



DÍOSPÓIREACHTAÍ PARLAIMINTE  
PARLIAMENTARY DEBATES

**DÁIL ÉIREANN**

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

Ceisteanna - Questions . . . . .	2
Priority Questions . . . . .	2
Public Sector Staff Remuneration . . . . .	2
Public Sector Staff Remuneration . . . . .	4
Departmental Bodies Data . . . . .	7
Appointments to State Boards . . . . .	9
Civil Service Reform . . . . .	11
Other Questions . . . . .	14
Public Procurement Contracts . . . . .	14
Public Procurement Contracts . . . . .	16
Public Sector Staff Recruitment . . . . .	19
Public Sector Staff Recruitment . . . . .	20
Finance Bill 2014: Second Stage (Resumed) . . . . .	24
Topical Issue Matters . . . . .	39
Leaders' Questions . . . . .	41
Order of Business . . . . .	51
Finance Bill 2014: Second Stage (Resumed) . . . . .	57
Finance Bill 2014: Referral to Select Committee . . . . .	86
Social Welfare Bill 2014: Order for Second Stage . . . . .	87
Social Welfare Bill 2014: Second Stage . . . . .	87
Topical Issue Debate . . . . .	101
EU Directives . . . . .	101
Green Paper on Energy Submissions . . . . .	104
Public Transport Provision . . . . .	107

# DÁIL ÉIREANN

*Déardaoin, 6 Samhain 2014*

*Thursday, 6 November 2014*

Chuaigh an Ceann Comhairle i gceannas ar 9.30 a.m.

*Paidir.*

*Prayer.*

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## Ceisteanna - Questions

### Priority Questions

#### Public Sector Staff Remuneration

1. **Deputy Sean Fleming** asked the Minister for Public Expenditure and Reform his plans for the phased repeal of the Financial Emergency Measures in the Public Interest legislation; and if he will make a statement on the matter. [42277/14]

**Deputy Sean Fleming:** Are the five separate pieces of financial emergency measures in the public interest legislation that are on the Statute Book from 2009 to 2013, which were necessary when introduced, currently justified, and has the Minister for Public Expenditure and Reform plans for a phased repeal of this legislation?

**Minister for Public Expenditure and Reform (Deputy Brendan Howlin):** The Deputy will be aware that there are two measures that currently underpin public service pay and pensions policy: the Financial Emergency Measures in the Public Interest, FEMPI, Acts and the Haddington Road agreement. The nature of the financial emergency measures is that the powers granted by the Oireachtas under the legislation are temporary in nature and predicated on the continuing financial emergency in the State. The Haddington Road agreement is due to last for three years from 1 July 2013.

As provided for under section 12 of the FEMPI Act 2013, I am required to annually review the Acts, and a written report of my findings is laid before each House of the Oireachtas. My last review was laid before the Houses of the Oireachtas on 29 June 2014. In that review I concluded that there is still a need to continue to apply the relevant provisions of the legislation controlling the cost of remuneration of public servants and the other measures controlling

the cost of the public service pay and pensions bill. It is worth restating that the expenditure proposals as set out in budget 2015 are based, in part, on the reduced public service pay bill, as well as on the revenue accruing from the pension-related deduction and public service pension reduction as provided for under the FEMPI Acts.

As well as the statutory requirement for an annual report to be made by me as Minister on the operation of the Acts, the legislation is maintained under constant review. The Deputy will be aware that the Government has recently accepted my proposal for the deletion of section 2B of the 2013 Act. As the powers provided to me under that Act have not been exercised to date and are not now necessary, I have proposed that they should be deleted from the legislation, and proposals on that matter will be before this House shortly.

The Haddington Road agreement, in the Government's view, sets the parameters for pay policy in the public service for a three-year time horizon. The agreement has enabled a key reduction in public service pay and pensions. The cost reductions and productivity increases - the reform dividend that we discussed on the last occasion - has allowed the Government the scope to recruit additional staff to key front-line services. This demonstrates that the agreement is delivering, that it has achieved its negotiated purpose and that it continues to be of value.

*Additional information not given on the floor of the House*

As the country moves, thankfully, into a more normal pay-setting environment, a change we can already see is under way in the private sector, I believe it is important that I, as Minister for Public Expenditure and Reform, give consideration to how, over the medium term, pay policy needs to develop in the public service to help ensure that overall fiscal targets, including the achievement of a deficit of less than 3% of GDP by the end of 2015, will be met. In addition, the public service unions have indicated their intention, should the State's financial circumstances permit, to lodge a pay claim next year. If such a claim is made, the Government will of course have to consider it in line with the prevailing fiscal position. The legal position concerning the financial emergency legislation, which has underpinned the reductions to date, will also have to be addressed as part of the establishment of more normal pay-setting arrangements in the public service for the future.

When my consideration is more advanced, I will bring proposals to the Government in the first instance. Any proposals to amend the FEMPI Acts will require primary legislation to be brought before the Oireachtas.

**Deputy Sean Fleming:** The Minister has summarised the current position without giving any reason as to why he is holding the current position. He said he issued his report on 29 June 2014 in respect of the annual review of the need for the FEMPI legislation and he concluded that it is still necessary, but he gave no explanation as to why he believes it is still necessary. The level of the national debt is now decreasing as a percentage of GDP, and I understand that is the principal reason being used in this respect. Given that things are moving in the right direction, it is a reason to say that in the near future the legislation will no longer necessary. I note the Minister said that the Haddington Road agreement runs until 2016. There is almost an implication that when we reach the end of that period there might not be any further need for the FEMPI legislation. However, it might be possible during 2015 for the Minister to consider, similarly to the way in which he cut the Croke Park agreement short by six months, going into negotiations and having a new bilateral discussion with public servants in advance of the agreement's coming to its natural end with a view to advancing developments.

**Deputy Brendan Howlin:** There is merit in what the Deputy is saying. It is necessary to maintain the income stream from the reduction of pay that underpins the 2015 budget, and without the FEMPI legislation that budget would not be robust. I am conscious, and I have said this to the House, that the FEMPI legislation is by its nature an emergency, and that is why I have to make a report to the House. The day will come, thankfully, when it will not be possible to assert that the emergency will be maintained; the emergency will be over. I want to prepare for an orderly unwinding of the FEMPI legislation rather than simply drifting into a situation in which somebody could take a court action and the courts could say that there is demonstrably not an emergency to sustain it. I have indicated that I propose to open negotiation with the public sector unions during the course of 2015 to discuss an orderly wind-down of the FEMPI legislation and to discuss the broader horizon of public sector pay as we go forward.

**Deputy Sean Fleming:** The Minister said he was concerned about the possibility of a court case, and he wants to be able to demonstrate that there is still an emergency and that the legislation is necessary as of now. His actions in government on budget day demonstrated that there is no financial emergency. It is not possible to reconcile tax cuts for the highest earners in Ireland, as was signalled on budget day and as discussed in Finance Bill that has been going through the House yesterday and today, with a financial emergency. The actions of the Government have shown there is no financial emergency. If there was, the Government could not be giving tax cuts to the wealthiest people in Ireland, which is what it is doing in the Finance Bill. The Minister's actions show that he cannot justify his position that there is a financial emergency when the Government is looking after the wealthy and there is talk of the possibility of water subsidies for millionaires in the ether this morning. He has shown that the emergency is over, and he should deal with the legislation.

**Deputy Brendan Howlin:** I thank the Deputy for his warm congratulations on our having solved the existential threat to the Irish people and the economy through the hard work of the Government, supported by the Irish people, in all the hardships they have endured for the past number of years, and for fixing the dreadful mess that had been created. It is a matter to be celebrated that we have made such progress, but we are not out of the woods. That point has been made by both the Minister, Deputy Noonan, and myself. We need to reach the target of a deficit below 3% of GDP next year, and in order to do that, the budgetary arithmetic requires the contribution from the public service through pay reductions that were negotiated and agreed by the public sector unions under the Haddington Road agreement. That will be maintained.

## **Public Sector Staff Remuneration**

2. **Deputy Mary Lou McDonald** asked the Minister for Public Expenditure and Reform the implications of his proposal to delete section 2B of the Financial Emergency Measures in the Public Interest Act 2009 for the take-home pay of Civil Service and other public sector workers; and his plans for future negotiations with the public sector trade unions. [42275/14]

**Deputy Mary Lou McDonald:** My question is in a similar vein, although it refers specifically to the Minister's proposal to delete section 2B of the FEMPI Act of 2009. As we all know, this gave him unilateral power to cut the pay of public servants and increase their hours. What is the implication of the repeal of that section for the take-home pay of civil service and public sector workers, and what are his plans for further negotiation with public sector trade unions?

**(Deputy Brendan Howlin):** I thank the Deputy for the question. The Government has

accepted my proposal to amend the Financial Emergency Measures in the Public Interest (No. 2) Act 2009 by the deletion of section 2B, which was inserted into the Act by section 2 of the Financial Emergency Measures in the Public Interest Act 2013. Section 2B provided that existing powers under any other enactment could be exercised to reduce non-basic pay - premium and overtime rates - or increase the working hours of individual public servants. This was a limited contingency measure whose effect was confined to confirming that existing powers to make changes to working time and remuneration rates other than basic pay may be exercised to effect less favourable terms if required to secure necessary savings in the public service pay bill. The provision was regarded as a necessary backstop to enable measures to be taken, in the absence of agreement with employees, to secure the absolutely required savings.

As the Deputy will be aware, rather than acting unilaterally to reduce pay as its predecessor did, the Government chose last year to continue to negotiate with public service unions. As a consequence, we were able to reach an acceptable agreement which provided not only a basis for savings in the public service pay and pensions bill of up to an additional €1 billion in the period to 2016, but a way to address all matters relating to working hours and non-basic pay.

The powers provided under this section did not need to be exercised and were not exercised, and the requirement to have the powers on the Statute Book, in my view, has now passed. As I said in my reply to Deputy Sean Fleming, I am committed to keeping the emergency legislation under general review, which is important. Because there is such concern among public servants generally and their representatives about this power it is appropriate to delete it, now that it is no longer required.

As regards future negotiations with public service trade unions, I have stated the Government's position is that the Haddington Road agreement will last until 2016. The cost reductions, productivity increases and the reform dividend which allow me to recruit new front-line staff continue. This demonstrates that the agreement is delivering and making a significant contribution to the achievement of the fiscal consolidation target as we work to achieve a deficit below 3% of GDP by 2015.

**Deputy Mary Lou McDonald:** I welcome the deletion of the measure. At the time it was regarded correctly as a very negative development, not just in terms of the pay and conditions of public service workers but also a real intrusion on the voluntarist system of collective bargaining which had traditionally operated in this jurisdiction. It gave the Minister unilateral powers, which he said he did not use. Of course, he did not have to use them because it was the stick, rather than the carrot, that he used in his dealings with the public sector trade unions. It is very important that the Government now accept that that type of measure, be it an emergency measure or otherwise, was wrong and that it commit to using the traditional form of negotiation and bargaining with the unions.

On the issue of pay recovery, the subject of the second part of my question and the one most immediately in people's minds, is the Minister saying that, notwithstanding the hoopla about the repeal, public service workers will not see any improvement in their pay packets between now and 2016?

**Deputy Brendan Howlin:** I agree with much of what the Deputy said. I am a strong supporter of free collective bargaining. The problem we faced in recent years was a real threat to the viability of the economy and we were required to make savings across all fronts, all of which were challenging and difficult, not least the very large contribution we required the public ser-

vice to make, as it consumed one third of the total current budget. Public servants stepped up to the plate and voted to accept the Haddington Road agreement. We must now work towards normalising the relationship between public service employers and public servants in normal dialogue. That will happen as we emerge from the crisis.

On the impact of the repeal of section 2B, clearly, as it was never invoked, its repeal will not have any monetary impact.

**Deputy Mary Lou McDonald:** The Minister will recall that at the time he did not invoke the provision as he did not have to do so. Public sector workers felt that, while they were nominally around the table for discussions, in fact, they were on the menu. They felt hugely disempowered. The Minister took an onerous power onto himself. It is welcome that the measure will be repealed and removed from the Statute Book and I hope it will never reappear in any incarnation in the future.

There is a difficulty with the issue of pay recovery and I have discussed the matter previously with the Minister. Lower grade public servants and civil servants on lower pay are struggling badly, not unlike others in society and the economy. Whatever is the detail of the repeal of specific mechanisms, the real question for them is when there will be some relief in their pay packets, pockets and households. The Minister is aware that many people who work for the State rely on family income supplement to make ends meet. There is an urgent need to address the matter, starting with the low paid, not with those in the upper echelons, and to set out and agree in a concrete way, rather than in a theoretical way, to the milestones people might expect to see in respect of pay recovery. As the Minister was quick enough to set out milestones for cuts and the damage to people's income levels, he should set out a positive trajectory in terms of pay recovery.

**Deputy Brendan Howlin:** A number of questions were raised. First, each union voted on the issue. For the first time every single union voted, with the exception of the Irish Hospital Consultants Association, to accept the framework.

**Deputy Mary Lou McDonald:** It was a case of accept it, or else.

**Deputy Brendan Howlin:** That was in stark contrast with the actions of the previous Government. Public servants understood our capacity to maintain public services was under threat unless we all contributed in the way we had set out.

In terms of another section 2B being necessary in the future, I hope it will not. I hope we never again face the type of existential threat to the economy that we faced in steering the ship of State in recent years. Please God, we will never have that level of disaster visited on us again.

I strongly agree with the Deputy in her question on low pay. That is the reason the Government has determined to establish a low pay commission that will apply not only to the private sector but also to the public sector. We want to ensure that not only do we restore full employment in the State, which is our objective – yesterday we saw that the unemployment rate was still very high, but it is now 11% and falling – but also that those who are in work have a liveable wage.

## Departmental Bodies Data

3. **Deputy Shane Ross** asked the Minister for Public Expenditure and Reform the current net quango count under this Administration; the numbers compared to the previous Government and the net saving to the State, specifically in view of the Government's commitment to quango reform; the number of reductions in quangos due to merger or abolition and the number of newly created State agencies and semi-State bodies; and if he will make a statement on the matter. [42427/14]

**Deputy Shane Ross:** In view of the Irish Water fiasco which has continued for many weeks and in view of the fact that the Minister has rightly set out new parameters for the appointment of directors to semi-State bodies and State agencies, I wonder if the Government has a new policy or a new attitude towards quangos. The point of the question is to try to elicit whether there are statistics available to show what has happened during the lifetime of the Government in terms of its commitment to reform quangos.

**Deputy Brendan Howlin:** I thank the Deputy for the question. I am pleased to set out the remarkable achievements we have made in three years. There have been two phases to the rationalisation programme for State bodies, involving two separate tranches of rationalisation measures.

As I explained to the House in February when the Deputy last inquired about this matter, the Government made two commitments in 2011 shortly after taking office. The first was to begin immediately implementation of phase one of the rationalisation programme, which involved 48 measures. Each measure had multiple impacts. The second commitment was to review a further 46 measures targeted at broader rationalisation that would constitute phase two. Through implementation of both phases, the Government set two high level targets against which the success of the programme could be measured. As we set out in 2011, the first target was to achieve savings of €20 million for the Exchequer. The second target was to reform this sector of the State system - meaning a less crowded administrative landscape, reduced duplication, greater democratic accountability and clearer lines of responsibility.

In overall terms, the latest assessment by my Department, based on information provided, is that measures involving more than 90% of the bodies we set out to have merged, rationalised or abolished have been completed. That means that there are 169 fewer State bodies than when we took office in 2011, with a further 12 yet to be abolished. That is a remarkable achievement in three years.

The same analysis shows that Exchequer savings of more than €18 million have been achieved to date, with a further €9 million profiled to come in when the final phase is achieved. That is €27 million in savings to the Exchequer. Of the €18 million already achieved, €15 million is a recurring annual saving accruing, while €3 million is revenue from a once-off property disposal. Of the further €9 million profiled to come in, the Deputy will understand from his own background that, just as in the private sector, some mergers have upfront costs, which is why there is a delay in the additional €9 million coming in.

In addition to these figures, the latest assessment suggests net savings of a further €40 million will accrue annually to the local authority sector on foot of the reform and rationalisation measures that have been taken. There is a lot more detail that I will supply to the Deputy, but it has been a remarkable achievement.

*Additional information not given on the floor of the House*

Regarding the rationalisation programme's second key target of reform, as I have mentioned, as a result of the programme there are 169 fewer State bodies today than there were in 2011. A total of 141 bodies have effectively been abolished and moved into existing public service structures, while 51 old bodies have been streamlined into 23 new bodies. In doing this the Government has tackled duplication and streamlined citizen access and accountability.

The Deputy also asks about the newly created bodies. A small number of new bodies have been established in recent years to address urgent matters of concern to the Government such as systematic failings of oversight or a need for new resources to tackle priority issues around job creation and unemployment. For such reasons, the Government has established the Irish Fiscal Advisory Council, the Credit Union Restructuring Board, Microfinance Ireland, the Insolvency Service of Ireland and the Charities Regulatory Authority. There will also be a new policing authority in the near future. These are critical bodies responding to important issues of value to the State and the citizens. It reinforces the point that State bodies play an important and legitimate part in implementing Government policy and delivering public services. What is essential is that this happen in a structured and coherent manner and that their impact and performance are understood, reviewed and managed. To this end, new provisions will be included in an updated code of practice for the governance of State bodies which will be published later this year and ensure a smarter and more targeted use of State bodies into the future.

**Deputy Shane Ross:** Certainly, on the surface it appears as though 169 removals of State bodies mark an improvement. It certainly tells us what an awful state the quangos were in before the Government took office and how they simply had been created willy-nilly. However, when one gets down to assess the figures - I hope I heard the Minister's statement correctly - the savings have been worth €27 million to the Exchequer thus far. That would not keep FÁS going for one week. It is very difficult to know what the equivalent figures are because FÁS has been divided up, but it certainly cost €1 billion per year to run a couple of years ago. Therefore, in the overall context, Members are talking about absolute peanuts. If one is to learn anything from the Irish Water debacle, it is that semi-State bodies and, in particular, State monopolies, are utterly reckless with public money. Does the Minister have further initiatives in mind to ascertain whether other State bodies are indulging in the practices in which Irish Water is indulging? What are his intentions in this regard?

**Deputy Brendan Howlin:** Again, I am proud that there are 169 fewer State bodies than when the Government took office. A total of 141 bodies have been abolished or moved into existing public structures, while 51 old bodies have been streamlined into 23 new bodies. The Government has tackled duplication, streamlined accessibility and accountability and carried out a root and branch analysis. The Deputy will be aware that there will be a demand for new bodies. I have examined the proposals the Deputy has brought to the House during this term and in his own legislation he has proposed the creation of a new broadband commission, a new judicial appointments council, a new public appointments board, a new guardianship board and several more.

**Deputy Shane Ross:** I thank the Minister. I could give him a list for the abolition of at least 500 bodies on top of them.

**Deputy Brendan Howlin:** That is true.



**Deputy Shane Ross:** While the number of bodies I would create is less than half a dozen, I would abolish 500. The Minister is absolutely correct and, of course, I do not suggest there is no need for State bodies. I simply make the point that they duplicate one another in various ways. Will the Minister tell Members about his plans for new directors - an issue which is part of the sickness of new bodies - in the first instance? I have not seen them, which may be my fault. Second, he should give a ballpark figure for how much it costs the State to appoint politically appointed directors, political proteges, to these bodies and how much could be saved by not paying them fees at all?

**Deputy Brendan Howlin:** I strongly agree with the Deputy. Some of the most effective instruments of State policy are State bodies such as IDA Ireland which is envied around the world and Enterprise Ireland. Moreover, the work done by the National Roads Authority and all the other parties involved in maintaining the environment such as the Environmental Protection Agency and so on is really valuable. The Deputy has asked a different question about the Government's new proposals for State boards and a separate question has been tabled on this issue. It will be ground-breaking. I have approved guidelines which will be circulated to my Cabinet colleagues and which I hope to bring before the House as soon as I have them signed off.

**Deputy Shane Ross:** Will it be this month?

**Deputy Brendan Howlin:** Yes.

### **Appointments to State Boards**

4. **Deputy Sean Fleming** asked the Minister for Public Expenditure and Reform if he will provide a legislative basis for the future appointment of members to the boards of State bodies, including commercial and non-commercial semi-State organisations; and if he will make a statement on the matter. [42278/14]

**Deputy Sean Fleming:** On 30 September the Minister issued a press release announcing a revised model for ministerial appointments to State boards. If he is sincere about this, will he provide a legislative basis for the appointments of members to State boards, including commercial and non-commercial semi-State organisations, and not do this merely by way of a press release?

**Deputy Brendan Howlin:** As the Deputy will be aware, the Government recently announced a revised model for ministerial appointments to State boards. In future all appointments to State boards will be advertised openly on the State boards portal, *www.stateboards.ie*, which, as the Deputy is aware, is operated by the Public Appointments Service, PAS. Officials are preparing overarching guidelines for appointments for approval by the Government, including issues related to diversity. As part of this process, all Departments have been contacted to seek comprehensive details of all State boards under their aegis.

The new arrangements also provide that the *www.stateboards.ie* website, as well as being the sole portal for the receipt of applications for appointments to State boards, also will contain definitive and current information on statutory boards, vacancies that will arise and so on. This material will be published in the near future. It is being gathered and structured across all Departments. A review of these arrangements will be carried out and completed within 18 months to make sure that once it is up and running, it will be effective. It is not envisaged that

legislation will be required. However, if the review of the new arrangements, say in 18 months time, determines that it must be put on a statutory basis for any reason, I do not have a closed mind on that option.

**Deputy Sean Fleming:** I thank the Minister. I note that he commenced his reply by talking about guidelines, but at its conclusion, he stated he had an open mind on whether it required legislation. He will have this opportunity shortly, as I intend to publish legislation to put his press release and the matters about which he spoke on a guideline basis on a statutory footing. Consequently, I hope he will support the legislation as it goes through the House. One issue I seek to have governed by way of legislation rather than guidelines concerns the prospective chairperson appearing before an Oireachtas committee. This should cover other bodies such as regulators and various people with the title of ombudsman or ombudsperson. I note that later on the same day the Minister and I were last here a few weeks ago, he appointed Mrs. Judith Eve as the new chairperson of the Public Appointments Service. Such persons who will have such a central role in monitoring these appointments should have been brought before an Oireachtas committee in order that the people would know who was the chairperson of the body that would vet every other person. That was a slip-up, as although the Minister may not have been required to do this by legislation, he could have done it as a measure of good faith and demonstrate what he was talking about. He also appointed Mr. Liam Sloyan as lottery regulator on the same day. While I am sure both individuals are excellent and outstanding, they should have been brought before an Oireachtas committee.

**Deputy Brendan Howlin:** On the two appointments mentioned by Deputy, the post of lottery regulator was publicly advertised. I had no hand, act or part in determining it as it was the subject of a public appointments decision in the normal way. The post was advertised, applications were received, applicants were interviewed and so on and the best candidate was nominated. In respect of the chairperson of the PAS, I wanted to appoint somebody with experience in the PAS and, as the Deputy is aware, the person I nominated had broad experience, particularly in Northern Ireland, and served in highly distinguished roles. Anybody familiar with the North will know the name and the work involved. However, the objective in broad terms of the entire review system is to have an open system to get the best people and encourage them. I believe and hope the Deputy will be impressed by the guidelines. They will be mandatory for all State boards and there will be no question of not applying them. The idea will be to reach out to people and encourage them. For example, the issue of gender balance must be addressed and there may be panels of people being encouraged to apply, perhaps for more than one State board. Such persons may outline what their skill sets are and may be considered for a number of State boards. The intention is to have much more openness and much greater transparency in how people are appointed. However, it will be necessary to head-hunt some people for specific jobs. Such persons will need to be encouraged, as the Deputy will be aware from his past experience, to apply for critical positions on State boards.

