brussels in terms of Government policy or philosophy being followed is always driven by what can be done to achieve that. From my experience, the Irish permanent representation there has always been diligent and first class in the way it goes about its business. Often, it is not easy to get political consent around the table afterwards depending how vigorous these issues are pursued. However, it is a rule-based Union and governments sign up to the role. How they are interpreted or how flexibility is shown is always a matter for political discussion afterwards.

The agenda of the Juncker Commission is simplification, abolition of red tape, investment, growth, competitiveness and jobs, security and migration. That issue will be discussed at the Bratislava meeting in September. That is fixed for 16 September but that may change because it is a week after the appointment of a new British Prime Minister. We would, therefore, have an idea of that person's strategy.

I met some of the transport industry representatives last night in Leinster House. They all export machinery to mainland Europe through Britain. A lorry can currently be driven to the Ukraine border just with invoices. If there is a major change, it will mean drivers will require papers entering and exiting Britain. This would mean additional administration and costs and probably delays, as well as impacting on competitiveness. We will address these matters and I take the Chairman's point in this regard. A haulier will be paid a certain amount to bring a load from here to Manchester and will be paid a higher amount to bring one back because the costs are higher on the other side.

It is correct that the €3 a week increase for old age pensioners was part of a package that increased payments to them by €10 a week, but it was never enough.

With regard to housing and mortgages, a range of measures were taken, including the code of conduct, no cold calls from banks, the Money Advice & Budgeting Service, MABS, personal insolvency practitioners, PIPs, and the removal of the veto from banks. At the end of the day, it is difficult to get everyone to engage. If there is no engagement, there will not be a solution, which only causes further stress. The numbers are much reduced and we are trying to do what we can to ensure they continue to decrease.

The €4.5 million allocation to the Moriarty tribunal is for this year and no other Department is involved.

Chairman: What is the total for that?

The Taoiseach: To the end of 2015, a total of 58 bills of cost amounting to €13.945 million were settled for a total of €6.667 million. Settlement costs in excess of €20,000 are published by period on the Department's website. The Moriarty tribunal is currently dealing with the remaining applications for third-party costs. The sole member has indicated that the majority of applications have been considered by him and only a limited number are still being considered. The breakdown of legal fees, administration and third-party costs for the tribunal are: legal fees,

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€35.2 million; administration, €9.5 million; third-party costs, €6.667 million; and other legal payments, €2.25 million. That gives a total of €53 million.

I will come back to the Chairman on the facilities for microfinance for small businesses. The Chairman mentioned tendering for legal fees. The Attorney General's office and the Office of the Chief State Solicitor have considered operating a tendering process for the engagement of counsel. The need to have freedom to choose the most appropriate counsel to ensure the best outcome for the State as well as the ability to engage counsel at short notice are major practical obstacles. The offices are concentrated on minimising the fees paid. The methodology used has been discussed with the Department of Public Expenditure and Reform which is satisfied with the approach they use generally.

With regard to Dáil reform, I suggested prior to the formation of the Government that the Ceann Comhairle might chair the reform of Standing Orders. The Chairman has often asked questions in the House to which the Ceann Comhairle replied, "I am only here to implement the Standing Orders and the House can change them if it wants", and he may have a valid point. The business committee is chaired by the Ceann Comhairle. Changes to Standing Orders are a matter that is independent of Government. I will raise the matter with the Ceann Comhairle for his consideration in terms of the way the business is conducted or the outcome of the business. I take the Chairman's point that his only remit is to say that he considered it and from his point of view, as Chairman of this committee, he feels there should be greater opportunity to make recommendations in that consideration. I will raise that with the Ceann Comhairle.

Chairman: I thank the Taoiseach and his officials for their attendance. We will notify the Dáil that we have considered these Estimates. Is that agreed? Agreed.

Message to Dáil

Chairman: In accordance with Standing Order 90, the following message will be sent to the Dáil:

The Select Committee on Finance, Public Expenditure and Reform, and the Taoiseach has completed its consideration of the following Revised Estimates for public services for the year ending 31 December 2016: Vote 1 - President's Establishment; Vote 2 - Department of the Taoiseach; Vote 3 - Office of the Attorney General; Vote 5 - Office of the Director of Public Prosecutions; and Vote 6 - Office of the Chief State Solicitor.

Business of Committee

Chairman: The Single Resolution Board (Loan Facility Agreement) Bill 2016 may be before the committee next week. If it is referred, we will take it next Thursday at 11 a.m.

Deputy Pearse Doherty: Is there not a gap between Second Stage and Committee Stage?

Chairman: Yes, and the legislation meets that. It will be referred later today and we will deal with it next Thursday.

Deputy Pearse Doherty: I thought there had to be a two-week gap.

Chairman: I do not think so. That is the proposal.

Deputy Pearse Doherty: If Committee Stage is taken next Thursday, when is the deadline for amendments? It only passed Second Stage last night.

Chairman: At 11 a.m. tomorrow. That is a short time but that is the notification we have received.

Deputy Pearse Doherty: I question that. I thought there was a commitment in the programme for Government to provide ample time. It passed Second Stage last night. I will try to work towards it.

Chairman: I will check that. The Ceann Comhairle can accept late amendments.

Deputy Pearse Doherty: It is a short Bill but it is important.

Chairman: We have to ensure for the future that this arrangement is in place.

The select committee adjourned at 12.20 p.m. until 11 a.m. on Thursday, 7 July 2016.