**Deputy Sean Fleming:** On the new lottery regulator whom the Minister appointed on the eve of the by-election which was a day on which much publicity would not have been generated, I understand up to that date and pending this appointment, the Minister was the regulator.

**Deputy Brendan Howlin:** Yes.

**Deputy Sean Fleming:** As regulator, the Minister handed over to the new man and issued a press release. I totally accept that the Minister was not involved in the selection process, but he did have a role in announcing the appointment.

**Deputy Brendan Howlin:** No, only to state the post had been filled. The role is set out in law under the National Lottery Act 2013.

**Deputy Sean Fleming:** That is right. Members debated that legislation when the Minister was privatising the lottery licence.

**Deputy Brendan Howlin:** The Deputy was again the appointment of the regulator, too.

**Deputy Sean Fleming:** There is another point which I will ask the Minister to consider in his guidelines.

*10 o'clock*

When the Minister issued his statement, he was specific that where there are legislative proposals for separate methods of appointment for different bodies they will not be covered by this. I ask him to take out all of those separate proposals because there is no point in coming in here, a year after they are up and running and appointing to a big board, stating that legislation contained a specific provision on the appointment of a chairperson. We must trawl through that legislation to take those measures out.

**Deputy Brendan Howlin:** I am not prepared to do that because there are specific cases where a bespoke skillset is required by law. The National Treasury Management Agency (Amendment) Act 2014 sets out such criteria in relation to the NewERA companies.

**Deputy Sean Fleming:** Will NTMA be exempt from all of this?

**Deputy Brendan Howlin:** No. In the semi-State companies, for example, NewERA is given a role in the appointment because it must devise the skillset to ensure that the best commercial persons operate on commercial semi-State boards. Where the Oireachtas, having debated it, has set a legislative framework for the appointment of individuals, I will not set that aside but this is an overarching structure that will apply to 99.9% of appointments.

## **Civil Service Reform**

5. **Deputy Mary Lou McDonald** asked the Minister for Public Expenditure and Reform his decisions with respect to the recommendations for Civil Service reform by the independent panel on strengthening Civil Service accountability and performance and by the Civil Service renewal task force. [42276/14]

**Deputy Mary Lou McDonald:** My question relates to the publication, One Vision Civil Service: The Civil Service Renewal Plan, which is an interesting document. The process by which it has been produced has also been interesting. I am concerned that it does not pass us all by in the busyness of everything else. First, I wanted the Minister, Deputy Howlin, to set out his initial plans for the implementation of what is contained here and then I have a couple of specifics to tease out with him. As he mentioned gender, let me just say that, although 60% of the 35,000 civil servants are women, only 33% of management grades are filled by women and there is clearly a glass ceiling in the service. It is one of the issues in which I am interested.

**Deputy Brendan Howlin:** I appreciate the Deputy placing a focus on this. We might find an opportunity, perhaps at a committee, to discuss it because this is the culmination of two

streams of work.

The Civil Service Renewal Plan, which I launched with the Taoiseach last week, is the product of a year-long engagement involving more than 2,000 staff and stakeholders. It brings together the outcomes of two separate but related streams of work: the work of the independent panel on strengthening Civil Service accountability and performance; and the work of the Civil Service renewal task force, which was a group of civil servants that went around the country talking to civil servants.

The renewal plan, approved by Government, aims to build the capability of the Civil Service so it can meet the needs and expectations of the Government and the public into the future. More than 2,000 staff and stakeholders made formal contributions to the development of the vision “to provide a world-class service to the State and the people of Ireland” and a practical plan with 25 actions will be delivered within the three-year timeline that we have set out.

The four areas of focus are: a unified Civil Service - a breakaway from the silos that have caused problems in the past - managing the Civil Service as a single, unified organisation; a professional Civil Service - maximising performance and potential of all civil servants to do their job effectively; a responsive Civil Service - changing our culture, structure and processes so that they become more agile and more flexible to meet the changing environment; and a more open and accountable Civil Service - continuously learning and upskilling. Details of the plan and the two related documents on staff engagement and background data are available at [www.per.gov.ie](http://www.per.gov.ie).

I note the point the Deputy McDonald made about gender, that, while 60% of the Civil Service overall is women, not enough are managers. We have migrated from 25% to 30% at the top, but we should have equality at the top and we need to have mechanisms to do that.

**Deputy Mary Lou McDonald:** I agree that this needs a considered discussion, if not by way of debate on the floor of the House, certainly at committee. We need to explore all of these matters.

Why did the Minister decide to go for what he calls a “collective responsibility” model rather than, as has been proposed by Professor Rafter and others in the course of their work, a head of Civil Service? I understand Deputy Howlin also envisages an individual spokesperson on behalf of that collective. I am concerned that the immediacy of a person in charge, accountable and answerable gets lost in the Minister’s collective model.

In terms of organisational capability, which is crucial, the plan talks about - the language is probably a little unfortunate - “Design and implement a light touch, objective review process”. The Minister and I would not be so keen on the term “light touch”. Could he shed light on those two specific issues?

**Deputy Brendan Howlin:** On the Professor Kevin Rafter group proposal to have a single head, I spoke to him at length. The group looked at the model in Britain and in other countries, and they changed the model a couple of times. Their recommendation was to have either of two options, the first of which was a designated person involving the set up of a new entity with a new Secretary General who would be the head of the Civil Service. Given the capacity - there is 25,000 civil servants here and 250,000 in the United Kingdom - I wondered whether that would work all that well. The alternative, and probably preferred, recommendation was to have an existing line Secretary General be head of the Civil Service on a part-time basis, which I did

not think worked.

My first objective was to have a collective entity because the biggest deficiency, as I have seen looking deeply into it, is the siloing of the Civil Service, that everybody in the Department of Justice and Equality looks at the Department of Justice and Equality and many civil servants go in at a relatively low grade and then migrate, never having moved beyond. It is the same in a lot of line Departments. The first task is to have a much more integrated public service and a collective leadership is a better way of doing that.

**Deputy Mary Lou McDonald:** I ask that that matter be kept under review. It might well emerge that the Minister is, in fact, correct in that assessment, and if it works, it is fair enough and all is well. However, Deputy Howlin hears my concern. The beauty of having a head of Civil Service is that accountability does not get lost in the collective. I ask that we do not entirely jettison that idea as, perhaps, one for the future.

I note the proposals also contain what is termed “an end-to-end review of the disciplinary code”. I am curious that we tease that out. I note it makes recommendations in terms of recruitment to more senior managerial posts within the service. That needs to be considered. I am not a believer in privatising, or importing entirely a private sector ethic into the public sector as a way of reforming it. That is wrong-headed.

Finally, this report does not deal with the issues of reward and pay within the service, but the Minister will appreciate that manners of rewarding staff are inextricably linked in with the culture of any organisation and the morale of those who serve. We need a commission on pay within the civil and public service. It needs to right the wrong where we currently have at the upper ends excessive levels of pay and at the lower levels paltry wages and rewards for staff, but that may be an issue for another day.

**Deputy Brendan Howlin:** There were a lot of detailed questions that I will not have time to answer and we need a better forum than one which provides a minute to answer these questions.

On the first question, I will have an open mind on the leadership. If the other model presents itself in 18 months’ time as a better model, I will support that.

The review of the discipline code will happen. It is part of what we need to do to ensure that everybody is optimum. We, first, must give real tasks to staff in the Civil Service so they know what they are supposed to do. One cannot state they are not delivering if they do not have a clear understanding of what they are supposed to deliver and the tools to deliver it, in terms of training and skills.

That brings me to the other point. Deputy McDonald talks about recruitment. We now have opened general recruitment, but most of the recruitment we had been able to do in the recessionary times was of specialists because there are specialist deficiencies in a number of areas. We have established a new economic advisory group, that has been trained in my Department and now gives economic analysis across all Departments. We have looked at better human resource management by bringing in trained human resource specialists, the same as in procurement, on which my colleague, the Minister of State, will answer questions.

Low pay is a real issue. That is why we are establishing a low-pay commission which will look not only at the private sector, but also at the public sector. It will have a broad remit when it is established next year.

## **Other Questions**

**An Leas-Cheann Comhairle:** Deputy Durkan has the next question, but he is not present.

*Question No. 6 replied to with Written Answers.*

## **Public Procurement Contracts**

7. **Deputy Mary Lou McDonald** asked the Minister for Public Expenditure and Reform his plans to ensure full compliance with all legal obligations under labour legislation by companies awarded public procurement contracts, with respect to their use of subcontracting, in view of impending requirements under the new EU rules agreed in January 2014. [42059/14]

**Deputy Mary Lou McDonald:** This question relates to public procurement. The Minister of State will be aware that I have taken a considerable interest in the matter. I am concerned, not least because of a number of very well publicised cases in which there has been evidence and allegations of flagrant breaches of labour law and exploitation of workers. I had cause to speak again yesterday with the workers who are in dispute with JJ Rhatigan in respect of Kishogue Community College in Lucan; that is ongoing. The question is straightforward. What are the plans to ensure full compliance with all legal obligations under labour legislation by companies awarded public contracts with respect to their use of subcontractors, which is the issue at the heart of the JJ Rhatigan dispute?

**Minister of State at the Department of Public Expenditure and Reform (Deputy Simon Harris):** I thank the Deputy for her question and I note her ongoing interest in issues of procurement.

The main purpose of the EU public procurement regime is to open up the market and ensure the free movement of supplies, services and works within the EU, having regard to Treaty of Rome principles including transparency, proportionality and equal treatment. This is the rationale that shapes the detailed rules and directives governing the regime.

Under the current regime and standard forms of contract, there are requirements in place for compliance with legal obligations under labour legislation. For example, clause 2 of the standard form of the public works contract requires the contractor and his or her personnel and subcontractors to comply with all legal requirements.

There is a substantial body of legislation that directly or indirectly governs construction activities. However, two key pieces of industry-specific legislation, the Safety, Health and Welfare at Work (Construction) Regulations 2013 and the Building Control Regulations 1997 to 2014, both place considerable responsibility not only on contractors but on all those involved in construction projects, including designers, supervisors and individual workers.

The ultimate sanction for a serious breach of health and safety regulations is a criminal conviction and imprisonment. Compliance with health and safety regulations is separately

assessed in a pre-qualification of works contractors, with supporting evidence required to demonstrate that the applicant possesses sufficient resources and is competent to carry out the proposed works. The works requirements, which are a key part of the contract documents, also set out detailed specifications on how regulatory standards are best to be met.

Contractors are required to submit ongoing certification under clause 5.3 of the contract, which deals with pay and conditions of employment, to show that they have complied in full with the requirements of that clause, which covers aspects such as compliance with employment law and deductions for social welfare. Contractors are also required under this clause to maintain records and timesheets in respect of all those engaged on the works.

The new EU rules comprise a suite of three directives that repeal the existing rules governing conduct in procurement across the EU, but the basic architecture of EU procurement will remain intact.

I note that I will run out of time. I will come back with a reply to the Deputy's supplementary question. The key message is that I have opened this up to consultation for six weeks. I encourage people to go to the website *www.procurement.ie* and examine the consultation document. The first question relates to labour law. We are eager to get this right. We get only one opportunity to transpose these directives correctly, and that is why, while consultation was not necessary, I decided it was prudent. Consultation is open until 12 December.

**Deputy Mary Lou McDonald:** I welcome that consultation, which is indeed prudent. I welcome that at call-for-tender stage a company may be required to specify what part of the contract it does not intend to perform itself but intends to assign to a third party, which is significant. The company will also be required to inform the public purchaser of the names and addresses of such subcontractors, thereby providing a chain of responsibility. These tougher rules on subcontracting are intended to fight what is called "social dumping" and ensure that workers' rights are respected. Equally, it allows that contractors who do not comply may be excluded from bidding. These are very welcome developments. Does the Minister of State accept that we have an issue with social dumping and breaches of labour law in respect of subcontracted work on public contracts?

**Deputy Simon Harris:** I know that the Deputy has highlighted the issue, including during Private Members' time on Fridays. I accept her bona fides in bringing the issue to the House. I have asked the Office for Government Procurement to look into the matter when considering the implementation of the directive.

The directive obliges us to give consideration to how we wish to adhere to "applicable obligations" in labour law. While most of the directive is mandatory, each member state has a policy choice on which appropriate measures to adopt to ensure compliance with this obligation. That is the discussion I wish to have between now and 12 December.

I am approaching the matter with an open mind. The Minister, Deputy Howlin, undertook significant work during our Presidency of the European Council in getting this through the European Parliament. Considering Ireland's leadership role, I want to ensure Ireland is best in class and that we transpose these directives in a way that ensures flexibility and does not gold-plate them while also addressing the social and labour law issues that we have discussed here and that I am sure we will continue to discuss.

**Deputy Mary Lou McDonald:** It is very important - I am sure this will be reflected by

those with whom the Minister of State consults - that we make the correct policy choices, and in so far as adherence to labour law and the rights of workers are concerned, they need to be watertight and robust.

JJ Rhatigan and Company has approximately 50% of school building contracts at construction stage awarded by the Department of Education and Skills. As the Minister of State knows, Unite is in dispute with JJ Rhatigan over the treatment of its members on the site at Kishogue Community College in Lucan. Following a ballot, the workers unanimously decided on industrial action, which commenced on 19 September. They will be in court tomorrow fighting an injunction.

JJ Rhatigan operates a complex system of subcontracting under which workers on these public capital contracts have been forced into bogus self-employment with no PRSI, holiday, pension or other entitlements. These workers are effectively earning less than €5 an hour. They have been locked out since 1 September. I know there are obvious limits in what the Minister of State can say and I am not asking him to stray beyond that. However, I ask him to respond as he can to this situation and to make it very clear for those workers and anybody else being exploited in this way that he is aware of the phenomenon and is determined, as I hope we all are, to stamp out these practices. I hope that workers enjoy the Minister of State's support as they try to deal with these exploitative situations.

**Deputy Simon Harris:** The Deputy correctly notes the limitations on what I can say about specific cases. However, I am very happy to say that we have quite a robust suite of labour law. In the procurement area, I want to ensure that in transposing these directives we deal adequately with all of these issues.

Obviously the Minister for Jobs, Enterprise and Innovation has overall responsibility for employment rights. The National Employment Rights Authority, NERA, is responsible for enforcing minimum statutory employment rights and entitlements in the State.

While we are discussing the issue of subcontractors, the Government has made a decision, led by the Minister, Deputy Howlin, that the Minister of State, Deputy Nash, will work on the implementation of the Construction Contracts Act, which is of serious concern to many subcontractors. I am very proud that this Oireachtas passed the Act, and we expect it to be implemented next year.

### **Public Procurement Contracts**

8. **Deputy Mary Lou McDonald** asked the Minister for Public Expenditure and Reform his plans to increase access by indigenous small and medium enterprises to public procurement contracts, in view of the impending requirements under the new EU rules agreed in January 2014. [42056/14]

**Deputy Mary Lou McDonald:** We touched on this issue in the course of last week's debate. At that stage I raised with the Minister of State the importance of increasing the access of indigenous small and medium-sized enterprises, including micro-enterprises, to public procurement contracts, in view of the new EU rules agreed in January 2014.

**Deputy Simon Harris:** Some of my prepared reply is the same as I have already outlined,



so I will take that as noted regarding the objectives of the EU directives.

The Office of Government Procurement is currently exploring policy choices as part of the transposition process. In this context, I have launched a public consultation on the new directives. It is open to everybody - not just specific people - to give their views on how they wish to see these directives transposed, and I urge everybody to do so. We are accepting written submissions up to 12 December. Consideration will be given to the responses received when drafting the statutory instruments to implement the EU rules in national law.

Many of the changes in the directives on SME access to, and participation in, the public procurement market were foreshadowed in Circular 10/14 on initiatives to assist SMEs in public procurement, which we have discussed previously. This policy initiative aims to open up opportunities for small businesses to bid for State business by simplifying and streamlining the public procurement process and reducing the administrative burden on businesses wishing to tender for public contracts.

The circular contains guidelines setting out relevant and proportionate financial capacity, turnover and insurance levels for tendering firms and the subdividing of larger contracts into lots to enable SMEs to bid for these opportunities. In addition, the guidelines encourage SMEs to form consortia where they are not of sufficient scale or capability to tender in their own right. The aim is to encourage Irish SMEs, where necessary, to form alliances and networks to ensure they can tender competitively for business. The guidance also encourages suppliers to use fully the e-tender system and to avail of its facilities for registration, e-tendering and automatic alerts for future tendering opportunities. These are facilities which are aimed at easing the administrative burden of suppliers in tendering for public contracts.

We have established an SME working group with industry representative bodies, including ISME, IBEC, Small Firms Association, SFA, Chambers Ireland, Construction Industry Federation, CIF, and public sector representation from the office of Government procurement, OGP, the Department of Jobs, Enterprise and Innovation, InterTrade Ireland and Enterprise Ireland. The focus of this group is to develop and monitor SME access to public procurement. This group meets regularly - I am pleased to have met the group recently - and it has broadly welcomed the policy initiatives in the circular. I expect this group to input into the public consultation process. While the circular and its provisions have been broadly welcomed, I am acutely aware, as is the OGP, that the main criticism from many stakeholders is the lack of consistency in the implementation of the circular. If I were to identify one challenge for 2015 it would be to ensure that the SME circular is consistently implemented across the board.

**Deputy Mary Lou McDonald:** I thank the Minister of State. I appreciate the challenge and I note the consultative phase and also the Meet the Buyer event which will be held shortly. I hope to attend that event.

The Minister of State referred in his response to the practice of breaking contracts into lots and making them accessible. He referred to encouraging SMEs and micro-businesses to form consortia to give them the capacity to bid. While on paper this may appear to be a very straightforward proposition, in practice it is failing very many smaller businesses. The Minister of State may be aware that in the stationery sector those companies that bid for stationery business with the State have had an appalling experience in this bidding process and the requirement to create consortia. I am not sure that this particular issue has been terribly well thought out nor am I convinced that the system has had a listening ear to the real experience of businesses.

Training has been provided, not least through InterTrade Ireland, which is welcome but we need to get that piece of it right. I encourage the Minister of State to have a particular eye for that issue in the course of his consultation.

**Deputy Simon Harris:** I am pleased to hear that Deputy McDonald hopes to attend the Meet the Buyer event. I have made a point of inviting every Member of the Oireachtas to the event and if the Deputy is not in a position to attend there will be more events. It is very important to allow an opportunity for SMEs to interact first-hand with the public service buyers and for us as policy-makers to see that interaction, to see what is working and what is not working.

I accept Deputy McDonald's constructive criticism about consortia; it is a criticism I have heard from the representative bodies.

I refer again to the consultation process which will provide an opportunity to look at what is working and what is not working, to look at what we want to achieve from these directives. All too often EU directives can be regarded as negative or challenging measures but in my view we must seize them as an opportunity. The Deputy correctly said that we are looking at upskilling SMEs by providing training sessions so that they are ready to engage in procurement. It is in the interests of the entire Irish economy that we get more SMEs availing of and winning public procurement contracts.

**Deputy Mary Lou McDonald:** I hope the consultation period will be successful. A number of issues were raised within the stationery sector, including concerns to do with quality levels and the health and safety standards required in respect of stationery provided to schools, including primary schools. The sector has brought these issues to the attention of some of the Minister of State's colleagues. I ask that when those observations come back about the real experience of those involved in any sector that they will not be brushed off or dismissed. It is my view that the health and safety and quality issues as well as some of the predatory practices, perhaps, by others outside of the State who tender for this business and who are bigger operators, are very real concerns. I ask the Minister of State to consider those very carefully because it is a case of getting it right and as he says, ensuring that as many indigenous Irish SMEs and micro-businesses can legitimately and fairly win as many contracts as possible.

**Deputy Simon Harris:** I agree with much of what the Deputy says and she is correct. Aside from capital projects the State spends about €23 million a day on purchasing goods and services. It is a very significant contribution to the domestic economy and to the flow of money around the domestic economy. There is also an issue with SMEs needing to know that the public procurement process is open to them. We want them to become involved. It is a little like exporting in the days of the Celtic tiger when exporting was viewed as something only done by larger companies. There has been a cultural shift and a change in the mindset and many smaller businesses are exporting successfully. We need to get to that point with regard to procurement where the procurement process is open to everyone in every town and village and where we provide all the supports.

I agree we need to achieve value for money and we have very ambitious savings targets. However, we have previously debated the point that value for money is not always a case of the bottom line; it comprises a formula that is more complex than just considering the bottom line. That is the balance we need to achieve. I hope we get it right most of the time - I am not saying we get it right all the time - and hopefully this consultation process will tease out these issues.

## Public Sector Staff Recruitment

9. **Deputy Joe Higgins** asked the Minister for Public Expenditure and Reform his plans to reduce the level of temporary staffing across the public sector by converting such posts to permanent contracts. [42069/14]

**Deputy Joe Higgins:** I wish to ask the Minister for Public Expenditure and Reform whether he will reduce the very high level of temporary staffing across the public sector by converting such posts to permanent jobs.

**Deputy Brendan Howlin:** I thank the Deputy for his question. In my role as Minister for Public Expenditure and Reform, I have overarching responsibility for recruitment to the Civil Service. All such recruitment is governed by the Public Service (Management and Recruitment) Act 2004. Under the Act, the method of appointment to a permanent Civil Service post is as a result of being successful in a competition run by the Public Appointments Service or by another licence-holder such as the head of a Department or office. Selection processes are open to all eligible applicants who meet minimum entry criteria.

In the main, vacancies in the Civil Service are filled on a permanent basis. However, temporary vacancies arise from time to time to cover such absences as maternity leave or shorter working year and where a permanent vacancy will not exist and a job needs to be done for a finite period of time. Temporary clerical officer positions in the Civil Service are filled by an annual competition conducted by PAS which is usually advertised in February of each year.

It is a matter for human resource units in all Departments and agencies to have procedures in place for dealing with the recruitment and employment of fixed-term employees and the management of their contracts. My Department issues guidelines, entitled Best Practice for the Recruitment and Management of Fixed-term Employees in the Irish Civil Service, which are revised from time to time. The most recent version issued in April 2014 and took account of changes arising as a result of the single pension scheme and the Haddington Road agreement. The guidelines can be found on my Department's website.

PeoplePoint, the Civil Service human resources and pensions shared service centre, became operational in March 2013 and brings together shared HR and pension processes and systems. There are now over 24,000 employees availing of PeoplePoint services across 20 Departments and offices. The use of contract staff for these posts was necessary to ensure that business needs were met and as a temporary response to the demands of this new service. Plans are progressing to replace those temporary clerical officers with permanent staff. In June of this year PAS advertised a recruitment competition to fill permanent clerical officer positions in the Civil Service and public service. In excess of 28,000 applications were received and the first successful applicants are now being offered appointments in line with demand to fill vacancies across the Civil Service and the public service. Decisions on the filling of posts, permanent or otherwise, in other public service bodies are a matter for the employing bodies in the context of their business needs.

**Deputy Joe Higgins:** There is an inordinate number of temporary contract workers in the public sector, in particular, as a consequence of the recruitment embargo and people were brought in on very short-term contracts. These contracts were renewed one after the other and many had to resort to the courts to have the State implement the law to give them fixity of tenure. If we look at the Department of Education and Skills, we will see the matter involves 935

primary school teachers and 2,618 post-primary school teachers, not all of whom are replacing teachers on maternity leave and so on. Almost 200 staff have been employed on temporary contracts in PeoplePoint; some of whom have been in the Department for years; were promised a confined establishment competition in which they could hope to move to a permanent position and now find themselves thrown into the mix with 29,000 other applicants to join the public sector generally. This is highly unfair. They were made a promise and I would like to know what the Minister will do about it.

**Deputy Brendan Howlin:** In general, I am far happier to have permanent appointments where there is a permanent job to be filled. That is what we are going to migrate to. We certainly had difficulties in filling positions that were needed during the time there were restrictions on recruitment. Some staff were recruited on a short-term basis. I have a difficulty. I want permanent staff in PeoplePoint, but I must allow others to apply for jobs. I cannot simply say those who have been there on a temporary basis will automatically be given all of the positions. That would not be fair to others who want to apply for them. As far as is practicable, staff can apply and will be facilitated. They will have an advantage in their applications because they already have the skills required. I am aware that there are people who have applied and have not met the recruitment criteria for the jobs being created within PeoplePoint on a permanent basis. I encourage people to keep going in order that everybody will have an equal opportunity to secure jobs, as opposed to me saying this discrete section will have precedence over all others.

**Deputy Joe Higgins:** Of course, we want people to have proper decent jobs in the public sector with proper pensions and conditions, but that has been made far more difficult by the fact that the Government and the previous Administration did not replace up to 30,000 public sector workers. Does the Minister not see the difficulty of staff in PeoplePoint with up to two years experience who hope to be made permanent but who might now face the dole? It is not fair to regard them as complete outsiders competing with others applying for the first time. Surely it is a matter of justice. I ask the Minister to give an assurance that the people concerned will move to permanent positions. What is the position of those with contracts of indefinite duration who as a result of threatening legal action had inferior conditions under which they were employed on temporary contracts in being made permanent?

**Deputy Brendan Howlin:** As PeoplePoint became operational in March 2013, staff have not been there for years. I take account of the point made by the Deputy that we must have some consideration for those who are doing the job on a temporary contract, some of whom have had that contract rolled over because it is only an annual contract. I do not know whether it is the Deputy's position that they should automatically be made permanent and that people elsewhere in the Civil Service or those not employed in it but who would like to seek a clerical officer position should be excluded from applying for these jobs. On balance, we should have an open competition to fill all jobs, but those already there have an advantage inasmuch as they have a proven track record of being able to do the job. That is the better way to go.

### **Public Sector Staff Recruitment**

10. **Deputy Thomas P. Broughan** asked the Minister for Public Expenditure and Reform in respect of his address to Dáil Éireann on expenditure Estimates for 2015, if he will provide further details of the increased autonomy that will be afforded to Departments and agencies to manage their own staffing levels and the way this will work in practice; and when the resump-

tion of Civil Service recruitment will recommence in 2015. [42005/14]

**Deputy Thomas P. Broughan:** In his expenditure statement the Minister mentioned the fact that the Civil Service leadership in Departments and agencies would have much more autonomy in recruiting staff. I also note that in the interesting report, Vision One, which was launched recently by the Minister, action 18 also refers to developing the capacity of local managers to develop or recruit their own staff. How is this working out? The Minister mentioned recruitment in 2014. What are the plans for 2015, given the fact that he and the previous Government have presided over the slashing of the public service by something like 10% and the fact that 73% of staff in the Civil Service are aged over 40 years and that only 4% are under 30?

**Deputy Brendan Howlin:** The Deputy used pejorative words like “slashing”. The bottom line is that if every organisation of State was to do things more effectively and efficiently - which it can do - we would produce much more for less by transforming the way we provide services. I know that the Deputy would not be so backward as to think we could not modernise the Civil Service or that we should stay in a frozen state.

As I announced on budget day last month, I will seek to put in place new arrangements to replace the moratorium on recruitment and promotion in the public service from 2015 onwards. This will be subject to the issuance of formal delegated sanction by my Department to all other Departments and offices in return for agreed commitments by them to manage staff resources within agreed pay ceilings and meet ongoing reform and efficiency objectives. Under the new arrangements which my Department has begun to discuss in detail with the other Departments, sectoral managers will be incentivised to make further savings. Where these are achieved - for example, by recasting the grade mix or reassigning duties or introducing more efficient work practices, all of which are normal ways of doing business - such savings can be reinvested in expanding services to meet increased demand, including hiring more staff, where appropriate. There will be restrictions and controls to prevent unwarranted grade drift and unsustainable recruitment and, of course, recruitment will be carried by the Public Appointments Service in the normal way and open to open competition.

The Deputy will be aware that the moratorium was first introduced as an emergency measure in response to the fiscal crisis that struck the public finances under the last Administration and as a policy instrument, it has made an important contribution on two fronts. First, it has helped to deliver more than €3 billion in Exchequer pay bill savings, which is a huge contribution to the repairing of the public finances. Second, since 2011 in particular, it has served to help drive reform across the public service, underpinning programmes to introduce new and more efficient ways of delivering public services across the system.

We have produced a number of reform plans with which the Deputy is familiar. It is transforming the way the State deals with citizens, making it much more transparent, open and, I hope, efficient.

*Additional information not given on the floor of the House.*

Nonetheless, in the course of framing the second public service reform plan which I launched at the beginning of the year it became clear to me that an emergency measure such as the moratorium was not conducive to long-term, sustainable reform and service provision. It is simply not something that any major organisation can or should wish to sustain over a long period, which is why the new reform plan contained a commitment to introduce more flexibility at the

operational level. In the context of the budget, therefore, having regard to our much improved fiscal position which allowed the Government to bring an end to spending cuts, I decided to accelerate implementation of the reform commitment and work towards introducing the new arrangements early next year.

This change in policy is not about giving a blanket sanction for widespread recruitment or promotion across the public service, nor does it signal an end to the efficiency drive that has defined public service reform in the past few years; rather, it is about giving those who are best placed - front-line managers - a degree of freedom in the management of staff resources to meet the demands they face. With this comes responsibility to make the right decisions, continue to implement reform and continue to achieve efficiency gains. That requirement will be reflected in the terms and conditions of the sanction being finalised. As outlined in the reform plan, the policy objective in this change of approach is twofold: to continue to contain the cost of delivering public services at affordable and sustainable levels in the medium term; and to allow the public service to respond and adapt quickly to the needs of the citizen.

Regarding recruitment to the Civil Service, about which the Deputy asks specifically, the Public Appointment Service has begun a number of open competitions, including at clerical and graduate grades. Some more will follow in 2015, with the dual aim of bringing new people and new skills into the public service and addressing any imbalance which may have developed during the operation of the moratorium. The competitions run by the Public Appointment Service are advertised nationally and open to all suitably qualified candidates.

**Deputy Thomas P. Broughan:** In respect of local management, will the professional expertise of recruits be an outstanding aspect of how local managers will manage? I note that the report, Vision One, refers to the available talent pool, heads of profession and developing the ICT, legal, economics and statistical cadres within and across Departments. What flexibility will a local manager have in this respect? The Minister talks about open recruitment to fill all positions. Does this also apply to private secretaries to Ministers? Is every single position open to all recruits? I note that that there will be a new code of conduct for political appointees in Ministers' offices.

On performance assessment, has the Minister settled on a modern, international set of measurements which can be applied fairly across the Civil Service and will give us a high performing Civil Service? It must be said the Civil Service was usually ranked very high in the OECD rankings throughout the noughties and up until very recently. It was in the top five, or certainly the top ten.

**Deputy Brendan Howlin:** I echo the Deputy's view on the quality of the Civil Service. I remarked at the launch of the Civil Service reform document that on the evening before the final departure of the troika, the head of the troika group told me it had never dealt with a more competent Civil Service than ours. I thought that was high praise and I passed it on. However, we need to modernise and upskill, as well as to provide clarity about roles in the Civil Service. The Deputy asked a number of specific questions. We need to give clarity to civil servants about what they are expected to do before we can evaluate how well they are performing their roles. We also need to provide proper supports in terms of training. We have been recruiting specialists because there are skills deficiencies in the spheres of economics, human resource management and procurement. I expect that we will see more specialists and fewer generalists in the future. In the past, the bulk of civil servants were clerical officers but they are being replaced by much more technology as people use online mechanisms.

I am excited by the capacity of the new digital age to provide more effective services. More than 400 public services are currently accessible online and we want to migrate more services online. We are analysing the 20 most used services to see how we can make them more efficient for citizens. The first phase in our public service reform programme was, by necessity, focused on saving money by improving efficiencies. The next phase will be more focused on improving the experience of our citizens when we deliver the services on which they depend.

**Deputy Thomas P. Broughan:** Has the Minister investigated new, and perhaps simple, methodologies for assessing the performance of managers and leaders in the Civil Service? Is recruitment in respect of the private sector completely open?

The right-wing media, which is often hostile to civil servants and the public service in general, often has a field day running down our Civil Service. Who will now speak for the Civil Service? The Minister decided against appointing a head of the Civil Service but it appears that the Secretary General at the Department of Public Expenditure and Reform, Mr. Watt, will effectively become the spokesman for the entire 35,000 staff. Is that the case? I note that the management board will be chaired by the Secretary General at the Department of the Taoiseach. In the context of Irish Water and other public companies, it is striking in the public sector that communications people rather than the chief executive are sent out to explain. We have all been looking for the chief executive of Irish Water but I have not seen him since was manager of Dublin City Council. Who will speak for the Civil Service?

**Deputy Brendan Howlin:** The Deputy's questions underscore the point I made earlier to Deputy McDonald on the need for a more structured debate on this exciting set of reforms, which will be transformative for the Civil Service.

In regard to a spokesperson for the Civil Service, it has been determined that the Secretary General of my Department will be the official spokesperson for the Civil Service. We need somebody to argue and listen to criticisms on behalf of the Civil Service, as opposed to Ministers performing those tasks. In regard to the management board, one of the major deficiencies in the Civil Service is that it is not sufficiently integrated. One of the objectives of the new reform plan is to develop a more integrated Civil Service so that people do not think in terms of silos. If a manager cedes personnel or functions to another Department, that should not be seen as a weakening of his or her position but as a shared assessment of how services can be improved or particular problems addressed. In terms of assessments, for the first time objective criteria will be developed for assessing performance against the stated objectives of Secretaries General. This exercise will be carried out by a board chaired by the Taoiseach and will involve myself and other Ministers, a number of Secretaries General and external experts from business. All of this will be put in place in the coming weeks.

Clearly we need a broader debate on these issues but I am excited about the potential for a real transformation and, more important, by the engagement of 2,000 civil servants in the process over the last year. There is an appetite to embrace change and to do things better, and the objective of having one of the best civil and public services in the world is within our grasp.

*Writtens Answers follow Adjournment.*

**Finance Bill 2014: Second Stage (Resumed)**

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

**Deputy Mick Wallace:** The Minister for Finance stated that Ireland has the fastest growing economy in the European Union. He did not give much context or detail on what this means and there was no question about whether it is good in itself. When we boast about having the fastest growing economy in Europe, we would do well to remember that we also have the fastest growing child poverty rate in Europe. We should be looking closely at why matters are working out that way.

The markets like us to show growth in order to restore their confidence in us. This is what the Government is aiming for, regardless of the cost. Its policies are very much market driven. During the boom times, planning was market and developer driven and we know where that got us. Given the battering that neoliberalism took during the crisis, it is difficult to understand why it continues to thrive. The Government boasted that the budget represented the end of austerity but until we claw back the serious inroads made into public services and the living standards of ordinary people, austerity will prevail. Inequality is rising and there is little doubt that the austerity of the last six years has seriously eroded public services. It will be a huge challenge for any Government to row back and restore what we had previously.

The Minister, Deputy Noonan, is a bright and able individual. I like him, although I do not agree with him. He makes his arguments very well but so do people like Mr. Michael Taft. I would like to pick the latter’s brains in order to present the matter from another perspective. In October, Mr. Taft carried out a budget analysis using data from the Government’s budget report, adjusted for inflation and IMF projections for population increases in Ireland. He found that total spending on public services, social transfers and investment will fall by more than 9% by 2018. Funding for schools, hospitals, policing, transportation, enterprise supports and other public services will fall by more than 8%. Government investment, which is vital to our infrastructure and our attractiveness as a place to do business, will fall by 15.4% by 2018. As he points out, this is the most irrational of all cuts from the point of view of economic growth.

The Minister, Deputy Noonan, told us that Ireland already has one of the most progressive income tax systems in the developed world. In 2015, he said, the top 1% of income earners will contribute 21% of all income tax and universal social charge revenue collected. By contrast, we were told, the bottom 76% of income earners will pay 20% of the total. According to Michael Taft, however, this is a ridiculous statement when one takes into account his finding that Ireland has the highest rate of pre-tax, pre-transfer income inequality in the OECD. It is true that the top 1% of income earners will pay 21% of all income tax and USC collected in 2015. That is as it should be, given that this group has more than 20% of the wealth in Ireland. In fact, it is disgraceful that these top earners will pay so little.

The tax system is progressive only to a point, with increases in taxation flattening out after the €70,000 plus mark. Once one joins the top 10% of earners, the more one makes the less one pays as a percentage of household income. That does not amount to a progressive tax system. Rather, it is a system that rewards the rich and the super-rich. The carrots that were attached to the budget nicely illustrate this situation. Those in the top 10% - that is, those earning above the €70,000 mark - got 4.3 times more cash than the many workers who earn between €17,500 and €33,800. An extensive study by the Nevin Economic Research Institute, NERI, earlier this year found that as a percentage of household income, the poorest 10% pay taxes of 28% and the



top 10% pay a rate of 29%. That is hardly progressive.

When it comes to the crunch, playing around with the income tax percentages, as this budget does, is something of a sideshow. The real issue is the massive cuts in investment and expenditure on social services. Mr. Taft gave a seminar on 22 October in response to the budget in which he pointed out that expenditure on public services in Ireland is 14% below the average for the EU 15. Compared with other small, open economies, we would have to increase Government consumption by €7 billion to reach the mark. When it comes to public investment, Ireland comes in at 20% below average and would need to increase spending by €800 million to €1.7 billion in order to match the EU average. All of this is compounded by the fact that total investment in the economy is 40% below the eurozone average.

Even our masters in the IMF have changed their tune a little of late. In a recent report, entitled *Redistribution, Inequality and Growth*, the IMF challenges the notion that policy makers must choose between tackling inequality and achieving faster growth. The argument now goes that reducing inequality leads to faster and more durable growth. Some weeks ago, the IMF went so far as to break with standard neoliberal doctrine by encouraging member governments to take advantage of historically low borrowing costs to boost spending on public investment. Most economists everywhere in the world - Stiglitz and Krugman among them - agree it is a no brainer. With money to be had for less than 2%, the idea of not borrowing directly to invest in infrastructure is crazy.

The Minister, however, pointed out that EU rules prevent him from borrowing serious amounts to invest in infrastructure and that including such investment on the books would mean we would not meet our EU targets. We should be challenging those rules because they do not make sense. The Taoiseach has said that one of the arguments for Irish Water is that the Government must create a commercial State entity which, more than likely, will be eventually privatised. Even while it is still owned by the State, a commercial State entity is able to borrow off the books, which the State cannot do. It would make sense for the State to avail of the low cost of money to invest in infrastructure now. We should challenge the European rules in order to be able to do that. Infrastructure investment would have an impact on people's lives in a way the so-called recovery has not. The figures look good, but the majority of people are not experiencing this apparent improvement as impacting on their lives. The type of serious programme of investment I am proposing would have a dramatic effect.

**Deputy Clare Daly:** Budget 2015 may be characterised as a continuation of policies which have seen the Government operating like Robin Hood in reverse. The Minister continues to rob from the poor and from ordinary people to further enrich those at the top of Irish society. What could have been an opportunity to level the playing field and begin to eat into some of the rising inequality we have seen in recent years - an inequality that accelerated during this Government's term of office - was wasted. Instead the decision was taken to enrich those at the top to the detriment of everybody else. Not only is this bad for citizens on social welfare and the growing group made up of the working poor, it is also criminally irresponsible in terms of the cost to our society into the future.

I agree with the analysis of the budget put forward by John Douglas of Mandate. It is, he said, a highly regressive budget which redistributes wealth from the lowest-paid to the highest-paid earners. An employee earning €70,000 will be better off, thanks to this Government, to the tune of €750 per year. A low-paid worker on €15,000, meanwhile, has been compensated by only €105. It should be noted that these figures do not take account of the introduction of water

charges. Social Justice Ireland has pointed out that this is the fourth regressive budget in a row and one which further widens the gap between rich and poor by some €500 per year. Between 2008 and 2015, SJI observes, budget changes in tax and social welfare have impacted mostly on two groups. These are welfare dependent households, which have lost more than 12% of their income, and, second, the working poor, who have lost 13% of their income. This budget failed to prioritise those groups and will instead worsen their situation.

Correspondence I received from two constituents is reflective of what people in these circumstances are experiencing. One of these constituents is a woman, aged 47 and with two children, who spends more than 50% of her income on rent. She wrote:

I have been working full time in Ireland since entering the country. I feel like I am walking against walls. After paying rent, electric and the bus to work, I have €500 for three people. I cannot get rent supplement because I work 40 hours. I cannot get one-parent supplement because I earn too much, even though it is only €450 per week. We were not able to heat our house for the last three years and I will not be heating it this year. I have to pay everything when it comes to school.

Next year this person will have to pay water charges on top of everything else, all out of a monthly net income of €500 between three people. She goes on to say:

Now I have to sub-rent two rooms in order to have the money for... simple things like school or shoes for my children. I do not want to do this. I would like my family home to be my family home.

Another woman wrote:

I cannot afford to give any more. I cannot afford to be scared any more. I would really love the Government to come and live off our earnings. We have no loans but we just cannot manage ... I am fed up with managing. Both of us go out to work. We should be able to see something good from our wages.

*11 o'clock*

The reality is that people are not. They are getting up earlier, working longer for less than they did years ago while the cost of living is rising. It is an absolute disgrace the Government missed an opportunity to target those families.

Water charges have to be brought into this context. Even the few crumbs the Government threw at people will be massively wiped out by water charges. Nobody is taken in by this idea that the Government will cobble together some magic solution in the next two weeks which will keep water bills low, allowing it to limp on to the next general election, after which they will skyrocket. The Taoiseach has consistently said he needs money to invest in Irish Water's infrastructure and that is why the charges are in place. He speaks about taking a couple of hundred million euro - with the budget concessions it might be down to €300 million - out of the pockets of householders to do that. He is masking the fact that in this budget alone €400 million was given back to the high earners in our society through tax concessions and paybacks. Instead of further enriching the rich, the Government could have nullified the whole basis for the water charges to begin with. Deputy Mick Wallace referred to research from Michael Taft from UNITE which showed the top 17% of earners got tax cuts to the tune of approximately €400 million courtesy of the Government. What other conclusion can one draw but that it will

be hard-pressed home owners who will pay for water charges who will also pay for these tax concessions?

We already pay for our water. The people already pay €1.2 billion, largely sweated off the backs of taxpayers, to our water infrastructure. The setting up of Irish Water cost €640 million. That is money paid twice by taxpayers through property tax and the use of their pension funds. Now, the Government wants us to pay water charges again - paying for it a third time. The big carrot for this is that this money will be used so that Irish Water can borrow money so we can pay that back again, essentially paying for it four times. It is absolute and utter lunacy.

Could we get the money elsewhere? One only has to look at the headlines in today's newspapers about the activities of the multinational sector and corporations to know we could. Not only did the Government give back €95 million to corporations in the recent budget, we have one of the lowest corporation tax rates in Europe which is not even implemented. We see supposedly gilt-edged reputable companies consciously organising their tax affairs so they can avoid paying tax in this country. There is a direct link between an erosion of our public services and the Government's decision to make ordinary householders meet that deficit. If these corporations even paid the effective rate of corporation tax - remember it is the lowest in Europe - this State would have €2.5 billion extra to play around with every year. That is more than enough to invest in a proper water infrastructure system, to improve all benefits and deal with those on the bottom.

The Government, however, chose not to do that. Instead of protecting citizens, it has consciously used this budget to protect those at the top. It is incredibly unfortunate that the Government has not taken positive initiatives to encourage investment. I agree with the points made by Deputy Mick Wallace on that score.

It is a crime that billions of euro of citizens' money in pension funds is invested abroad. While I accept these are private pension funds and the Government cannot control private money or direct them what to do, it can encourage them as to what to do. We have a tax system which benefits high earners in tax breaks for pensions. Manipulating the pension tax benefit system to link the benefits at home in Ireland would encourage those pension funds to invest in Ireland. It is only by putting people to work on some of the programmes to deal with massive infrastructural deficits that we will transform the economy. It will get more people back to work in a serious way, not zero-hour contracts or part-time rubbish jobs or JobBridge internships over which the Government stands.

It is a little bit rich to listen to lectures about how we need to conserve water when for the past four years the Government has been in power it has not put a single water butt on to a Government building, not to mind investing in a proper system of rainwater harvesting in State buildings or a programme of grants to allow people to remediate their houses to cut down on water consumption. These are also activities that could get people back to work and improve the buoyancy of our economy. Some of the pension funds I referred to earlier could be encouraged to invest at home through these initiatives. Again, however, it is another wasted opportunity.

The facts speak for themselves. The rich have been made richer at the expense of ordinary citizens. Thankfully, the people have seen through that. They are up off their knees and will not be taking it anymore.

**Acting Chairman (Deputy Charlie McConalogue):** I call Deputy Olivia Mitchell who is sharing time with Deputies John O'Mahony and Anthony Lawlor. Is that agreed? Agreed.

**Deputy Olivia Mitchell:** It is hard to believe that only three weeks ago on the eve of the budget the newspapers were full of concern that there might be a giveaway budget that could jeopardise the national recovery or that not enough would be given away. In the event, every single taxpayer and welfare recipient will be better off as a result of this budget, albeit by a modest amount. It is not the amount that is significant. It is the fact that, after so many difficult years, we at last have a budget that does not take more from us than it gives. The budget's thrust was very much focused on increasing employment and securing the recovery, ensuring that progress we have made painfully over the past four years is sustained in the future. While paying ourselves more in pay and benefits may be a short-term stimulus to the economy, if it is done at the cost of more borrowing, then it can only undo what has been achieved and will send us into an ever downward spiral.

The measures announced on budget day and included in the Finance Bill are both prudent and proportionate. Changes in tax and the universal social charge, USC, taken together ensure every worker's pay packet increases. This is true of both PAYE workers and the self-employed. There is considerable upset, however, among the self-employed about the onerous 11% USC rate. It was introduced and increased to ensure there was no disproportionate benefit to the self-employed with incomes over €100,000 compared to those on PAYE and has its roots in the changes to the PAYE ceiling back in 2011. Notwithstanding the logic of it, the optics are not good. It appears to the self-employed that they are being punished relative to the PAYE worker on a similar income. The assumption the self-employed had a tax advantage prevails and may have been true in the past. The rules, however, changed and Revenue has become far more efficient in collecting from the self-employed. The rule has changed also in that they are paying tax in advance rather than after the event.

Over the years of the recession, we lost an awful lot of our entrepreneurs; some of them were wiped out forever. We need now to grow and nurture a whole new generation of employers, however small the size of their business. Without them, there will be no new jobs. No matter how logical or justified this higher rate of USC is, it creates the perception that the self-employed are being penalised in some way and not valued. As we know, when it comes to investment decisions, optics and perception are all-important. The bottom line is that the effective rate of tax for the self-employed is 44.3%, while for PAYE workers it is 42.3%. The marginal rate of tax for the self-employed is 55%, whereas for PAYE workers it is 52%. I know it will not happen in this budget, but I ask the Minister to examine as soon as possible a rebalancing of the mix of USC and taxes in a more transparently fair way, because, as I said, the optics are equally important.

The Minister should also reinstate the sunset clause by way of an amendment to this Bill. A sunset clause was included originally, which recognised the penal, onerous and, by implication, temporary nature of this tax. While that clause expired this year, it was reinstated for PAYE workers but was removed completely - and there is no mention of reinstating it - for the self-employed. I strongly urge the Minister to do so this year. It would send out the right signal that this is not going to be a permanent tax.

As regards pensions, I welcome the measure whereby the requirement to take 5% out of approved retirement funds, ARFs, annually is being reduced to 4%. I hope we will see a further decrease to 3%.

I want to make a case for the many people who are on defined benefit pension plans but are still working, and who now see almost all defined benefit pensions being wound up. Their funds are being used to purchase personal retirement bonds. On retirement, an employee whose bonds derive from a defined contribution scheme can either buy an annuity or transfer their money to an ARF. Those on defined benefit schemes, however, find that they must purchase an annuity on retirement. Therefore, the latter group does not have the same flexibility. Purchasing an annuity is an expensive option, particularly at the moment, because interest rates are so low that people must spend a huge amount of their fund just to get a meagre pension. I ask the Minister, therefore, to examine the possibility of giving the same flexibility to those on defined benefit pensions that those on defined contribution schemes have.

I welcome the reduction from 5% to 4% in the mandated withdrawal from ARFs each year. The fact that people have to take out 4% each year will ensure that there is no loss to the Exchequer, because the tax will be paid annually at 4%.

Notwithstanding what I said about the USC, the overall budgetary thrust is very much pro-business and pro-investor. It strengthens and extends the scope of many of the existing measures we took last year. Particularly welcome is the publication of the roadmap for tax competitiveness and the concrete commitment to a range of actions to give certainty to the business community, which is so important. Doubts about the 12.5% corporation tax rate, together with the reputational damage of the “double-Irish” tax arrangement, could, if they were allowed to persist, have been catastrophic for inward investment. Therefore the public commitment to maintain the 12.5% rate and introduce automatic tax residency for companies no matter where they come from - if they are incorporated here - is essential and timely.

On balance, this budget is proportionate and of benefit to everybody. Based on the certainty it provides, we can look forward to better budgets in the future.

**Deputy John O’Mahony:** I am glad to contribute to the debate on the Finance Bill, which is effectively the implementation of measures in the budget. It is interesting to see that none of the opposition parties is represented here now. Maybe that is an indication that they are conceding that the budget was an excellent one.

I welcome many of the measures, which, for the first time in five years, demonstrate that there is some light at the end of the tunnel for those people who have sacrificed so much on the back of difficult decisions that had to be taken by this Government after our economic sovereignty was surrendered in 2010 following the boom-bust cycle of the noughties.

Many of the measures, particularly the removal of another 80,000 people from the USC and the reduction of USC rates for those on lower incomes, are very much to be welcomed. I assume and hope that that will continue and that there will be greater measures in budget 2016.

In addition, child benefit measures and the partial restoration of the Christmas bonus provide a welcome signal to vulnerable people on low pay. The restoration of Garda recruitment and the replacement of Garda vehicles are also welcome budgetary steps. Garda recruitment ended in 2010, but it is now up and running again so that crime can be tackled with a consequent reduction in crime figures. New Garda vehicles are badly needed because the mobility of criminals and the types of crimes they commit must be combated.

In the education sector, the budget will provide for 900 extra classroom teachers, 480 resource teachers and 365 special needs assistants. These posts are necessary to maintain the

pupil-teacher ratio at its present level. Education is a crucial pillar of our economy and is the reason we have been attracting so much inward investment in recent times. That needs to continue into the future.

Measured supports for home refurbishment, which were announced in last year's budget, have now been expanded. This is a boost for employment in the construction sector which is spread throughout the regions. It is important that construction is not confined to the major urban centres. The recovery is evident in the main cities, but not so in regional areas. These measures will help to achieve that spread, however, as well as supporting employment in the construction sector. In addition, they will help businesses that are tax-compliant while restricting the black economy.

The introduction of a 9% VAT rate a few years ago when the Government first took office has been one of the success stories and has created thousands of jobs. Such jobs in the tourism and hospitality sector are spread throughout the country. Improved and targeted marketing by Fáilte Ireland and Tourism Ireland has been very visible on the ground this year, particularly in the Mayo constituency that I represent, with the Wild Atlantic Way. Various targeted marketing concepts mean that employment is being spread throughout the country. That was badly needed and is thus very welcome.

One factor needs to be noted, however, given the return to growth in the tourism sector. The 9% VAT rate is there to support tourism, so that sector should not take advantage of increased visitor numbers - which are now back up to 2007 levels - by raising prices and thus becoming uncompetitive. The Government has done its part but the tourism sector must continue to take the opportunity without exploiting tourists.

In my region, Ireland West Airport Knock had its busiest ever year, with more than 700,000 passengers, including more than 100,000 in August alone. This emphasises the crucial importance of the facility. Last year, I chaired a study group on this and made recommendations on the support it needs for the coming years. Some recommendations have been implemented but I hope to see more implemented in the coming months. It is important as a vehicle to get people into the heart of the western region.

There is little doubt the recent positive news on our economic figures is a vindication of the path of the Government over the past four years. It is important that people who made sacrifices are supported. The recovery is evident in large urban centres but I represent a part of Mayo with nine or ten small villages ranging in population from 500 people to 3,000 people, such as Claremorris, Ballinrobe, Charlestown, Kiltimagh, Swinford, Foxford, Ballyhaunis, Knock and Kilkelly, which have yet to see great recovery or job creation. In the coming budgets, I hope there will be positive discrimination towards the special needs of places in that category so the economic benefit of the recovery can be spread. This may take place through the implementation of the CEDRA report but it needs attention.

I welcome many of the farming measures and supports. It is one industry with a regional spread and has taken Ireland through many recessions and depressions. It is doing so again and I welcome the tax measures to increase the ease with which land can be transferred and mobilised. There is some concern about the definition of an active farmer to avail of these concessions. Farmers had to get outside employment in recent years to buttress their low incomes and it is important they are not discriminated against and not allowed to benefit from the farming measures. Perhaps this can be re-examined in the Bill.

**Deputy Anthony Lawlor:** Like my colleagues, I welcome the opportunity to speak on the Finance Bill, which is related to the budget. Three years ago, we were making difficult decisions for the good of the country while people were making sacrifices but no Opposition Member was in the Chamber. I am glad to see Deputy Dara Calleary is making a hasty entrance into the Chamber.

I listened to the rebuttals from Deputies Clare Daly and Mick Wallace but they made no mention of the reduction in USC. Some 410,000 people have been taken out of paying USC since we came into power three years ago. I love to see new incentives for entrepreneurs and start-up companies. Four out of every five jobs are generated in the first five years of a start-up company. While everyone talks about multinationals coming in, the indigenous micro-firms in this country employing fewer than ten people will generate most of the jobs in the economy. I welcome the measures on this point.

This is the first time we have seen a long-term strategy in the budget. There is a layout of what will happen in the next three years. People like certainty as it sends out a signal that they can plan their future and their lives. There was derision about the DIRT tax relief for first-time buyers. It is a minimal sum but sends a signal that we are willing to step into the housing market to do something where the situation might cause a problem. The Central Bank has a consultation document about the 20% minimum deposit. During the consultation period, I hope the Central Bank realises it has created a knock-on effect in the housing market, particularly in my area and in the associated areas in the Dublin region.

I have always welcomed relief on the home. I suggested it to the Minister a couple of years ago. The problem is retired people cannot avail of it. Perhaps we can provide relief with regard to the source of income they have, which may be DIRT or another form of tax. They are being excluded from renovating their homes. Mostly, they renovate their homes to look to the future as they would like to leave the home in decent condition for the generation that may inherit it.

There were many positive measures on farming, such as the idea of land mobility and getting young farmers working on farms. There is an anomaly in the difference between the business relief and agricultural relief. To avail of the agricultural relief, people must have some agricultural qualifications but not for business relief, for which people must only hold the business for six years. I would appreciate some consistency on this.

The sports relief was introduced by a Kildare man, Charlie McCreevy, a number of years ago. What happened last year reduced the options available to sports people. I would like to a reversion to the previous situation, where a sports person could apply relief to any ten years of the sporting career. It was set up mostly for people with short-term careers in sport, of ten or 15 years. I refer to those in the racing industry and golfers whose best years may be behind them. To gain the benefit of it, they must choose ten years out of 15 but perhaps we could revert to applying it to the best ten years.

For the past number of years, I have argued for increasing the licence fee for gaming and slot machines. It is a handy way of getting revenue. There may be a chance to include it in the Bill and it could generate an extra €20 million. It sends out a signal to all sectors.

From day one, I have made reference to this, which is setting down a marker for next year's budget. I refer to child relief for young couples who want to get back into the workforce. It is a difficult one to get around but I am in favour of a second year of preschool. Academics have

shown that it proves beneficial and perhaps we can examine this. The vintners welcome the fact that there is no increase in excise but they would like to see something done about below cost selling of alcohol. The last point mentioned by Deputy John O'Mahony is that the tourism sector is booming. I see two Mayo Deputies in the House and they are on the Wild Atlantic Way. Kildare is the route through which people go to the wild Atlantic way but they do not stop over. I would like more encouragement for our greenways in Kildare along the canal. The NTA is positive but I suggest more funding. The message must go out to the hospitality sector not to mess with the 9% VAT rate or we will remove it.

**Deputy Dara Calleary:** Deputy Anthony Lawlor is welcome to Mayo any time. We always welcome tourists to the county.

I note the Minister of State's remarks on below-cost selling and completely endorse what he said. However, I remind the House that many amendments were tabled to the Consumer and Competition Protection Bill which would have assisted in this regard but which were voted down by the Government. This is not just a finance-related issue, there is also a need for a whole-of-government approach to it.

I welcome the debate on the Finance Bill 2014 and wish to focus on a number of issues related to it. The Bill, sadly, lacks a policy on entrepreneurs. This is particularly disheartening when one considers what could have been brought forward. At Question Time yesterday we engaged in a discussion on alternative sources of finance for entrepreneurship, especially crowd funding. Start-up businesses are still experiencing difficulties in obtaining finance in order that they might make a go of it. Some 10,000 to 15,000 start-up entrepreneurs are currently visiting this city in order to take part in the Web Summit. Were they to come to this country and seek finance to set up businesses on the basis of the ideas they are selling at the RDS, they would find it extremely difficult to do so. The Bill does very little to improve the position in this regard. I accept that it will result in some very welcome changes to the IAS, etc. However, these are for people who have money to invest and no account is taken of those individuals with small amounts of money who may wish to invest in either SMEs or community projects. I acknowledge that there is a great deal of work being done in the Department on crowd funding, which is a new concept which we must embrace by taking the ball and running with it. The fact that we have been able to attract so many entrepreneurs to the country this week shows that there is a willingness on people's part to take chances. I encourage the Minister of State, Deputy Simon Harris, one of the younger members of the Government, to drive the agenda on crowd funding onward within the Department.

The second point I wish to make relates to the tax treatment of entrepreneurs. When one compares the provisions contained in the budget for PAYE workers - miserable as they are - with those for entrepreneurs, one can see that the latter are being absolutely hammered once again in terms of the increase in the universal social contribution, USC, being foisted on them and income and taxation levels. While it is all very well to welcome multinationals which come to the country - unlike some Members sitting behind me, I am of the view that they are welcome and should be encouraged to come here - we must consider the bigger picture. I pay tribute to Mr. Martin Shanahan and his team at IDA Ireland for the work they do. I pay a particular tribute to Mr. Shanahan for the way he managed a certain television interview earlier this week. We must depend on our own people to create and sustain businesses. Entrepreneurship works on the basis that if one's business venture fails, one gets up and launches another. We need to encourage the culture of entrepreneurship. We must ensure the many entrepreneurs who put their necks on the line and are successful - I accept that there are others who are not so success-



ful - are not hammered in terms of taxation. It must not be the case that they might consider themselves being better off as PAYE workers rather than as business people creating employment for others. From the perspective of finance, that is the picture with which they have been presented in both the budget and the Bill.

I welcome many of the measures contained in the Bill in respect of farming, particularly those which relate to moving a new generation of people into farming and giving them access to land and assets. I agree with Deputy Anthony Lawlor's assessment of the difference between business and farming. I draw the Minister of State's attention to the very vague definition provided in the Bill of the term "active farmer". The Bill refers to an active farmer as being someone who is involved in farming for not less than 50% of his or her normal working time. Many farmers do not have the option of spending 50% of their normal working time on their properties because in order to sustain their enterprises, they require off-farm incomes. Teagasc's national farm survey for last year shows that some 30% of all farmers had off-farm incomes. This figure rises to 42% when those with suckler herds are taken into account. I would hate to think many will lose out on the capital gains reliefs being made available to allow people to move to working land or into land ownership because the definition of what constitutes an "active farmer" is too narrow. I ask that some effort be made to define the term in the broadest way possible. Perhaps requiring people to acquire green certificates, pursue Teagasc courses, etc., might be one way to proceed. I accept that we do not want to extend the reliefs to everyone and completely agree that in order to obtain them, people should be working actively on their farms and earning incomes from them. However, let us not just exclude those who out of necessity are obliged to have other sources of income.

The other element missing from the Government's narrative on economic recovery is the notion of regional recovery. The areas of Dublin 2 and Dublin 6 are doing very well. When one strays beyond these postal codes, however, one sees that the shoots of recovery are somewhat less green in hue. In places beyond the M50, with the exception of Galway and Cork, they become progressively less green. There is a need for a complete renewal and revision of regional policy. There is absolutely no sense in recreating the problems in Dublin, Galway, Cork and other cities in the context of shortages of property to buy or rent. These problems gave rise to the difficulties we have spent the past few years trying to solve. If we continue to focus on the areas to which I refer and to push investment into them, we are going to recreate the problems I have outlined.

The regional economy offers enormous opportunities. Those who live in the regions are talented and skilled and, if they so desire, have the right to obtain employment in locations as close as possible to the areas in which they were born. All they want is the opportunity to do so. As well as having a strategy which encourages SMEs in the regions, there is also a need for a strategy to encourage inward investment into these regions. The fact that some 64% of all IDA Ireland client visits take place in Dublin, Cork and Galway shows that something is missing from our overall policy. I accept that what I am suggesting would involve the provision of a tax package, but it would also require a willingness on the part of every Government body to take real action in order that we might create a sustainable economy, rather than paying lip service to the concept.

A core foundation stone in building the economy in the region in which I live is Ireland West Airport Knock. I will reiterate the figures for the benefit of the Minister of State. Some 700,000 passengers passed through the airport last year and it contributes more to the State in terms of PAYE and PRSI than it receives from it in the form of a subvention. It is the absolute

jewel in the crown not just of County Mayo but also of the west coast. It has enormous potential in developing as a jobs and tourism hub. As Deputy Anthony Lawlor noted, it is the airport of the Wild Atlantic Way. This facility needs a package of supports. It is not seeking a bailout or a handout; rather, it is looking for an investment which it will repay many times over. There is flexibility within EU state aid guidelines in the context of investment in regional airports. It has been shown on numerous occasions, even in the recent case of the second terminal at Munich Airport, that if there is a willingness, these guidelines can be circumvented. Investment in Ireland West Airport Knock would result in growth the areas of employment and SME and entrepreneurship activities. As indicated in this regard, the State would receive a return many times greater than the amount originally invested. I acknowledge the work Deputy John O'Mahony has been doing on this matter. He headed up a very ambitious study group which spent a huge amount of time examining this matter last year. However, delivery is now required and we need to see hubs such as that at Ireland West Airport Knock being developed in order that the economy might be driven forward.

It would be foolish to comment on matters of finance without commenting on certain letters which were sent to the previous Minister for Finance by the former president of the European Central Bank, ECB, Mr. Jean-Claude Trichet, and which were finally published this morning. Three years ago Mr. Trichet threatened the previous Government and the people and held a loaded gun to their heads. The letters in question show that the ECB strayed well beyond its legal mandate at the time by forcing a settlement on the people that had nothing to do with either supervision or regulation. If the ECB had been as active as it should have been in these areas, we might not be in the position in which we find ourselves. The letters also show that there is an urgent need for Mr. Trichet to come before the banking inquiry in order that he might explain both his actions and the policies he was pursuing at the time. The notion that he has retired is not good enough, particularly as the country is paying for the consequences of the letters to which I refer and, in particular, Mr. Trichet's failure to fulfil his supervisory role.

There is a need to immediately revisit the commitment made at the European Council summit in 2012. The discussions in this regard in the context of our ability to obtain a refund or recapitalisation have been parked. We must also pursue the matter of the promissory notes and the bonds being used to pay for them which the ECB would like us to sell into the markets. This issue is also up for renegotiation. It is clear that the ECB exceeded its official mandate and that it certainly exceeded its moral mandate. One is obliged to ask when the European Union which has always prided itself on bringing its citizens together allowed itself to become driven by the ECB and letters sent by the former president of that institution. It is time citizens were brought back to the heart of the European Union. Their interests, rather than the pursuit of an economic model which is not suitable for every country, must be paramount. The model to which I refer might be suitable for larger member states, but it certainly is not for others. The experience of Ireland, Greece, Spain, Portugal and Cyprus in recent years is evidence of this. The letters published this morning illustrate the ethos at the heart of the ECB's policy. It is time to change that ethos.

**Acting Chairman (Deputy Charlie McConalogue):** The next speaker is Deputy Stephen S. Donnelly who is sharing time with Deputy Lucinda Creighton.

**Deputy Stephen S. Donnelly:** In a moment I will talk about the specifics of the budget and things I would like added but first I would like the opportunity to review budget 2015 to see whether it stacks up against values I hold dear, along with other Members of Dáil Éireann across all parties.

Budget 2015 is regressive. The combination of water charges and income tax changes means this budget will take money from lower income households and give it to higher income households. This is not my opinion - it is a mathematical certainty. Previous budgets from this Labour and Fine Gael Government were regressive and Economic and Social Research Institute, ESRI, analysis supports this assertion. In other words, in those budgets the Government asked those who had least to contribute most but at least it asked everyone to contribute. This is the first year the Government has introduced a budget that takes cash from lower income households and gives it to higher income households. In real terms this means people on the minimum wage will lose money as a result of this budget and that money will be given to people on higher wages, like the Members of the Oireachtas. This seems neither a reasonable nor proper thing to do.

Budget 2015 is fiscally irresponsible. Until now this Government could take some credit for making hard choices and lowering the deficit. I do not agree with many of the choices that were made previously but at least the Government could say it met and exceeded targets that were set. The Troika is not out of the country a wet week. In the April stability programme update the Government identified measures for a deficit reduction target of €2 billion but less than nine months later, in what may be a pre-election budget, the Government reversed engines by €3 billion. This is not a marginal change - the Government has given it the full Bertie. However, it looks as though the Irish people may have changed. Despite this largesse, potentially before an election, Government satisfaction ratings continue to drop in the polls. Perhaps the public has decided the Fianna Fáil style of politics should no longer be tolerated.

Budget 2015 wastes public money and health care provides a clear example. This year health care spending will overrun by around €500 million. Some parts of the health service are run very well and others are run extremely badly and the Government could have aimed to improve procurement. I identified how around €1.1 billion could be saved over several years by forming a joint venture with the National Health Service, NHS, in the UK and mandating generics as was done in England and Wales. The Government could have examined the operation of the Health Service Executive to see how hospitals could be better run with better preventative care. It could have studied new and better ways to buy drugs, equipment and devices but instead the Government said to the health service “you overran by €500 million this year so you can have an additional €500 million next year”. That is not a responsible way to handle public money, in my opinion.

The biggest failure of budget 2015 is the failure to invest in education. The net total increase in spending on education between this year and next year is €46 million - current expenditure is up €60 million and capital expenditure is down €14 million. This change amounts to less than 0.5% of the education budget and is also less than inflation. In real terms, this budget represents yet another cut to education and that is a really dumb thing to do. A school principal in Wicklow recently said to me that the cut in the capitation grant to his school meant he could not heat the school to the necessary extent. He asked me what he should do and I submitted a parliamentary question to the Minister for Education and Skills, Deputy Jan O’Sullivan, and asked what school principals should do when capitation grants are being cut. I pointed out that the principal to whom I spoke had run the numbers and could not keep the heat on when it was needed. I asked for the advice of the Minister and the reply I received said “capitation provided for general running costs and funding provided for caretaking and secretarial services may be regarded as a common grant from which the board of management can allocate according to its own priorities”. Let us consider what this actually says to schools - capitation grants will be cut

and if this means schools cannot keep the heat on the money should be taken from somewhere else. We are all trying to help schools in our constituencies and we all know they do not have money elsewhere to draw from. What should schools do? Perhaps they should have fewer tables and chairs for children and provide less paper. The response I received essentially says that if the heat must be turned off that is the school's problem and not the problem of a Department, such as the Departments of Finance, Public Expenditure and Reform and Education and Skills. This is not an acceptable way to govern this country.

Budget 2015 is nakedly political. We have heard much praise of the 11 measures that will return profits to people who own land and I have no problem with them. I have examined these measures and some seem very sensible. It is interesting, however, that Fine Gael, the farmers' party, has 11 measures to return profits to landowners but has neither 11, ten, eight nor five such measures for any other sector of society.

Budget 2015 attacks the self-employed and this is extraordinary. The Government keeps talking about the importance of entrepreneurs and the Taoiseach attended the recent web summit but the budget introduces a higher rate of tax for the self-employed. Again, this is extraordinary and I asked a few people who were previously involved in policy why it has been done. They said the feeling in the Civil Service and amongst TDs, all of whom are on public sector pay and pensions, is that self-employed people can reduce tax exposure in various ways so efforts should be made to compensate by taxing them more. As we all know though, the opportunities for a self-employed person to lower his or her taxation burden have been more or less cut out in recent years. The old mindset still remains. We try to encourage enterprise and entrepreneurship and recognise that the web summit was fantastic. We tell people to set up businesses, invest money, take risks and work hard but then we tax them more than civil servants and politicians in Dáil Éireann who, between them, make the rules and are safe. If the entrepreneurs fail they do not get the same social protections as everyone else but we claim to support them. This is hypocrisy at its worst and it must stop.

Budget 2015 is devoid of the information we all need. Regardless of one's view of the budget I hope all Members of Dáil Éireann agree that we have not been given sufficient information to do our jobs and interrogate it. Only Dáil Éireann can vote through finance Bills and we in Dáil Éireann are constitutionally obliged to hold the Cabinet to account. Along with others, for some years I have requested that a distributional analysis of the budget be provided setting out who gives, who takes, who wins and who loses. When I asked the then Tánaiste, Deputy Eamon Gilmore, for this information he accused me of being an opportunist. In this Chamber I recently asked the Minister for Public Expenditure and Reform, Deputy Brendan Howlin, for such a distributional analysis of the budget but he refused because he said it would not be reasonable to assess crisis-era budgets in such a way. This is a preposterous thing to say to Members of Dáil Éireann.

A line item in the budget applies €900 million to what are called "demographic pressures" - I have no idea what such pressures are and there is no reference to them in the documentation. Hundreds of millions of euro in additional expenditure has been granted to something called "existing services" and, again, there is no further reference to this. About 36 hours ago in the finance committee I asked the Minister for Finance, Deputy Michael Noonan, for a reasoned document explaining why Ireland should not sign up for the financial transaction tax. He may be right that we should not sign up but we do not know and he refused to provide such a document. He said his job is to govern and make policy and that was the end of that - he was not minded to provide Parliament or the Oireachtas Committee on Finance, Public Expenditure and

Reform with his rationale behind important decisions on taxation.

I am running out of time so I will send on the range of proposals that I would like the Government to consider. A clause in the Constitution has been interpreted in a way that means no Deputy or Senator can suggest an amendment to legislation that will cost money or raise money. In the context of the budget, if we in Dáil Éireann cannot propose anything that will cost money or raise money we cannot engage meaningfully on Committee Stage. Perhaps when the Government decides to hold a referendum on the public ownership of Irish Water - I am submitting legislation on the matter - we might also have legislation to allow Members of Dáil Éireann to do their jobs.

**Deputy Lucinda Creighton:** I am pleased to have an opportunity to speak to the Finance Bill, but I have a sense that it is a futile process. It is extremely disappointing that, after more than three and half years into the lifetime of the Government, the promised changes to the budgetary process have still not been implemented. These were changes that the Minister for Finance and almost everyone in the Fine Gael Parliamentary Party endorsed wholeheartedly. It was a key element of the pre-election platform and the manifestos of both Government parties, yet we still have no transparency in the budgetary process. We all know how it works. We stand up and contribute to the budget debate and contribute again to the debate on the Finance Bill, yet nothing will be taken on board and the Government will essentially do what it wants and there will no be accountability to this Chamber. The open budgetary process promised has not been delivered and yet another element of the so-called democratic revolution is absent.

I wish to reiterate what I said in the debate on the budget. It is welcome that some individuals and families will have a little more money in their pockets at the end of every week owing to the changes in taxation introduced. However, there are others - Deputy Stephen S. Donnelly has already pointed this out - many of whom are at the lower end of the pay bracket and, in particular, the self-employed, who, once again, have been targeted by the Government as easy pickings. That is unfortunate, but it is also indefensible.

This week we have witnessed the great achievement that is the Web Summit. Everyone is celebrating and giving plaudits to the organisers. However, there is something incredibly depressing and ironic about the fact that today we are debating a Bill which is telling every Irish technological entrepreneur to go off and start the business somewhere else, not in this jurisdiction, not in Ireland but probably or preferably in London, and to do business and invest money there. Even the founder of the Web Summit, Mr. Paddy Cosgrave, who should be given considerable credit for what he has achieved has said he is thinking of holding the summit elsewhere. That would be a great shame and a great loss to the city.

Ireland must be more than simply a nice place for Facebook, Google, LinkedIn or the other major global technological companies of the world in which to set up headquarters and avoid large tax bills elsewhere. There is no question that without these companies Mr. Cosgrave would not have been able to turn the Web Summit into the major success that it is. Equally, it is true that we are missing a major opportunity to harness the entrepreneurial spirit and talent already in the country. A self-employed person in Ireland who has started and built her own business, who is creating and has created jobs, is paying 3% more in income tax than someone employed in a multinational company on the same salary. That is simply wrong. In 2011 the self-employed were obliged to pay a 10% rate of universal social charge, while their counterparts on exactly the same salary paid 7%. These figures have been increased to 11% and 8%, respectively, in the budget.

There is a deep suspicion of the self-employed that permeates the mentality in government and particularly the Department of Finance. This suspicion leads to the belief the self-employed are tax dodgers and that they should somehow be singled out and targeted. This is entirely the wrong signal to send to people who are working, generally, night and day to make a success of their enterprise, to grow it and to offer job opportunities to others in society and throughout the economy. In the United Kingdom if an entrepreneur creates a small company that generates revenue of up to £250,000, the company can provide its employees with share ownership that is subsequently subject to a reduced capital gains tax of 10%. There is no such scheme in this country. This tax incentive encourages employers and people starting a business to give employees a real stake in the future of the company in which they are working. It motivates the employer and the employee. It gives them a genuine feeling of ownership and a sense of taking control of their future and destiny. For some unknown reason, the Government has decided against this policy in Ireland without giving any reason, despite the fact that this was Fine Gael policy before the general election, when Deputy Leo Varadkar was the Front Bench spokesperson on enterprise. A clear position was adopted, but it has not been heard of since and not implemented by the Government.

When the Government entered office in March 2011, there were 92,000 self-employed persons in Ireland who had paid employees on their books. Believe it or not, this figure had fallen to 89,000 by the end of June this year. The number who are self-employed with no employees had increased from 202,000 in March 2011 to 226,000 by the end of June this year. These are Central Statistics Office figures; they are independently verified and extremely concerning. While general employment has grown in the meantime, self-employed small business people have not contributed to this job creation because the Government has made it so expensive to do so. Similarly, although almost 25,000 entrepreneurs have decided to go it alone and start up a business, none of them has been in a position to take on other employees.

Ireland may well be the best small country in the world to have a company, but it is most certainly not the best small country in the world in which to start, grow and upscale a business. Unless we change these fundamentals, our over-reliance on foreign direct investment will walk us back down the road of economic ruin which we have already experienced. Nothing has changed. The same fundamentals, as former Deputy Brian Cowen used to say, are in place and nothing has changed in terms of the attitude and priorities of the Government. It is still all about putting our eggs in one basket, that is, foreign direct investment, and the property sector. We have seen a 25% increase in house prices in Dublin in the past year, which is good news for the banks and the builders. Arguably, it is also good news for the Government. However, it is not good news for the economy or a sustainable economic vision for the country and it is certainly not good news for citizens.

Let us compare the treatment of the self-employed, whom the budget has clearly targeted, with the way in which those involved in the property sector, particularly developers and our friends in the Construction Industry Federation, have been treated. By removing the 80% wind-fall tax on rezoned land the Government is once again creating a toxic link between developers and the political process. It is wrong and no one in government or on the Government benches is expressing even the slightest degree of concern about it. During the good times of the last Fianna Fáil Government we know exactly what went on. We know about the way in which considerable pressure was applied to councillors to rezone land. Vast profits were made by flipping that land, rezoning it from residential to commercial or from agricultural to residential. Areas entirely inappropriate for development were rezoned on a haphazard basis and we are

doing the same again. We have no national spatial strategy and no national development plan of meaningful worth, yet we are going down exactly the same road as before. There is a lovely plan entitled, Construction 2020. It seems the idea is to get everyone involved in a scramble to get onto the property ladder. That is precisely what our friends in the Construction Industry Federation want and the Government is obliging them. There is a promise to underwrite unsustainable bank loans for first-time buyers, pitch them against each other and control the supply issue and so on and so forth. There is no lateral thinking and nothing new. It is the same old, same old philosophy that led the country to economic ruin.

I can only sum up my feelings and concerns about budget 2015 as seriously disappointing. It is a missed opportunity.

*12 o'clock*

Many measures could have been introduced to support entrepreneurship and the domestic indigenous economy and to tackle the major issues that exist in rural Ireland, where nothing is happening, basically, in terms of growth in small and medium-sized businesses. It is a repeat of the mistakes we saw in the period from 2000 to 2010. While Members on this side of the House will highlight these issues and the Government will ignore them, I sincerely hope the Government will consider introducing next year the type of budgetary process that was promised by both government parties before the last election, but with more transparency and more visionary thinking.

Debate adjourned.

### **Topical Issue Matters**

**Acting Chairman (Deputy Charlie McConalogue):** I wish to advise the House of the following matters in respect of which notice has been given under Standing Order 27A and the name of the Member in each case: (1) Deputy Michael Moynihan - the need to compensate farmers whose lands have been rendered worthless by EU regulations to conserve the hen harrier in special conservation areas;

(2) Deputy Michael Fitzmaurice - the need to review the downgrading of the district veterinary office in Galway;

(3) Deputy Brian Stanley - the need to support autism services in County Laois;

(4) Deputy Regina Doherty - the new wind energy planning guidelines;

(5) Deputy Sean Fleming - the funding of the school meals local project scheme at Scoil Bhríde, Portlaoise, County Laois;

(6) Deputy Niall Collins - the appointment process for the Secretary General of the Department of Justice and Equality;

(7) Deputies John Paul Phelan and Martin Heydon - the ESB's report into projected electricity demand increases and implications for energy policy and the Grid Link project;

(8) Deputy Lucinda Creighton - the deteriorating tax environment for productive investment in small and medium-sized enterprises;

(9) Deputies Terence Flanagan and Dessie Ellis - the increase in bus and rail ticket prices;

(10) Deputy Jonathan O'Brien - the school building project at Kishogue Community College;

(11) Deputy Ruth Coppinger - the withholding of payments in respect of the building works at Kishogue Community College, Lucan, County Dublin, pending an investigation; (12) Deputy Peadar Tóibín - the withholding of payments in respect of the building works at Kishogue Community College, Lucan, County Dublin, pending an investigation;

(13) Deputy Joe Higgins - the withholding of payments in respect of the building works at Kishogue Community College, Lucan, County Dublin, pending an investigation;

(14) Deputy Michelle Mulherin - the need to introduce a housing grant scheme to assist householders who are residing in areas identified as being at risk of flooding;

(15) Deputy Seán Kyne - the plans for the Garda presence in Galway and the western division arising from reports concerning the future of Salthill Garda station; (16) Deputy Éamon Ó Cuív - the need to review the plans to downgrade and close the district veterinary office in County Galway;

(17) Deputy Clare Daly - the position regarding the ambulance service in County Wexford;

(18) Deputy Mary Lou McDonald - the withholding of payments in respect of the building works at Kishogue Community College, Lucan, County Dublin, pending an investigation;

(19) Deputy Peter Mathews - the need to intervene to secure deferred pensions for members of the Irish Airlines Superannuation Scheme;

(20) Deputy Thomas P. Broughan - the withholding of payments in respect of the building works at Kishogue Community College, Lucan, County Dublin, pending an investigation;

(21) Deputy Billy Kelleher - the sit-in at the Texaco station, North Ring Road, Ballyvolane, County Cork;

(22) Deputy Paul Murphy - protests against water charges in Northwood, Coolock, Dublin, and the Garda presence and actions yesterday; (23) Deputy Richard Boyd Barrett - the withholding of payments in respect of the building works at Kishogue Community College, Lucan, County Dublin, pending an investigation;

(24) Deputy Robert Troy - the closure of the office of registration in Mullingar, County Westmeath;

and (25) Deputy Mick Wallace - the impact on citizens of operational problems in the ambulance service in Wexford.

The matters raised by Deputies Regina Doherty, Michael Moynihan, John Paul Phelan, Martin Heydon, Terence Flanagan and Dessie Ellis have been selected for discussion.



## Leaders' Questions

**Deputy Timmy Dooley:** Last weekend the Taoiseach said that the Government and Irish Water would provide greater clarity on charges for the public after the Cabinet meeting on Tuesday. On Monday, there was an apology from the Minister for the Environment, Community and Local Government, Deputy Alan Kelly, and Mr. Tierney of Irish Water accepted that mistakes had been made. On Tuesday, the Minister, Deputy Alan Kelly, got stuck in and took the entire press pack to a sewage treatment plant in Ringsend, a fitting backdrop for where the Government has landed itself on this issue. He agreed that the legislation establishing Irish Water was rushed and that it was wrong not to debate it in the House. He pointedly reminded us that he was not a member of the Cabinet when the decision was taken. The Tánaiste clearly was a member, as was the Taoiseach.

Also on Tuesday, we were given confirmation by the Tánaiste that a family of two adults and two adult children could expect to pay water charges of no more than €200 per year. At last it appeared that a breakthrough was emerging regarding what citizens would pay for water. However, that was thrown on its head yesterday when the Taoiseach told the House, while the Tánaiste was holding a press conference elsewhere, that when the Tánaiste was speaking in the House in her capacity as Minister for Social Protection she was in fact expressing a personal opinion. It is amazing that the Taoiseach would say that the Tánaiste, when answering questions in the House as Minister, can somehow take off the cloak of Tánaiste and the heaviness of the office of Minister for Social Protection and speak in a personal capacity. What is really mind-boggling, however, is that the Government, in developing the concept of Irish Water, which was promised by Fine Gael in 2009 and accepted by this Government in 2011, has effectively ignored the concerns raised in this House and the concerns of the citizens of Ireland and has rammed it down people's throats. Since September, the Government has been asking people to fill out forms and provide their PPS numbers, which the Tánaiste sneakily slotted in as an amendment in the Social Welfare and Pensions Act, but as we approach the middle of November nobody can confirm what people will pay for water, notwithstanding that charging commenced on 1 October.

**An Ceann Comhairle:** Will the Deputy put his question?

**Deputy Timmy Dooley:** Now we have the farcical situation in which the Economic Management Council is meeting in secret to discuss the situation while ignoring this House and the mandate given to Members on this side and to the Government backbenchers. Indeed, Deputies Griffin and Stagg have been reminding the Government about the difficulties in that regard.

Does the Tánaiste consider it acceptable that the public will have to wait another two weeks before clarity is brought to the charging structure for a service that began on 1 October? Does the Tánaiste still believe, or is it now her professional view, that €200 will be the charge for a family of two adults and two adult children?

**An Ceann Comhairle:** The Deputy is way over time.

**Deputy Timmy Dooley:** More importantly, will she pause this runaway train and allow a proper debate in this House to ensure that Members, who have a mandate and a contribution to make, can assist in resolving this mess once and for all?

**The Tánaiste:** I am happy to tell the House that very good and solid progress has been

made with Irish Water. The objective of the Labour Party, Fine Gael and the Government is to have an Irish Water charging regime that is affordable, that offers clarity and certainty, and that is capped so that if people, on the evidence of the meters, are using less water than the standard charges would indicate, they will be in a position to get a rebate.

I was delighted to appoint Deputy Alan Kelly as Minister for the Environment, Community and Local Government, and he has embarked on addressing the issues relating to Irish Water with his usual energy and gusto. As a fellow Tipperary man, I am sure Deputy Mattie McGrath is only delighted, and we expect him to reflect that.

**Deputy Mattie McGrath:** I am delighted to see him swimming in the water.

**Deputy Barry Cowen:** John Tierney is from Tipperary too.

**The Tánaiste:** Tipperary people are usually proud of each other, particularly when they are on the national stage. I assume that is what I was hearing from that quarter.

The objective here is that Ireland will have clean, safe and healthy drinking water for ourselves and future generations. That is important. This country gets a large amount of rain and there is no shortage of water, thankfully. However, treating water for human and public consumption is a costly business. There is a cost in getting it to a person's house and in taking the wastewater away. That is what we are discussing.

I am delighted that solid progress is being made. Did the former Taoiseach, Charles Haughey, hold Fianna Fáil Government meetings and Cabinet sub-committee meetings in public? I must have missed those. It is certainly a development when the Fianna Fáil spokesperson, and he can correct me if I misunderstood, is complaining about Cabinet sub-committees, including the Economic Management Council, meeting in private. That is the practice, and it has been for a long time.

**Deputy Billy Kelleher:** There were a few leaks from the Cabinet over the years, particularly when the Tánaiste was not the Tánaiste.

**The Tánaiste:** All I can say is that I am happy that very solid progress is being made. I am very anxious to have affordable charges that will provide us with clean, reliable and healthy drinking water. In addition, we have an ambitious programme for the next ten years to invest approximately €10 billion in Irish Water. The Deputy mentioned that the Minister, Deputy Alan Kelly, went to Ringsend a few days ago. When that project was under the control of the local authorities, its estimated cost was a ballpark figure of €350 million. Since Irish Water took over, the estimated cost has been revised downward-----

**Deputy Mattie McGrath:** It is a different project.

**The Tánaiste:** -----to between €170 million and €180 million.

**An Ceann Comhairle:** The Tánaiste must conclude.

**The Tánaiste:** If that is what one Tipperary man can do in four months in office as Minister for the Environment, Community and Local Government-----

**Deputy Seán Ó Fearghail:** What would two of them do?

**The Tánaiste:** It is a good performance from the Tipp stars.

6 November 2014

**Deputy Timmy Dooley:** I never thought I would hear the Tánaiste say she would take something from the Charles Haughey school of politics to assist her in performing her duties. I am sure he must be turning in his grave at the thought of it.

**The Tánaiste:** Tell us when Fianna Fáil met in public.

**Deputy Timmy Dooley:** The Tánaiste indicated her confidence in the Minister, Deputy Alan Kelly, and the gusto with which he has approached his job. That is interesting. It is a kick in the shin for the Taoiseach for his comments yesterday. It was more than a thinly veiled criticism of the European Commissioner, Mr. Phil Hogan, and one on which I ask the Tánaiste to ponder because the former Minister, Mr. Hogan, deserves the support of everyone in the House.

No one has a problem with the notion that there are costs associated with treating water and sewage - that is a given. My concern is that the economic management council is using a patchwork approach to a problem that has spiralled out of control.

**An Ceann Comhairle:** The Deputy's time has concluded.

**Deputy Timmy Dooley:** Will the Tánaiste provide time to give an opportunity to back-bench Deputies from both Government parties and on this side to have the debate on this legislation that was denied them in December when the Bill on water charges was rammed through the House and down the throats of Irish people. It is not too late to pause the charging structure for a number of months, allow a comprehensive debate and produce a plan that will meet citizens' needs and take account of their ability to pay. If the Tánaiste believes that four Ministers closeted in a room-----

**An Ceann Comhairle:** The Deputy has made his point.

**Deputy Timmy Dooley:** -----can take cover in the approach taken by Charlie Haughey 30 years ago, she fails to realise where Irish people are and what they expect from us. This is certainly not the type of transparency the Labour Party suggested it would bring to citizens when it signed the programme for Government in 2011.

**Deputy Robert Dowds:** The Fianna Fáil Party signed up to water charges in 2007.

**The Tánaiste:** On the transparency front, what Irish people want is clean, clear and healthy water.

**Deputy Billy Kelleher:** We need clean, clear government.

**The Tánaiste:** When Deputy Dooley's party left government its legacy was that people in County Roscommon had been unable to drink their water for almost 12 years. After Christmas and in the new year, the people of Roscommon will be able to drink their water. I would have expected the Deputy to take a positive view of that.

We have an ambitious programme of investment in Irish Water amounting to more than €10 billion over the next ten years. If the Fianna Fáil Party is suggesting that all of this finance should come directly via taxpayers, particularly through income tax, I suggest their approach would result in us failing to use a resource, namely, off-balance sheet funding mechanisms-----

**Deputy Timmy Dooley:** Who is being asked to pay water charges? Is there some type of magic casino involved?

**The Tánaiste:** -----which, in the history of that party in government, were used by the ESB and Bord Gáis, as publicly owned utilities, to bring forward desperately needed investment in the country's infrastructure. We are using the same model.

**Deputy Barry Cowen:** Consumers paid for that investment in their bills. The Tánaiste should stop digging.

**The Tánaiste:** This approach makes business and economic sense and in terms of the recovery in which all of us are interested, it allows us to provide key investment in a resource that is incredibly important in the daily lives of everyone in this country, not to speak of its importance for agriculture, tourism, the pharmaceutical industry, international investment and local businesses.

**Deputy Billy Kelleher:** What caused the Tánaiste to change her view on this issue in the past four years?

**Deputy Mary Lou McDonald:** On Tuesday, when the Tánaiste stated that a family of two adults and two children should pay less than €200 each year for water, Government sources immediately rubbished her figures.

**Deputy Robert Dowds:** Welcome back Mary Lou.

**Deputy Mary Lou McDonald:** Despite the positive spin from the Tánaiste and Taoiseach after this morning's meeting of the economic management council, it is clear that they have not yet resolved their issues. The Tánaiste stated again that she is satisfied with progress and more work remains to be done. The only progress report people want to hear is that the Government is abolishing domestic water charges. What is required is a simple abolition of water charges, with no ifs, buts, bribes or threats. That would provide clarity.

Last night, the Tánaiste's party colleagues in the Seanad supported the proposal to hold a referendum on Irish Water. The Labour Party Minister for the Environment, Community and Local Government, Deputy Alan Kelly, to whom the Tánaiste referred, also stated he would not rule out a referendum. The Taoiseach has also rubbished that idea.

The people spoke last weekend when they demanded that their human right to water be protected and stated in the Constitution. They want a referendum, with no ifs, buts, delays or spin. That is clarity. Will the Government respect the will of the people by abolishing domestic water charges and by giving people the referendum they desire?

**Deputy Emmet Stagg:** That is a U-turn.

**The Tánaiste:** A few weeks ago, if I recall our encounters correctly, Deputy McDonald and many members of her party were in favour of and indicated they would pay the water charges if they were in a household that was billed for them. Subsequently, as indicated by the Sinn Féin leader, Deputy Gerry Adams, in an RTE interview, the party obviously changed its mind.

**Deputy Barry Cowen:** The Labour Party also changed its mind.

**Deputy Joe Higgins:** The Labour Party changed its mind after it ran its Tesco advertisement.

**An Ceann Comhairle:** Quiet, please.

**The Tánaiste:** To return to first principles, we want clean, healthy water. As Deputy McDonald will be aware, at this time last year, pubs, restaurants and hotels in Dublin, which the Deputy and I have the honour to represent, were in danger of being closed down because the region had reached its maximum usage of water. These facilities play an important part in the city and country's economy. To overcome this problem we must invest in a serious capital programme over the next ten years. In the next three years, €1.7 billion will be invested in water infrastructure to get the type of water system people deserve and need, with subsequent investment set to run at approximately €1 billion per annum. Sinn Féin suggests that this be done out of general taxation, as its party leader made clear yesterday morning when he showed only the faintest understanding of the business of dealing with the economy. He then flew off to New York - I do not know in what class he travelled - to eat a dinner costing €500 per head.

**Deputy Dessie Ellis:** The Tánaiste should call him on her iPhone and ask him in what class he travelled.

**The Tánaiste:** The figure of €500 is interesting because it is significantly higher than the water charge for a family. Deputy Adams is travelling to the United States, a country where water charges are the norm and where he receives medical attention instead of using the Irish health system. To some extent, some of the Sinn Féin Deputies are living between two continents, as it were. They live here for the purposes of ordinary life and for the purposes of high life, they jet off around the world to eat dinners in luxury hotels that cost more than what will be the average water charge, potentially for a couple of years. I am not aware of what will be the total cost of the dinner, only the indicative prices.

The main issue is that the Government has made very solid progress. I stated again in discussions a couple of weeks ago that my view is that the Irish Water project was rushed. I accept that people are very concerned and I am very anxious to set out a clear, affordable structure that produces clean water to meet our economic and social needs, delivers investment that will result in thousands of jobs in the economy, with which we could do, and provides us with the system we need.

**An Ceann Comhairle:** I ask the Tánaiste to respect the Chair, please. Standing Orders provide for a time limit on contributions. I do not want to repeatedly point out this. Yesterday, the House ran seven or eight minutes over each question and speakers ignored the Chair. If Members wish to ignore the Chair, they should get another Ceann Comhairle because they will not ignore Sean Barrett. I am serious about that.

**Deputy Mary Lou McDonald:** The only thing the Tánaiste is very anxious to do is to make a pretty lame attempt to distract attention from the central issue.

**Deputy Eric Byrne:** Is that the women in Northern Ireland?

**An Ceann Comhairle:** Be quiet, please.

**Deputy Mary Lou McDonald:** To give her some constructive feedback, if she believes her comedic effort at a world tour cuts ice with people watching these proceedings, she is very much mistaken. In the real world, people do not have €200 or €100 to pay for their water. The Tánaiste is correct that I am not in that position and I do not claim to be in that position.

**Deputy Tom Hayes:** She should pay the charge in that case.

**An Ceann Comhairle:** Stay quiet, please.

**Deputy Mary Lou McDonald:** However, I represent countless people who are in that position. They are people on small or fixed incomes, pensioners and those struggling to pay their rent or to meet their mortgage payments. There are people for whom it is a trauma to get money to buy a pair of shoes for their children. That is who I represent. They have told me categorically that they do not have any money to pay for domestic water. Not alone that, they have told the Government, in their tens and hundreds of thousands, that they cannot pay.

**An Ceann Comhairle:** Thank you. Resume your seat, Deputy.

**Deputy Mary Lou McDonald:** The Tánaiste's job is to go back to the drawing board. Let us reopen the debate around how we fund infrastructure.

**An Ceann Comhairle:** Deputy, you did not hear me. Resume your seat, please.

**Deputy Mary Lou McDonald:** It is her job to back off from those families and slugging me or anybody else is a pathetic attempt to divert attention that is fooling absolutely nobody.

**An Ceann Comhairle:** Deputy, resume your set please. You are over your time. Thank you.

**Deputy Mary Lou McDonald:** That is the real world. If she has any sense of what the real world looks like she will abolish those charges.

**An Ceann Comhairle:** One minute please, Tánaiste. Thank you.

**The Tánaiste:** I do now know whether Deputy McDonald will get an opportunity to go on the trip; that was not clear.

**Deputy Pádraig Mac Lochlainn:** Answer the question.

**The Tánaiste:** All I said was that I saw that the indicative cost of the dinner was €500. In anybody's language that is a lot of money.

The situation regarding pensioners, those on low incomes or those dependent on social welfare income was a cornerstone of the budget for the first time in a series of budgets. The past six years have been a period of great difficulty for this country which the people of the country have borne with enormous fortitude. I agree with the Deputy that it has been difficult for them, but I am happy to say that for the first time in the budget there are cuts to the lower rates of USC, 80,000 people have been taken out of the USC system and we have a social welfare package which, in a month or so, will see the partial restoration of the Christmas bonus, something which was, rightly, much beloved of the people-----

**An Ceann Comhairle:** Thank you very much, Tánaiste. I ask you to adhere to the Chair.

**The Tánaiste:** -----the Deputy represents.

**Deputy Mary Lou McDonald:** The people I represent cannot pay.

**The Tánaiste:** We have also made provision for a water conservation payment of €100 for each household.

**Deputy Mary Lou McDonald:** That is not enough. It does not work.

6 November 2014

**An Ceann Comhairle:** Tánaiste, you are over your time. Please respect the Chair. Thank you.

**The Tánaiste:** Can I just say-----

**An Ceann Comhairle:** Well then change the rules.

**The Tánaiste:** The people to whom the Deputy referred are precisely those about whom I am concerned.

**Deputy Mary Lou McDonald:** No, you are not.

**The Tánaiste:** Above all else, I want them, their children and the people whom all of us here have the honour to represent to have a chance to get a job in this country and prosper. That does not seem to feature in Sinn Féin's plans for country. That is the tragedy.

**Deputy Pádraig Mac Lochlainn:** You will be looking for a job yourself soon.

**Deputy Mary Lou McDonald:** That is pathetic.

**Deputy Catherine Murphy:** The Minister, Deputy Noonan, spoke on "Morning Ireland" today and told us the Trichet letter was released today because the banking inquiry was up and running. That is not true. No motion has been put before the Dáil and will not be for weeks. The cynical timing is about one thing, namely, knocking Irish Water off the headlines and out of the front pages of the newspapers.

There is a relationship between both. It seems as though the ECB wants it every way. It flooded the European banks with cash, then when things went belly-up it broke its own rules and allowed this country to write IOUs for Anglo Irish Bank and Irish Nationwide. The Trichet letter clearly shows that the ECB bullied this country into a bailout on its own terms. Some €30.6 billion was pumped into two non-solvent banks, Anglo Irish Bank and Irish Nationwide. The loan losses were then converted into sovereign debt by this Government, leaving us with a €25 billion debt to pay before interest is added. This money does not need to be repaid to bondholders, banks and pension funds. Essentially, Patrick Honohan has told us this needs to be extinguished and taken out of circulation.

This year €500 million will be taken out of circulation, a sum of money which would fix a lot of leaky pipes. The same amount will have to be paid every year until 2018, then €1,000 million will be paid every year until 2023 and then €2,000 million until it is all gone. Meanwhile, the Irish people are left carrying the burden, which manifests itself in the universal social charge, reduced public services and Irish Water.

**An Ceann Comhairle:** A question, please. Thank you.

**Deputy Catherine Murphy:** That is the connection between the debt burden and the austerity demands.

**Deputy Finian McGrath:** Hear, hear.

**Deputy Catherine Murphy:** Some 43% of the banking crisis was shouldered by just one country, that is, Ireland, and the Government never asked for that debt to be written down.

**Deputy Peter Mathews:** Shame.

**Deputy Catherine Murphy:** Will it ask Europe to write that debt off now? Did the Government have sight of the letter when the Government formed or did it have to wait to see the information until it was elevated to the Economic Management Council? Does it change the negotiation strategy?

**The Tánaiste:** I am glad that the letters, I understand, are to be published formally this afternoon. I note they were in the media this morning.

**Deputy Peter Mathews:** There may be more about preventing haircuts.

**The Tánaiste:** The letters concern my former constituency colleague, Brian Lenihan, and are very poignant in that context. People may remember that period. It was a very snowy winter and Brian, as we are all aware, was unfortunately ill with an illness to which he would succumb. It is very poignant to see the letter released.

From a political perspective, all of this arose from a fatally flawed decision to have a blanket bank guarantee. I, along with the Labour Party, opposed it, but most of the other parties here did not. I do not know about the Independent Deputies at the time. Those who were in the House at the time supported the guarantee.

**Deputy Finian McGrath:** You implemented it in government. What are you asking about? You had no policy at the time.

**The Tánaiste:** The Governor of the Central Bank, Patrick Honohan, went on “Morning Ireland” the morning before and told the nation what was going to happen. I welcome the publication of the Trichet letter.

The reference to the banking inquiry was that it is in the process of being established. Deputy Lynch is the chairperson and work is ongoing which he and other members are taking extremely seriously. They will be doing important work on behalf of the State. I hope the publication of the material today will free up quite a number of the people whom the committee may wish to interview and allow them to speak more freely. In regard to the previous Government, we all remember that two senior Ministers at the time, Noel Dempsey and Dermot Ahern, were not in the loop about the extraordinary developments. The source of what happened in the Trichet letter was the disastrous blanket bank guarantee.

**Deputy Barry Cowen:** Why did you continue it?

**The Tánaiste:** On the other hand, in terms of where-----

*(Interruptions).*

**An Ceann Comhairle:** Sorry, will you stay quiet please?

**The Tánaiste:** You supported it.

*(Interruptions).*

**An Ceann Comhairle:** Stay quiet, please. Thank you.

**The Tánaiste:** In terms of where the country is now, yesterday the CSO published independent data on the live register which has fallen to 11%, a level which is still too high. We have just had a budget which provides for the cuts and reductions in USC to which the Deputy



referred. USC has been of major concern to most people and the budget is the beginning of the reform. It has also provided for expansion of the tax bands and a reduction in the top rate of income tax to concentrate the reliefs on people earning between €30,000 and €70,000. In addition, as Minister for Social Protection, I am pleased to say the budget has provided for a modest expansion of social welfare payments such as the Christmas bonus, an increase of €5 in child benefit from January and an increase of €9 in the living alone allowance and for people with a disability. In a recovery the people of Ireland deserve to have these modest steps taken.

**Deputy Catherine Murphy:** The Minister for Finance said the banking inquiry was up and running. It is not and it is not true to say it is.

The Tánaiste talks about affordability, but she is talking about affordability for 200,000 people who have been sucked dry. I have been knocking on doors and people have been saying to me that it may look like they have a nice house and a car that will get them from A to B, but that I should come in and look in their fridge and at their bills. They have no money left to pay for food or bills. Part of the reason they have no money left is the unaffordability of this debt.

The Tánaiste did not answer my questions.

**Deputy Peter Mathews:** She did not understand them.

**Deputy Catherine Murphy:** Is the Government going to change its negotiating strategy with the ECB? Did the Tánaiste see the letter while in Cabinet but not on the Economic Management Council? The people are not fools. They know the reason they are being burdened with all of this debt; they are being burdened with something that was not of their making. What is the Government going to do about it? That is my question, not what others did to create it. What are the Tánaiste and the Government going to do about it?

**The Tánaiste:** It is regrettable - I am surprised the Deputy does not express regret - that at the time all of the Independents voted for the fatal bank guarantee; that is their responsibility.

**Deputy Finian McGrath:** The Government extended it.

*(Interruptions).*

**The Tánaiste:** Deputy Finian McGrath can tell the Deputy all about it. That was the source of the problem.

On the current position, the country is in recovery. The issue faced by the family about whom the Deputy spoke, a family with a legacy of debt, is serious. That debt was probably taken on in the good times and the income of that family has probably been reduced or they may rely on social welfare payments. The CSO figures released yesterday show increased numbers are returning to work, almost all of them to full-time jobs. That is progress.

**Deputy John Halligan:** The Tánaiste obviously did not see the figures for poverty or poverty-related issues. Did she see them?

**The Tánaiste:** On what the European Union owes Ireland, I have said many times that under the previous Government, Ireland took a hit in terms of the eurozone. What direction is the country now taking? We are seeing an enormous amount of international investment in the country, an expansion of job creation and have the development of the ESM. From June 2012, we have had an indication from the Heads of Government that they recognise the special posi-

tion of Ireland.

**Deputy Peter Mathews:** Dream on.

**The Tánaiste:** We have moved on from what we might have wished to see happen at the time Mr. Trichet wrote his letter and will continue to negotiate the maximum position and recovery for Ireland. Last week, for instance, I was in Farmleigh to meet the head of the European Investment Bank to announce the development of the Strategic Banking Corporation of Ireland, which in the next period will invest significant resources in the development of the country, thereby putting people back to work and bringing prosperity back to the family the Deputy rightly says has had a very hard time. I agree fully with her that we must get them back to work and on the path to prosperity

**Deputy Catherine Murphy:** They are in work.

**The Tánaiste:** Therefore, we must create a situation, as we did in the budget, where their USC and tax burdens will reduce. These burdens have begun to reduce for the first time since the fatally flawed bank guarantee was entered into by Fianna Fáil.

**Deputy Peter Mathews:** Under duress.

**An Ceann Comhairle:** For the information of the House, Members went over time by five minutes the time allowed for this question. They must not think I am going to keep interrupting them to tell them their time is up. In future, if Members do not want to listen to the Chair and have no respect for it, they can go ahead and take as much time as they want.

**Deputy Ruth Coppinger:** The Tánaiste went over time every time.

**An Ceann Comhairle:** I did not ask the Deputy to comment. I did not say who had gone over time. If Members do not listen, it shows total disregard and disrespect for the Chair.

**Deputy Thomas P. Broughan:** On a point of order, is it possible to have the clock-timer turned on for Leaders' Questions?

**An Ceann Comhairle:** We do not have that facility. It has not been agreed to.

**Deputy Thomas P. Broughan:** Other Deputies must adhere to time limits. Perhaps it could be turned on for the leaders also.

**An Ceann Comhairle:** We can refer the matter to the Committee on Procedure and Privileges; it is not one to be decided here. If Members can get the members of the committee to support the proposal, I will have no problem with it.

**Deputy Pádraig Mac Lochlainn:** Why are the Taoiseach and the Tánaiste always allowed to waffle on all the time?

*(Interruptions).*

**An Ceann Comhairle:** We will move to the Order of Business. Please show some respect for yourselves, never mind anybody else.

6 November 2014

## Order of Business

**The Tánaiste:** It is proposed to take No. 5, Finance Bill 2014 - Second Stage (resumed); No. 6, Social Welfare Bill 2014 - Order for Second Stage and Second Stage; and No. 34, Garda Síochána (Amendment) (No. 3) Bill 2014 - Second Stage (resumed). Tomorrow's fortnightly Friday business shall be No. 60, Social Welfare Appeals Bill 2013 and No. 19, report on the design and layout of ballot papers used in the Seanad referendum in October 2013.

**An Ceann Comhairle:** There are no proposals to be put to the House.

**Deputy Timmy Dooley:** In the light of the decision of Labour Party Senators yesterday to support a Fianna Fáil motion in the Seanad to have a referendum held to enshrine the protection of Irish Water in the Constitution, will the Tánaiste tell us whether she intends to bring a Bill before the House shortly to give effect to that decision, or was it the case that the Senators were acting in a personal capacity?

**An Ceann Comhairle:** Is this about promised legislation?

**Deputy Timmy Dooley:** It relates to promised legislation in the light of that decision.

On the road traffic Bill, in the light of the upgrade works at Newlands Cross and the impact these works are expected to have on traffic activity on the M50, we face the prospect of congestion-----

**An Ceann Comhairle:** We are not talking about traffic congestion at Newlands Cross. This is the Order of Business.

**Deputy Timmy Dooley:** I accept that, but does the Government have any view on the need to bring forward legislation providing for congestion charges, in line with proposals made by the NRA which suggested the introduction of multi-point tolling on the M50?

**An Ceann Comhairle:** Is there promised legislation?

**Deputy Timmy Dooley:** It falls under the heading of the road traffic Bill.

What other promised legislation is on the way on pensions? As the Tánaiste knows, the deferred pensions of airline-----

**An Ceann Comhairle:** The Deputy should resume his seat. The Order of Business is about promised legislation.

**Deputy Timmy Dooley:** With respect, all of the issues raised concern promised legislation.

**The Tánaiste:** I must confess that I am not up to speed on the situation at Newlands Cross. However, if the Deputy is referring to road traffic legislation, I understand it is due to be published next year.

On the issue of congestion charges, does Fianna Fáil now have a new policy? Is it proposing the introduction of congestion charges and tolling for everyone coming into Dublin?

**Deputy Timmy Dooley:** I am asking when the Government intends to bring it forward.

**The Tánaiste:** In the interest-----

**An Ceann Comhairle:** Will you please stick to the Order of Business, Tánaiste?

**The Tánaiste:** I am trying to answer his question. He might clarify the question.

**Deputy Barry Cowen:** What about her Senators?

**Deputy Timmy Dooley:** What about the referendum to protect Irish Water?

**Deputy Barry Cowen:** Who are the independent Labour Party Senators?

**Deputy Billy Kelleher:** What about their former Senators?

**An Ceann Comhairle:** Will Deputies please stay quiet? Thank you.

**Deputy Mary Lou McDonald:** I have three matters to raise. First, I notice the symphysiotomy redress scheme has been announced today. Will time be made available for a discussion of this in the Dáil?

Second, can I have an update on the terms of reference for the commission of inquiry into the mother and baby homes? Is the Tánaiste in a position at this stage to give even an indicative date for the publication of those terms of reference?

Finally, I have raised with the Tánaiste before the matter of the reformed and consolidated domestic violence Bill, which would enable Irish ratification of the Istanbul convention. She has told me previously that it will be seen at some point in 2015. Can she be more exact than that in terms of the date of publication?

**The Tánaiste:** On the first point, a €34 million redress scheme has been agreed for symphysiotomy survivors, as has been announced. The programme for Government committed to addressing that issue. I want to pay tribute to all of the groups who have worked so hard in this regard. I had the privilege of meeting quite a number of the women involved. I know many continue to suffer physical and mental anguish. I believe and I hope the redress scheme will bring some comfort and recognition for the women involved of the many decades of suffering they have endured. I know many members of their families have suffered alongside them as a consequence of what happened.

Many of my colleagues, some of the Deputy's colleagues and members of all parties in the House, including the Fine Gael Party, have had fairly constant contact with the different groups-----

**Deputy Ruth Coppinger:** They did not. They did not listen.

**The Tánaiste:** -----in particular, the Minister of State, Deputy Ged Nash, and Senator Mary Moran in the case of the Labour Party. Given many of the women are at an advanced age-----

**An Ceann Comhairle:** Sorry, Tánaiste. We cannot have a debate on this issue.

**The Tánaiste:** I am just responding to the question. Second, the work is ongoing in regard to the mother and baby homes. I believe I told the Deputy on the last occasion that it had gone to each Department to get their responses, and that work is ongoing. I do not have an indicative date as yet.

In regard to the Deputy's concerns around violence against women and abuse of women, I

understand the ratification of that will be next year.

**Deputy Billy Kelleher:** I wish to raise two issues. On the issue of the symphysiotomy re-dress scheme, I ask that time would be made available at some stage for a debate, given there are still concerns in this regard.

On the second issue, I suppose the Tánaiste in one way made a career out of the whole issue of political funding, how we fund political parties and ethics in office. The issue of the funding of political parties is very much coming to the fore again and I wonder whether we could have a debate in this House on what we consider appropriate in regard to how we fund our political parties.

**An Ceann Comhairle:** That is a matter for the Whips.

**Deputy Billy Kelleher:** In view of issues that were raised earlier by the Tánaiste with regard to some political parties now being funded by corporate America, and suckling at the teat of corporate America, is it possible-----

**An Ceann Comhairle:** Sorry, Deputy. We cannot have a debate on this issue. It is a matter for the Whips.

**Deputy Billy Kelleher:** Yes, but I am asking the Tánaiste whether it is possible for us to have a meaningful debate here in view of the fact some political parties in this House receive large sums of funding from unnamed sources that can have a direct impact on how we fund democracy in this country.

**An Ceann Comhairle:** Sorry, Deputy. Will you resume your seat? Thank you.

**Deputy Billy Kelleher:** I believe it would be appropriate that we would have a debate to ensure we have an ethical approach to how we fund political parties in this Parliament.

**An Ceann Comhairle:** We cannot have a debate on it now. It is a matter for the Whips.

**The Tánaiste:** Perhaps the Whips could have a discussion on this. I am sure appropriate arrangements could be entered into that all the parties would probably agree with.

**Deputy Niall Collins:** First, will the Tánaiste tell us when the legislation for the establishment of an independent policing authority will be published? We were promised during previous debates that this authority would be up and running before Christmas but it is obvious this will not now be the case.

Second, following the Guerin report, which the former Minister for Justice and Equality is challenging and seeking to have expunged in the courts, can the Tánaiste tell us when we will have the terms of reference of the commission of investigation which is to flow from the Guerin report?

Finally, on an issue I have sought to raise through a series of Topical Issue requests which have not been granted, there has been an unprecedented situation in this country where the vacancy for Secretary General of the Department of Justice and Equality had no applicant.

**An Ceann Comhairle:** Sorry, that is not a matter for the Order of Business. It is a matter for Parliamentary Questions.

**Deputy Niall Collins:** That is a damning indictment of the Government-----

**An Ceann Comhairle:** Resume your seat, Deputy.

**Deputy Niall Collins:** ----given a situation where we have had no applicant for a position of Secretary General in a major Government Department.

**An Ceann Comhairle:** That is not a matter for the Order of Business.

**Deputy Niall Collins:** Would the Government consider making time available to debate that?

**The Tánaiste:** In regard to the independent policing authority, I am happy to say the heads were cleared on Tuesday and it is a priority for drafting. That is very good progress in regard to an issue which is very important for our democracy and for the Garda Síochána, which is so important for the protection of our citizens.

In regard to the terms of reference for Guerin, I do not have an exact timeline. Deputy Moynihan was contacted recently by the Minister, Deputy Fitzgerald, to indicate that she is finalising proposals and that she will be bringing those proposals to Government shortly.

On the issue of the filling of vacancies and TLAC-----

**An Ceann Comhairle:** Sorry, that is out of order.

**The Tánaiste:** -----there were applications but no successful ones-----

**An Ceann Comhairle:** You do not have to answer, Tánaiste. That is out of order. I call Deputy Ellis.

**Deputy Dessie Ellis:** As the Tánaiste is aware, there is serious disquiet over the request by Irish Water for the PPS numbers of all members in the household. It is reported that local authorities are passing on details of their tenants to Irish Water, including their PPS numbers. People are refusing to give this type of information but, now, we find local authorities are doing it anyway. There is a data sharing Bill due before this House. When will this happen? Will this Bill address the *laissez-faire* attitude to citizens' personal details which is evident in the case of Irish Water?

**The Tánaiste:** My understanding and recollection is that Deputy Ellis's own party in the debate on this matter was quite keen that PPS numbers as unique identifiers would be used in regard to Irish Water.

**Deputy Aengus Ó Snodaigh:** No, we were not. We did not even have a debate.

**Deputy Emmet Stagg:** Deputy Stanley said it.

**An Ceann Comhairle:** When is the Bill coming forward?

**The Tánaiste:** The legislation in regard to the PPS numbers was last year. I am not aware there is pending legislation in regard to the Deputy's query.

**Deputy Dessie Ellis:** It is the data sharing Bill.

**The Tánaiste:** That Bill was debated over a period of nearly two months and the Deputy's

party contributed on it.

**An Ceann Comhairle:** Thank you, Tánaiste.

**The Tánaiste:** Deputy Ó Snodaigh suggested at one stage that he-----

**An Ceann Comhairle:** That is fine, Tánaiste. Thank you. I call Deputy Bannon.

**Deputy James Bannon:** We need to tackle the scourge of binge drinking that is having a huge impact on services within the State, in particular in terms of crime and the pressure it is putting on the health services.

**An Ceann Comhairle:** What Bill are we talking about?

**Deputy James Bannon:** When can we expect the public health (alcohol) Bill to provide for minimum unit pricing for retailing of alcohol products? This Bill is long overdue and I would like to see it come before the House soon.

**The Tánaiste:** I understand a lot of work has been done on this, as the Deputy is aware. I expect it to come before the House next year.

**Deputy Michael P. Kitt:** I want to ask the Tánaiste the current status of the Official Languages (Amendment) Bill to implement the recommendations arising from the review of Official Languages Act 2003.

Deputy McDonald raised the issue of the mother and baby homes. Will there be a debate on that issue? Many people are still trying to get information about their own personal records in regard to Tuam, County Galway. I would like that information made available either through a debate or replies to those people.

**The Tánaiste:** I understand the Official Languages (Amendment) Bill is on the “A” list to come before the House during this session. In respect of facilitating a debate on mother-and-baby homes in Tuam and other areas of the country, when the work is completed, a discussion among the Whips will almost certainly facilitate a debate in the House.

**Deputy Thomas P. Broughan:** I am enquiring about two pieces of legislation, one of which is the International Agreements on Mutual Administrative Assistance in Taxation Bill. In light of the appalling revelations this morning in *The Irish Times* and *The Guardian* about the massive tax evasion facilitated by the state of Luxembourg over the past 18 years, with the Irish company Glanbia mentioned in those dispatches, will the Irish Government take action on this? Is there a mechanism whereby the President of the European Commission, Jean-Claude Juncker, could be recalled?

**An Ceann Comhairle:** We cannot discuss this on the Order of Business.

**Deputy Thomas P. Broughan:** At the same time, could we recall Commissioner Phil Hogan who got the country into this water mess?

**An Ceann Comhairle:** What is the Bill?

**The Tánaiste:** I understand the Bill referred to by the Deputy will come before the House in this session.

**Deputy Thomas P. Broughan:** What about the substantive question?

**An Ceann Comhairle:** Not on the Order of Business. The Deputy is around long enough to know that.

**Deputy Joe Higgins:** Will the Tánaiste give me the time, date and duration of the debate on water charges? People deserve to know the level of charges the Government will force them to boycott en masse in January.

**An Ceann Comhairle:** We are not going back into that.

**Deputy Joe Higgins:** In respect of the International Agreements on Mutual Administrative Assistance in Taxation Bill, on the morning when *The Irish Times* exposes the most incredible tax dodging by Irish corporations purporting to work in Luxembourg, where they have as much work as they would have on the Blasket Islands, when will the Government stop this incredible scamming on tax by major corporations when working-class people are pulverised for yet more taxes?

**An Ceann Comhairle:** To what Bill is the Deputy referring?

**Deputy Joe Higgins:** I am speaking about the International Agreements on Mutual Administrative Assistance in Taxation Bill. Yesterday, women in their sixties were manhandled by the gardaí.

**An Ceann Comhairle:** Will the Deputy resume his seat? He knows as well as I do that he is not allowed display items like that in the Chamber. He is here a long time. I ask the Deputy to resume his seat.

**Deputy Joe Higgins:** The Tánaiste is responsible for this disgraceful situation. What will she do to stop gardaí brutalising local communities for opposing water charges?

**An Ceann Comhairle:** If the Deputy abuses the Order of Business, I will not call him. I ask him to resume his seat. He knows he is out of order.

**Deputy Joe Higgins:** I am saying that right around this country, there is an insurrection against the Government's new austerity tax. People are being manhandled and brutalised by her gardaí and I am calling her to account to stop it.

**An Ceann Comhairle:** Will the Deputy resume his seat?

**Deputy Anthony Lawlor:** What about the Deputy's people abusing the gardaí?

**The Tánaiste:** Gardaí have an oath of loyalty to the State and not to any particular politician - Deputy Joe Higgins, me or anyone else.

**Deputy Joe Higgins:** No, the Government is abusing them.

**The Tánaiste:** It is a professional force, as it ought to be. In respect of Deputy Joe Higgins's query about taxation, the legislation to which he referred will come before the House this session. In my view - the Deputy has been a member of the European Parliament - these matters can be addressed only by close co-operation across Europe and on a global basis if we wish to address them properly.



6 November 2014

**Deputy Mattie McGrath:** Ten days ago in a blaze of glory we saw a new Court of Appeal set up and rolled out on foot of a referendum that was held over a year ago. The referendum was rushed but the people decided. A constituent of mine went to lodge an appeal in the Supreme Court last Friday-----

**An Ceann Comhairle:** We cannot discuss that on the Order of Business.

**Deputy Mattie McGrath:** He was sent to the new Court of Appeal to find empty offices-----

**An Ceann Comhairle:** Table a parliamentary question.

**Deputy Mattie McGrath:** When will the Judicial Council Bill come before the House and when will we see some sense made of what is going on down in the courts?

**An Ceann Comhairle:** Is it this session?

**The Tánaiste:** The Judicial Council Bill should come before the House this session.

**Deputy Frank Feighan:** When will the Personal Injuries Assessment Board (Amendment) Bill come before the House?

**The Tánaiste:** I understand that Bill will come before the House next year.

### **Finance Bill 2014: Second Stage (Resumed)**

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

**Deputy Tom Barry:** I welcome the opportunity to speak on the Finance Bill 2014.

This is a very important budget and I would like to discuss the measures it introduced relating to agriculture. It is an extraordinary budget for the agriculture industry that is based on taxation review. While the review may have passed by some people, it was long-awaited and it is very in-depth and captured the essence of what we need to do in agriculture. This should be compared with the view of previous Governments which described agriculture as a sunset industry. We all know to where that led. I heard one Deputy saying earlier that it was unfair to give agriculture such prominence and that Fine Gael was an agricultural party. I have news for him. Somebody has to protect agriculture and there are people across this House who will protect it because it is vital to protect this indigenous industry. I suggest that before shouting for Dáil reform, these commentators should inform themselves before they criticise.

There are a few elements of this Finance Bill that need to be tweaked, the first of which is the definition of an active farmer. We need to be flexible in this regard because the definition of an active farmer can be broad. Essentially, it must reflect practicalities. If a person is making all the decisions on a farm and all the moneys are moving from his or her account to pay suppliers, such persons need to be defined as active farmers even if they are unable to do all the tasks themselves or may need to employ contractors. One cannot just say that a person must spend 50% of his or her time farming because some people are very good organisers. I am an active farmer and I would be very disappointed if somebody suggested that I was not. It reminds me of the clause that used to be in the old retirement scheme which stated that once an

elderly farmer retired, he or she could no longer farm, which was nonsense. It is just a matter of tweaking the definition.

The other issue I wish to raise relates to income averaging. I am delighted that the Minister increased the period from three to five years for income averaging. This makes sense at a time of market fluctuations. The price of grain has collapsed this year while the price of beef is down but we know these prices will change again. We need flexibility in our taxation regime and this is exactly what this change does.

The Minister introduced a revolutionary measure in the budget. He has allowed the allowance for off-farm income to be included in income averaging. This is important because it shows that our policy with regards to agriculture is to encourage diversification. I cannot over emphasise the importance of this; it is exactly what we need to do. Businesses will crop up because of the shared resources of people in agriculture. In the legal framework proposal for CAP before it started, there was a suggestion of a grant for people who would diversify on farms. We may not attract large businesses into rural areas but we will increase the number of small businesses and encourage them to employ more people.

*1 o'clock*

Off-farm income allows for a balance in that it makes a bigger contribution in poor years for farming. I know what I am speaking about because I created a business in this exact manner, and it is something I feel very strongly about. We need joined up thinking, however, because some county councils are not reflecting this approach in their policies. We may need to change the county development plans, especially given that county councils are more business-oriented, with CEOs and local enterprise offices. They need to start encouraging businesses. Currently, when a county council official arrives on a farm, there is an air of suspicion. That has to stop. We cannot allow a situation to arise in which planners order that a farm that received planning permission for agricultural activities 20 years ago be subjected to a review because the activities have changed. We cannot stifle diversification. There is a logjam at local level which has to be removed. While I welcome the policy on diversification, we need to ensure local authorities take it into account. The diversification strategy is a clever way of encouraging people to stay in the workforce, especially where spouses may have the skills required to start a business. A previous speaker suggested that this budget was not good for job creation. I will not take lessons from somebody who has never created a job. This is a good budget for job creation and it is a good time to grow a business. That kind of nonsense is irritating, especially when it is not founded on facts.

Section 18 of the Bill deals with land lease income exemptions. This is a provision I will seek to amend slightly on Committee Stage because it could be important. At present we do not have a retirement scheme for agriculture, but this provision could substitute for a retirement scheme if it were amended slightly to allow income exemptions to be provided to related parties or companies. If somebody is going to let land for a term of 15 years or longer, which is necessary in order to make it accessible to younger farmers, the section as it stands only allows an exemption if the land is leased to an unrelated party. Most of the land in this country is passed on to sons, daughters or nephews for the good reason that the owner of the land will have to live with them for the rest of his or her life and must therefore be able to trust them. Many of the issues in land succession and long-term renting arose because people were blackguarded. That tends not to happen when the land is leased to one's own. This would also allow elderly farmers to remain on the farm and be available to advise and help out. Many elderly farmers do not

want to retire completely because farming is what they have done all their lives. Perhaps we could amend the parts of section 18(b)(i) and (ii) which state “is not connected to the qualifying lessor or with any of the qualifying lessors” to include the phrase “unless the lease has bona fide commercial terms and conditions.” By renting the land under commercial terms and conditions, the arrangements will be up-front. The related party’s money is as good as anybody else’s money. We want long-term land availability to succeed so that young farmers can remain in the sector. I was fortunate to take over our farm when I was 25 years old because it allowed me to expand our activities significantly. Thankfully, we now employ a significant number of people because we had time to grow. If a farmer takes over in his or her mid-40s, his or her potential is strangled. I urge the Minister to consider this amendment favourably.

This budget has been a revelation with regard to agriculture in that it fundamentally changed Government policy for the sector. A few more tweaks will make it an outstanding budget for agriculture and for job creation. If we encourage small businesses in rural areas to employ one or two more people and get the local authorities to work with businesses and farms, as opposed to some sections working against them, we will create a fantastic environment for job creation. I am incredibly excited about the potential in this regard. Irrespective of whether they are working in the Civil Service in Dublin or are farming, people understand the importance of indigenous job creation. Our agricultural industry has not let us down to date and it will not let us down in the future.

If the issues I have raised could be addressed, I would be very grateful to the Minister. We have an opportunity to change the mindset of previous Governments which called farming a sunset industry. Their idea of crop rotation was beet, wheat and bungalows. We know what happened to the bungalows and the beet. They left us with nothing and we are rebuilding our agricultural economy from scratch. We have done a mighty fine job of it in a short time.

**Deputy Regina Doherty:** I thank the Minister for Finance for framing this Bill in a way that will have a positive impact on Irish households. The primary changes it introduces to income tax and universal social charge rates, which I am sure will be welcomed by all income tax payers, provide a clear indication of our progress and recovery. In a move carefully designed to assist families who are struggling to make ends meet, the Bill raises the threshold at which USC can be imposed on gross income from its current level of €10,036 to €12,012. This will alleviate the fiscal burden on hundreds of families and put an extra few bob in their disposable income.

The Bill, which is based on our budgetary policies and strategies, demonstrates to families and young people who pay income tax that we are supporting them. For families and individuals who are not currently paying income tax, it encourages new employment opportunities through the extension until the end of 2015 of relief from corporation tax on trading income and certain capital gains for new start-up companies for their first three years. Earlier this year we saw an increase of 47% in the number of Irish technology start-ups. These figures, in tandem with the Finance Bill, will encourage more qualified and experienced people to enter business in the coming year, thereby giving rise to more employment. The Dublin Web Summit taking place in the RDS this week is a clear indication of the appetite for start-ups among Irish people. It is in our psyche. We have a responsibility to nurture and facilitate this thirst and enthusiasm, and I am delighted to see it reflected in the Bill in the form of extended relief for corporation tax on trading income.

Yesterday I outlined the solution proposed by New Beginning to the mortgage crisis of non-

performing loans. Despite the progress that has been made to date, families continue to face repossession and the grim prospect of losing their homes. We have an obligation to prevent this crisis from recurring. A strong deterrent to its recurrence can be seen in the relief from DIRT on savings for first-time buyers, who will be able to apply for a refund of DIRT paid on interest, earnings and savings used for deposits. The problem of increasing rents and the scarcity of rentals in Dublin and elsewhere will be also alleviated through this provision because it will be easier for first-time buyers to enter the property market. It is no secret that the availability of rental properties has plummeted across the country, particularly in Dublin. In addressing this issue, the Finance Bill makes a welcome modification to the exemption from income tax, PRSI and USC on income received in respect of rooms rented by homeowners in their principal residences. Home owners will now be exempt from the aforementioned taxes where the rent received does not exceed €12,000 per year. That is an increase of €2,000 from the current exemptions.

The Bill will repeal provisions contained in the Taxes Consolidation Act 1997 on the notorious “double-Irish” loophole. This is a positive step in the Government’s radical reform of Ireland’s fiscal policy.

This Bill seeks to address the difficulties that Irish people have bravely endured over the last number of years. It is a welcome move in the right direction and I urge my colleagues on both sides of the House to support it.

**Deputy Peter Mathews:** We have arrived once again at that time of year when we take stock of the financial position and resources of the country and consider what the Government needs to collect in revenue and how it will spend it. Unfortunately, the language of this presentation is one of total confusion and complexity. Individuals and lobby interests zone in on the particular part of the jigsaw that affects them and the big picture is missed year in and year out. The experts who are professionally trained and versed in discussing the changes adjust their fees and have their business breakfasts to try to de-cloud the situation and inform people about the effects of the changes on their own much more straightforward budgets.

The Finance Bill is so named because it puts the algebra and arithmetic onto budget 2015. The Minister’s Budget Statement started with a lot of heavy, labouring sentences patting the Government on the back for what had been achieved and what the Central Statistics Office told us, by way of metrics and measurements, had occurred in the various quarters last year and to date. As I said in another debate, these data are all in percentages; there is no idea of scale. The Budget Statement should set out clearly that the total amount of money to be collected will be X billion and that expenditure will be Y billion. That information should be simply laid out on a page. Instead we have paragraphs which weave the reader in and out and around, mesmerising with percentages and possibly frying his or her brain.

We were constantly reminded in debates in this House that expenditure had exceeded the revenue of the Government by some €14 billion per year, or more than €1 billion per month. That was the headline figure thrown at us for several months in the early part of this year. We need to know whether that money is being spent on things we can see - goods and services - or to pay the interest on our borrowings in the past, or a mixture of both. We are actually at an even balance between the revenue earned by the Government through taxation and the expenditure on goods and services undertaken. We are paying off the €9 billion or thereabouts in interest on borrowings that we owe.

Apart from the national debt, there is also household debt to consider. Many households took out huge loans in the period up to 2008, whereas the State did not take out a lot of loans in the same period. However, the State's revenue was coming mainly from income taxes and VAT in the construction industry and stamp duty on transactions related to property, all of which collapsed. There was still expenditure on goods and services by the State which is harder to reduce. That is the story that needs to be told clearly to the people. It is very simple to tell it, but what is contained in the Bill is not simple.

It is important to consider what led us into this horrible situation where the debt of households, the nation and businesses that are not banking and financial businesses now totals four and a half times the value of the production of goods and services in the State. That is massive. When Ashoka Mody of the IMF left here after his job was done, he said Ireland was carrying too much debt. He is now telling postgraduate students in the United States how one can address economic, fiscal and financial matters in countries in which mismanagement has led to problems. He said we should not be carrying this much debt and that a lot of the debt that had accrued - which is still with us - had come about because of losses.

The next question to consider is what losses occurred in Ireland following the collapse? Going back a little further, how did the collapse occur and what was its nature? The answer is very simple. We had six Irish-owned banking and building society institutions operating here and six others that were foreign-owned. The Irish institutions were Allied Irish Banks, Bank of Ireland, the EBS, the Irish Nationwide Building Society, Anglo Irish Bank and permanent tsb. The foreign-owned banks were Ulster Bank, Bank of Scotland (Ireland), ICICI Bank, Danske Bank, KBC Bank and Rabobank. All of these banks between them funded the domestic economy.

People might wonder if we need to consider all of these details and the answer is "Yes." There is a connectivity between the 40 homeless people who were sleeping on Grafton Street two weeks ago, the 90,000 mortgages in arrears - representing the guts of 500,000 people under stress, strain and at risk of sickness and separation; the 250,000 people who have emigrated and the 350,000 who remain unemployed. All of these people deserve to hear this narrative because it has not been told. These banks provided credit in this economy which grew, between 2001 and 2008, from three times the size of national income of some €160 billion to five and a half times that sum. It was a credit explosion and it could only have happened where there was a dereliction of duty by the boards of directors of all these banks in those seven years.

We do not need a committee of inquiry to figure all of this out. The facts are on the balance sheets of these institutions. All that needs to be done is to lay them out on trestle tables in a hall or an assembly area large enough to accommodate all the members of the boards of these banks during that period and representatives of all the auditing firms. All we need to see are the balance sheets at six month intervals from 2001 to 2008. We do not need experts or lawyers to explain it to us. We do not need people from the investment banks of the world who collectively have paid more than €150 billion in fines and penalties for their misdemeanours in this period. Ordinary people in this country and elsewhere have been thrashed by the establishment financial system and continue to be thrashed. That is wrong.

As I said, the Bill puts the arithmetic and algebra on the long and meandering thing that is the budget, moving little pieces of the jigsaw instead of looking at the big picture. The losses in the Irish banks were not the €64 billion about which everybody talks - that is simply the amount that was put into the banks via the raiding of the National Pensions Reserve Fund and includes bits of capital from the troika loans. The actual losses to the six Irish-owned banks on com-

mercial property or NAMA-type loans were some €50 billion, with a further €35 billion lost on mortgage loans. At the same time, the foreign-owned banks lost at least €40 billion. This has been funded by their parent companies and the citizens of other countries who supported Lloyds Bank, Royal Bank of Scotland Group and so on. Add it all up and it comes to €125 billion in losses due to the credit-pyramid bubble overseen and created by the boards of the banks between 2001 and 2008. What is the value of our gross domestic product? It comes to €160 billion or thereabouts. The losses in the domestic banking system amounted to 65% of our GDP. The United States has a GDP of €12 trillion. According to all of the books, including Timothy Geithner's *Stress Test: Reflections on Financial Crises, Too Big to Fail, All the Devils are Here*, the Americans thought the whole world financial system was collapsing. Its total bank losses were contained at €1 trillion, one eighth, or 12.5%, of its GDP. Ours came to 65%.

The Trichet letter to the late Brian Lenihan printed today is not really important. It was just setting out the framework for what had to happen to fund and bridge the Government's expenditure for three years, while the revenue figures could be brought around for normal budgetary purposes. Of the €125 billion in losses, €31 billion arose because of Anglo Irish Bank which was funded by deposits and issues of senior secured and subordinated bonds. We were told by the European Central Bank and the European Union, by Mr. Joaquín Almunia, Mr. Olli Rehn and Mr. Jean-Claude Trichet, that we were not allowed to incur losses on the funders of that bank, as well as the others. That was wrong.

On 28 September 2008 the guarantee for all of the liabilities of the Irish-owned banks, an exposure of €400 billion, was entered into under duress. It was based on negligent and fraudulent information supplied by the banks. In insurance, as the Ceann Comhairle will know, if someone supplies information on a risk that is not truthful and comprehensive, it voids the contract of insurance. A guarantee is a contract of insurance or indemnity. We had every right in the world to selectively choose which liabilities would be guaranteed. Customer deposits should have been secured but not the senior secured and subordinated bondholders.

A budget is about taking a picture of revenue against expenditure which we think we should fairly maintain to provide services such as schools, hospitals, water, buses, trains, health and education. Anglo Irish Bank was a completely busted flush around the time of the guarantee. Mr. Trichet and others in Europe did not want the system to be strained beyond its survival. The Government was headlocked into writing three promissory notes, an IOU, to resuscitate the busted Anglo Irish Bank, with Irish Nationwide Building Society, to the tune of €31 billion. This coincided with the requirement of the bank to redeem bonds that had initially been issued to the original subscribers and sold into secondary markets to risk-takers. The only way the ECB could lend money to this busted bank to wrongly redeem all of these bondholders was if the Government stepped the people up to the scaffold to the tune of €31 billion. We are still on the scaffold for €25 billion of that figure in that horrible story.

These bonds are now called prom-bonds. There was no deal on the promissory notes. Instead of a vest with grenades with a ten year fuse, we have one with a 40 year fuse. The Government does not have the guts to get this story across and tell the ECB it is justified in tearing up these bonds.

**Deputy Tom Hayes:** Did the Deputy go over and tell the ECB himself?

**Deputy Peter Mathews:** Today during Leaders' Questions, Deputy Catherine Murphy rightly said that was what should be done. When I, with her, Deputy Stephen S. Donnelly, Luke

‘Ming’ Flanagan, MEP and Nessa Childers, MEP, told the Governor of the Central Bank in July that the guarantee was like an insurance guarantee and, therefore, voidable and what had happened as a result was wrong, he actually became irritated. People only get irritated when one is getting near the truth. It is wrong that 40 people are sleeping rough on Grafton Street and that 90,000 household mortgages are in arrears.

There are 15 directors in Bank of Ireland, half of whom are not even Irish, while the other half have not lived or worked in Ireland for a long time. There is only one woman on the board and she is English. They are making policy decisions that mean that there will be no principal write-downs in the sustainable resolution of its mortgage books. These directors are disconnected and do not know what is going on. It is wrong.

If the Government is afraid to travel over to Frankfurt and Brussels to insist on making the case, there are others, like me, who will. I have already gone once.

**Deputy Tom Hayes:** Did you succeed?

**Deputy Peter Mathews:** We made an impression.

**Deputy Tom Hayes:** Who said that?

**Deputy Peter Mathews:** We know we made an impression. Do you want to know why?

**An Ceann Comhairle:** Through the Chair, please, Deputies.

**Deputy Peter Mathews:** When we told Bundestag finance committee members that, if the scale equivalent of the losses in our system put on the Irish people was actually put on the German people, it would have come to €1.3 trillion and their eyes were like saucers. It was not the established members of our finance committee who made this point but some of us outliers who had paid our own way to the meeting. When we made these points, the Chairman asked us to keep it down because he did not want to upset their view of us as the best boy in the class. The Irish people would have been gobsmacked if they had seen it.

It is not right. The lives of 1.5 million people have been turned inside out as a result of a credit-pyramid bubble leading to an asset-price bubble that has collapsed. Last Saturday’s marches were not just about water rates but also about household mortgages. It is like the gathering on a boil before it bursts. We are at that point.

This is the narrative that has to be told. The press has not done us proud. It has been busy chasing the bones of what story can grab a headline, instead of sitting down in a disciplined way to measure stuff. With the authority of correct measurement and causality, accountability and responsibility, one then begins to see one’s way out of the dark blizzard in the forest. In the meantime, however, too many people are hurting, which is plainly and simply wrong. We have got to stop.

**An Ceann Comhairle:** I am sorry, but the Deputy is over time.

**Deputy Peter Mathews:** I will be very brief. The Minister of State knows that there are only two sources to pay taxation: the income of people and the income of corporates. For the last four and a half years, the corporates - whose incomes have risen - have paid nothing incremental towards the cost of recovery. Nothing.

**An Ceann Comhairle:** Will the Deputy, please, resume his seat?

**Deputy Peter Mathews:** Three and a half years ago, I told the Minister for Finance, Deputy Michael Noonan, that there should be a 2.5% levy on corporate profit tax for the multinational corporations or NMCs, which would have brought in €2 billion a year. To date, it would have brought in €6 billion which is 60% of the cost of restructuring the country's water systems. They are the big picture things.

**Deputy Billy Kelleher:** I welcome the opportunity to speak on this Bill. Having listened to Deputy Peter Mathews, it is clear that the Finance Bill can give rise to a very varied debate. I suppose that is because the Bill reflects what we are as a society and how we decide to fund public services, tax people, raise general taxation and implement indirect taxation. It is all contained in the context of the Finance Bill itself, so it is important legislation from many aspects. Apart from giving legislative effect to the budget, it also gives legislative effect to how we construct society. It ensures that citizens pay for services, as well as how much they will contribute.

When we discuss the Finance Bill in future there should be a stronger emphasis on what we are trying to achieve as a people. One could argue that this budget has been framed on the basis of the State being saddled with an unfair debt. From that flow the difficult choices that Governments have had to make for a number of years. Even in the context of having to make difficult choices, people can still prioritise. This Government has made the wrong decisions in many aspects of the Finance Bill because it has prioritised people who are under enormous pressure, including families on lower payscales.

Zero-hour contracts now apply to huge swathes of the working population. Every week we hear about unemployment numbers dropping and employment increasing, which is welcome. We all know that the way to step out of poverty into a productive society is through employment. However, zero-hour contracts effectively mean that while some people are employed - according to statistics from the CSO, the Department of Finance and the Department of Social Protection - they are in a difficult and invidious position. They do not know from week to week how many hours work they will get.

I do not expect every business to outline a pathway for an individual's working life, but surely there is a threshold of decency whereby people would know from week to week roughly how many hours they will be working. Zero-hours apply predominantly in low-pay areas, but they are now creeping into other areas of industry also. Some multinationals are now using zero-hour contracts, but I am more concerned about those at the lower end.

In a recent case, Dunnes Stores would not even turn up to the Labour Court. In recent years, that business has been falling over itself to say it promotes and encourages everything that is good in Ireland. It is simply not good enough that we have companies in this country that wrongly dismiss the labour relations machinery that is at their disposal to ensure we have an organised workforce and corporate structure compatible with decency and fairness. It is important to say that in the context of this Bill.

The Bill also targets those on lower payscales, while tipping the balance to those on higher payscales. The Minister of State can juggle the figures anyway he likes but the various examples in budget 2015 demonstrate that is so. The document refers to pseudonyms such as Benny, Ann, Marie, Niall, Sarah, Gerry, Brenda, Seamus, Marion and Sinead. I imagine they



are deeply personal stories but behind these pseudonyms, the fact is that higher earning people did proportionately much better than lower earners.

I do not begrudge those on the higher end getting a break, but when one is making difficult choices with limited resources one must target areas most in need. This does not only apply to taxation but also to speech and language therapy, pupil-teacher ratios, waiting lists and the cap on the fair deal scheme. We are led to believe that the fair deal cap cannot be moved, but that cap is a choice made by the Government which has decided to cap it at roughly €965 million. The Government decided to fund tax reductions to the higher paid by continually borrowing money while at the same time capping funding for the fair deal scheme. Over 2,000 people are waiting 15 weeks to access a nursing home because a political decision was made in the context of this Finance Bill.

The thinking behind the legislation is whether it will get Fine Gael back into Government. The Government has its statistical data, focus groups and polling data, and it has obviously decided to go after certain cohorts. Going through the Bill it is clear that it is primarily constructed for electoral purposes. I do not deny the right of any political party to advance its own philosophy, but it should at least have the decency to come out and say so, rather than pretending that this is to build a fair society. This legislation is aimed at getting as many Fine Gael Deputies as possible back into Dáil Éireann.

The Minister of State cannot stand over this legislation and say that it is fair and balanced when people are sleeping in the streets because they cannot access basic accommodation. In addition, people are waiting 15 weeks, an extraordinary length of time, for the oldest and most vulnerable member of their family to get into a nursing home. Others are waiting an extraordinary length of time to access speech and language therapy. Schools in the most deprived communities are struggling to retain teachers and provide basic education in disadvantaged areas.

There are choices to be made. The Government states that it has had to make all these hard decisions because of the troika, but that is nonsense. First and foremost, there should have been a fundamental move to assert our authority and independence, as a State within the European Union, and to insist that we would get a break.

Deputy Peter Mathews and others are right to say that not enough is being done to insist on a retrospective application for Ireland to alleviate that burden. I do not mind how much I am blamed. That has happened, the election is over and we are in a new era. Blaming me and my colleagues, however, is not enough to lighten the load on those who have to carry that unfair burden. We should move beyond the politics of this situation. I have repeatedly called for an honest debate on how we were treated by our European colleagues. I have said time and again that the European Commission failed in its principal duty to uphold the various treaties that underpinned the solidarity of the European Union. My party is a pro-European one, and I fully endorse and support the concept, but sometimes the construct of how decisions are made and the implementation process are inherently unfair. At the heart of the European project is the Franco-German alliance - or the Germano-French alliance, for those in Germany. The bottom line is that it is undermining the principles of solidarity and support for smaller nations. My party campaigned for and negotiated all the treaties, but there comes a time when we must question whether the Commission has the teeth to ensure the treaties are upheld and small states are defended. Has it gone beyond that to the point at which Chancellor Merkel and the President in the Élysée Palace, whoever it may be at that time, get together and make decisions that are incompatible with supporting smaller member states? That has been the form of the outgoing

Commission, as well as the former President, Nicolas Sarkozy, President Hollande and Chancellor Merkel.

That is why we are taking these difficult decisions. Within that, the Government must make a choice about where to disburse the available funding. The Government has decided to go down the wrong route in implementing tax cuts at the higher rate rather than improving services. I support the concept of encouraging enterprise and rewarding effort, which must be at the heart of any society to encourage people to lift themselves, give themselves a break and prosper through upward mobility. It is a key cornerstone of what I believe in, but the legislation we are debating does not do that. It has decided to go after cohorts of people and to soften the pressure they are under. I am not denying that they are under pressure, but measures were taken to soften that pressure by heaping further pressure on others so that, politically, it can be sold to a certain cohort.

When the Government was raising taxes, we were told that everyone had to carry the burden. Increases in PRSI, for example, applied across the board and took the same amount from high and low earners. When giving it back, however, the Government is giving nothing, or very little, back to the people at the bottom and much more back to the people at the top. It is simply wrong, because the people at the bottom are under huge stress and pressure. I am not one for the populist stances that emanate from some in this House and outside, but the reason so many people were on the streets last weekend, on a wet and miserable day in Cork and the west of the country, was not because they see Deputy Richard Boyd Barrett and others as champions of liberation but because they are under major pressure. They want to vent in some way and ask the Government to realise that they can give very little more. People are under phenomenal pressure. The water tax is deeply unfair because it affects the lower socioeconomic groupings much more than the higher groupings. It is another regressive form of charge taxation.

The one thing we can say about the Government is that it has been progressively regressive. Budget after budget has been more regressive. It is not just Deputy Billy Kelleher saying that; every independent in-depth analysis of the budgets proposed by the Government has shown them to be regressive. The ESRI and other organisations are independent and their analysis shows the sharing of the burden to be regressive. They have said it time and again, but each time the Government has reinforced that in the subsequent budget. At the end of 2014, we are speaking about the impact in 2015, which will be equally regressive.

The Government has a lot to do to rebalance this through difficult decisions on the limited resources available to the Government. The idea of borrowing money that must be paid back to give a tax break to someone on a higher income, when people are sleeping on the streets not 150 yards from where I stand and people are waiting years for speech and language therapy support, is inherently wrong. The popular thing would be to slap the Minister of State on the back and say that we would have done better and given bigger tax cuts to those on higher incomes. However, the days of auction politics, which was championed by many political parties in my lifetime in the House, have only led us one way. Choices must be made, and the right choice would have been to look after those who needed State support and assistance and to give them the basic standard of living that any decent society expects its citizens to have. There are homeless people without any form of shelter, and there are more than 2,000 elderly people, at the end of their lives, waiting for up to 18 weeks to be approved for the fair deal nursing home scheme.

When the dust settles and we end up implementing these proposals in 2015, people will see it as inherently unfair. I was taught an interesting lesson during the local elections. The issue

of discretionary medical cards was one that put the Government under major pressure but, interestingly, the number of people it had an impact on was not huge. The Irish people saw it as inherently unfair that the Government was asking an old person, or someone with a disability or a life-limiting illness, to give up his or her discretionary medical card to fund people who are well able to fund their own health care. The people said in May 2014 that enough was enough and asked the Government to restore discretionary medical cards, whether to a neighbour whose child had a disability or to a grandmother who was seriously ill and at the end of her life. They asked not to be given something that they did not really need. That is why the budget is a repeat insult to the basic inherent decency in Irish people. We must start with those who need the most help and work from that. The principle is being undermined on every page of this legislation.

My party spokespersons will go into the detail of the Bill on Committee and Report Stages, but the debate on Second Stage of the Finance Bill allows us to outline our views on the broader direction of the Government. This will be judged in the context of election in 16 months, and the people will be the final arbiter of the Government's term in office. To date, as an Opposition Member, I was hoping the Government would have done better. The Government has betrayed the trust handed to it in March 2011, when the Dáil was swept aside in a democratic revolution. There should have been fundamental changes to how things are done, yet we do not have a basic change in how we prepare budgets. A simple commitment was made to in-depth engagement by the Parliament with the budgetary process, but there is none. I will speak on the budget and the Finance Bill that implements it in legislative form for the next minute and a half, but all engagement takes place after the figures have been published. With the best will in the world and even with the finest speech made on this side of the House, am I expected to convince the Government to do a U-turn? I could not do so, because it would be seen as a U-turn, but I would like a format under which I have some input prior to the publication of the figures. In such circumstances, I would also have an input into the framing of the budget itself. Unless they are under extreme pressure and their necks are in the noose, Governments and Ministers for Finance do not announce that they are going to change certain budgetary provisions because there are problems with them. That just does not happen. The only way this Parliament can have a meaningful input into the budget is by ensuring these debates take place in advance of the budget.

**Deputy Peter Mathews:** In order that we might be involved in framing it.

**Deputy Billy Kelleher:** Yes. We would be in a position to help create the basic foundation on which principles could be built and influence the direction it might take. By having such an input, individuals and political parties could have a meaningful role on the outcome. I would not expect any Government to cede its sovereignty in respect of the formulation of budgets. It is the right, duty and entitlement of the Government of the day to formulate the budget. Equally, however, all Governments have a duty to honour the pledges they make. One such pledge made by the current Administration is that this House would have a meaningful input into the way budgets are framed.

I do not know if the Minister of State is a fan of social partnership. I was involved in the process relating to it when I served on the other side of the Dáil. I am of the view, therefore, that for too long budgets were not even framed within the precincts of this House. It is time we returned to a situation where this Parliament has some meaningful input with regard to the direction in which Irish society should move. Ultimately, the Bill before us is concerned with the shape which that society is going to take.

**Deputy Charlie McConalogue:** I welcome the opportunity to contribute to the debate on the Finance Bill. I am opposed to it and the approach taken by the Government in the recent budget. That budget represents little more than an attempt to buy votes with borrowed money. It is the fourth regressive budget introduced by the Government. On this occasion, the current Administration has chosen to provide tax cuts but these will be funded by more debt and are skewed towards higher earners. As a result of the provisions contained in the budget, the benefit reaped by an employee on €70,000 will be four times greater than that which will be garnered by a person on the minimum wage. When the Government previously increased taxes, it raised money from people on a flat-rate basis and regardless of their incomes. The abolition of the PRSI allowance resulted in €264 being taken from everyone in the country, regardless of how much they earn or how well off or poor they might be. The 2% increase in VAT was another regressive measure which took money out of the pockets of the least well off on a disproportionate basis. This Government also introduced cuts in respect of the respite care grant, education and health services. As a result of the cuts to health services, people's medical cards were withdrawn and others were obliged to spend more time on hospital waiting lists before they could get to see consultants or have medical procedures performed.

Another regressive measure introduced by the Government was that whereby the ESB was obliged to make payments of tens of millions of euro each year. That company passed the cost in this regard on to its customers, leading to higher energy bills. The poorest and most hard-pressed families in the country found it extremely difficult to pay those bills. Again, the most was taken from those who could least afford it. When the economy was on the way down and when money was being taken out of it, the charges and cuts that were introduced were focused on the less well off. As growth returns and the economy rebounds - there is not much evidence of this in many parts of the country as yet - the Government is beginning to spend again. However, instead of returning what it took from the less well off, it is giving money to those who are better off. In its recent budget, for example, it decided that the best way to proceed was by reducing the higher rate of income tax rather than focusing on services. As a result, a couple with a single income of €41,000 will be better off by approximately €174 per year whereas, as a result of the budget and the Government's approach to taxation, a single person who earns €70,000 will be better off to the tune of €746 per year.

The Government has decided to go down the road of giving money to the better off and is seeking to pay for this by introducing even more flat charges, including that relating to Irish Water. The latter, which is another regressive charge, will be the same for every family, regardless of income. The Government is again seeking to take money off families regardless of their ability to pay while simultaneously allocating funds in a way which it believes will win votes for it at the next general election. It is time the Government changed its approach and realised that charging people for water is just not on. Families in which there are four adults will, regardless of their income, be obliged to pay up to €500 for water each year. The Government must revise its approach. It must suspend the system of water charges rather than continuing with the current farcical situation which has given rise to great concern among people throughout the country who simply do not have the money to pay the bills the Government expects them to pay. Unfortunately, this Administration does not give any consideration to people's ability to pay when it introduces new charges. That was made obvious by the fact that it did not put in place any structures to provide assistance to those who might find trying to pay those charges more than they could bear.

My party has regularly challenged the Government on the floor of this House to indicate

how it expects those who simply cannot afford to pay to meet the bills with which they will be presented. It never provided an answer in this regard. It scrambled about, returned to the Dáil and indicated that those in receipt of the household benefits package would receive a payment of €100. A week later, as more pressure was exerted in respect of those who are unemployed or on low incomes, the Government decided that a €100 payment would be introduced in respect of those in receipt of fuel allowance. On budget day, it decided to bring forward a tax rebate of up to €100 for people obliged to pay up to €500 in water charges. The Government gave so little thought to this issue that it forgot to make provision for those people who find themselves beneath the threshold and who are not in receipt of either the household benefits package or the fuel allowance. It is obvious that this Administration did not give any consideration whatsoever either to how people were going to pay or whether they could afford to pay. Under the charging regime that was originally introduced, a household in which two adults live would be expected to pay €278 per year, one with three adults would have to pay €381, for a household with four adults the charge would be €483 and - regardless of income - a household with five adults would be obliged to pay €586. This is money which the vast majority of people simply do not have at present. It is obvious that the Government was blind to that fact and that it intended to proceed with its regressive approach to budgetary and financial matters of imposing flat charges on people, regardless of either their incomes or ability to pay.

The recent budget clearly illustrates that the Government is looking towards the next general election. It is obvious that its members asked what they might do in order to put out a good PR story and give themselves the best possible chance of winning votes in that election. In the meantime, families were left wondering how they were going to pay their water charges. In addition, people's medical cards continue to be withdrawn, others continue to wait to see hospital consultants, waiting lists for hospital procedures continue to grow and schools throughout the country continue to be starved of funding. With regard to the latter, the Government made no provision in the budget in respect of the summer work scheme or the minor works grant in order to assist schools in the year ahead. Instead, the boards of management of schools will be obliged to go back to families and ask them to stump up the cash required.

The Government should listen to the people, suspend water charges and review the entire set-up.

*2 o'clock*

A decision was taken by the Government to establish Irish Water without debate or consultation with anyone in this House or outside it. My colleagues and I on the Opposition side were compelled to walk out of the Dáil before Christmas as the legislation was run through the House. Only after many Government refusals to answer questions did we learn how much it is spending in establishing Irish Water.

Initially the former Minister, Mr. Phil Hogan, now safely ensconced as an European Commissioner in Brussels, told us the cost of Irish Water would be €10 million. Only later on a radio programme did we learn from the chief executive of Irish Water, Mr. John Tierney, that the cost of consultants for the project will reach €175 million by the end of next year. Very little has been heard of the chief executive since and the €10 million cost suggested by the former Minister is incorrect. Not one euro of the €175 million cost of consultants' fees will improve pipes or water quality.

The Government has decided to proceed with a metering programme that will cost up to

€500 million. Again, none of this money will go towards improving pipework or water quality for households that suffer poor water quality day in and day out. All in all, in establishing Irish Water the Government will spend more than €650 million in a manner that contributes nothing to water quality and network improvement. Meanwhile, the Government asked people who are provided with bad water to pay full water charges and only reconsidered this when it was dragged over the coals. It is time the Minister of State reconsidered the whole operation.

It is incomprehensible that the Government expects people to sign up to be charged for water when at this point they do not know what they are signing up for, what the charges will be or what the structure will be. Day after day the public is being treated to a different story on this from a different member of the Government. Yesterday the Tánaiste and Minister for Social Protection, Deputy Joan Burton, gave her view and we later learned this was only her personal view rather than that of the Government. Other people denied the figures raised by the Tánaiste and claimed they are still under consideration. Meanwhile, the Government expects people who do not know how they will pay water charges or what will be the level of those charges to sign up, return forms and agree to its approach.

It is time to draw a line under this matter. The Government should spend the money that has been allocated for Irish Water on improving the water network. In future, people's ability to pay and financial circumstances should be the determining factors when the Government is budgeting for the measures it is to introduce. The confusion surrounding this issue has added to difficulties. Those currently being charged for water, including businesses and farms, are unsure as to how they will engage with Irish Water. Many small businesses and small farms with domestic allowances have made water payments to local authorities for some years. After the establishment of Irish Water representatives of such enterprises wondered how they would engage with the new body and asked who they should pay and how much. They were told that the answers are not known but will be sorted out as things go along. Donegal County Council charges businesses and farms €1.50 per cubic metre of water but Irish Water will charge households €2.44 per cubic metre. There is no clarity as to how this makes sense and the people to whom I referred are being told they will have two bills - one from the county council at the lower rate and one from Irish Water at the higher rate.

Group water schemes were also left in the dark as the Government pursued a hidden agenda that people do not understand. Representatives of group water schemes asked how such entities would be billed, if at all, and were not given answers, apart from "we do not know". Some people say they should sign up as a group water scheme that is availing of public water and therefore pay charges. However, Irish Water's online system allows users tick only one such category and this means they do not have to pay at all. Those in group water schemes do not know how they stand and there are more than 600 such schemes in Donegal. Some people in group water schemes are one day told that metering will occur at the entry point to the scheme and another day that they will not have to pay at all. Other days they are told they will be metered and will have to pay if using water from the local authority. This is an unacceptable way to treat people who worked hard with neighbours and other members of the community to lay the water pipes that serve them. It is indicative of the lack of thought that went into the establishment of Irish Water and deciding the charges involved. There is no clarity as to whether Irish Water will take over group water schemes - we cannot get an answer.

A similar situation applies to housing estates. Previously, if management of an estate was to be assumed by a county council the county council in question made decisions as to responsibility for roads, lighting, water and sewerage. Now the water and sewerage elements of such

estate must be sanctioned by Irish Water. Irish Water representatives recently briefed councillors in the north-western counties and indicated it will not take responsibility for housing estates that are not connected to public sewerage - that is, any estate with its own treatment scheme. This means that hundreds of estates in Donegal, and many more in other counties, will not be taken over by local authorities, as their residents had hoped. Irish Water has washed its hands of such matters and does not want to deal with people who are not connected to the public sewerage system. This is yet another example of how poorly planned this matter has been. Irish Water will be more focused on collecting revenue than maintaining the level of service that existed previously via local authorities.

The former Minister of State, Deputy Fergus O'Dowd, was involved in establishing Irish Water and he has said that this body is a sham that is not fit for purpose. Meanwhile, those who tasked the Deputy with establishing Irish Water continue to stand by the body that he was instrumental in setting up. There must be a complete change of approach and the public must get some certainty. Water charges should be suspended and there must be a review of how to approach the matter. The national water system must be audited. Instead of spending funds on consultants to set up Irish Water and installing water meters the Government must listen to the people.

Instead of setting up an entity complete with bonuses, the Government should listen to what they have to say. The Government should change its approach and not put charges on people without any regard to whether they can afford it. The Government should focus on ensuring that investment is put into our water services and that people are respected and given the service they need. Money must be put into ensuring they have a consistent water supply. Furthermore, any decision taken about how this is to be funded should have at its core the principle of ensuring that nothing is asked of people without giving foremost consideration to their ability to pay, something we have not seen from the Government in respect of Irish Water and, unfortunately, something we have not seen from the Government in any of its four budgets. For these reasons I will be opposing the Finance Bill. I urge the Minister of State and the Government to take on board what is being said by the many people on this side of the House and to change their approach.

**Deputy Róisín Shortall:** I am pleased to have the opportunity to speak in this debate. It is surprising that so few from the Government benches are offering to speak in this important debate, which takes place every year. Precious few Government people have been around between yesterday and today.

I wish to make specific reference to section 27, which relates to the windfall tax. This windfall tax was introduced in 2009 by the late Mr. Brian Lenihan. It was intended and designed to prevent speculative land transactions based on the rezoning of land. It was designed to ensure we learned from some of the mistakes of the past and the litany of abuse of our planning system, that we heard about in the subsequent planning tribunal.

In a reply to a question about the tax from Deputy Michael McGrath at the end of September, the Minister for Finance, Deputy Michael Noonan, stated: "The windfall gains provisions were introduced primarily to discourage overheating of the property market by way of speculative transactions involving rezoned land rather than as a revenue-raising measure." By the Minister's own admission, this tax was never intended to raise money but to prevent overheating of the property market. We now find ourselves in the incredible situation whereby we had an anti-speculation tax that existed when there was little or no speculation in the property market

but is now being abolished by the Government precisely when there is significant evidence that such speculation is returning to the property market. This makes no sense whatsoever. Have any lessons been learned from the past? Who is dictating Government policy in this regard? Why is it that the current Government seems to be in a position of repeating mistakes that were made previously when it comes to land speculation and the property market?

I am keen to know more about the advice that was taken in respect of this measure. I know from a reply to a parliamentary question that I received in recent days that the Minister has said he listened to the submissions and, presumably, took on board the pre-budget comments made by the Construction Industry Federation, the Dublin Chamber of Commerce, the Society of Chartered Surveyors Ireland, Property Industry Ireland and Chambers Ireland. These are the same people who were giving all the advice in the build-up to the boom and who contributed in large measure to the bust that we are all still reeling from. We are seeing Fine Gael looking more and more like Fianna Fáil in the bad old days.

I am keen to discuss the role of NAMA in all of this, because the Minister said he consulted with NAMA about this measure. The windfall tax was a potentially significant policy instrument in respect of land rezoning. In the reply to which I referred earlier, which I received last week from the Minister, it emerged that the views of NAMA were sought, among others, when the Minister was considering a review of this tax. I am keen to know precisely how great an influence NAMA had on the final decision to abolish this tax. This is an important point. From the point of view of the transparency and accountability of that body, it is important that we know the extent of that influence. As we know, the role of NAMA, legally enshrined, is to maximise the value of the State land and property assets it controls. This role puts it in direct conflict with sustainable planning and rezoning policies. I believe NAMA should have no say whatsoever in how planning and rezoning is determined. This is part and parcel of the rezoning policy that was pursued for so many years, disastrously, in this country. To dampen down speculation, the windfall tax was introduced. One of the bodies that stands to benefit significantly from the abolition of this tax was one of the bodies that the Minister consulted on the matter. At the very least there is a conflict of interest, and it is wholly inappropriate that this has been the case. There is a need for some transparency on the matter, and I would welcome the Minister's comments.

I will comment on some of the other provisions and the budget in general. The backdrop to this budget is the fact that we are now finally starting to emerge from an exceptionally black period in our economic history. Fingers crossed, things are starting to pick up. We are all holding our breath to see whether these early signs of recovery will continue. This is the first budget in which there has been any leeway to do anything and the first that has not been dictated by bottom-line figures, although we are still obliged to meet earlier commitments. What this budget required more than anything else, given that we are starting the comeback as a country and as an economy, was a vision for the country. It needed a vision that recognised the extraordinary damage that has been done to the country and the economy in recent years. It required a vision that was about repairing that damage and uniting people around a shared vision of the future. It should have been about restoring confidence in ourselves as a people and as a country as well as restoring confidence in the political system to handle the situation. Unfortunately, we have got none of that vision. What we have got from this budget is the Taoiseach's vision, which, we can all see now, is a vision not for the people but for re-election. That is the beginning and the end of what this budget is about.

We know that during the period from 2008 to the present, everyone took a hit from the col-



lapse of the economy. However, the brunt of the recession and of austerity was undoubtedly borne by those who were least able to shoulder it. Two groups stand out in particular, welfare recipients and the working poor. The latter are people who perhaps lost their jobs or found it very difficult to stay in jobs or, after struggling to get jobs, the jobs turned out to be very poorly paid and they ended up not much better off than being on welfare. That is due to the low pay culture that has developed in this country in recent years. These people, by and large, were worst hit. They suffered cuts in their income. They were especially affected by cuts in services. People who are a little more comfortably off, although they experienced cuts in their income, in many cases were still in a position to pay for the services their families needed. However, people who were welfare dependent or who had low incomes, the working poor, did not have the money to buy services. They were doubly hit in that regard because the recession saw severe cutbacks in services across the board at social and community level.

In addition, the people who were hardest hit were also hit by the introduction of so many new taxes and charges. The manner in which those taxes and charges were introduced was very regressive as, to a large extent, the new charges did not take account of people's ability to pay. If one tells people they must pay for services and pay new charges, people on low incomes are proportionately far worse hit because they do not have anything to spare. The introduction of new charges imposes a far greater burden on them, to the point where many of them simply do not have the money to pay them.

A significant subset of the welfare dependent group and the working poor group is poor children. Last week, the UNICEF report showed that in the period 2008 to 2012 the number of children living in poverty rose by 10%, bringing the level of child poverty in this country to 28.6%, which is close to the bottom of the league in terms of developed countries. By any standard that is a matter of shame for this country. All of what one might call the developed world, OECD countries and so forth, was affected significantly by the recession, but the vast majority of countries managed to have policies to protect children from shouldering the brunt of the recession. This country did not. It was not done in the period in question, from 2008 to 2012, and it has not happened since then. Ireland is now fifth last in the league.

In the run up to the budget the Taoiseach said that the first priority for the Government was to cut the top rate of tax. Incredibly, and presumably supported by his colleagues in the Government, the Taoiseach said that after eight years of severe austerity and all it entailed for families the first priority in the budget was to cut the top rate of tax, a measure that would benefit the top 18% of earners in this country. Imagine the difference it would have made if the Taoiseach had said the first priority in the budget would be to end child poverty. Think about what it would have done in terms of confronting the reality of the worst damage that has been done by the recession and putting in place a vision and a course of action for forthcoming years in respect of identifying what our priorities should be. Think of the confidence it would restore to people that the appalling situation in which families have found themselves and the growing rate of child poverty were going to be reversed. Think of what it would do for our country and its future. The 28% of children who are currently living in poverty are tomorrow's adults and parents, which means we are back into the intergenerational sequence of poverty. That could have been broken if there had been vision from this Government. Regrettably, there was no evidence of that.

Consider, also, the confidence it would have restored in the Government and in politics that, at last, after the awful times of the last few years, the Government was looking at reality and deciding that the priority for this country had to be the 28% of children currently in poverty.

Instead of that, the Taoiseach and the Government decided that the priority at this point in the development of the economy is the 18% of people who are best off in this country. It is just outrageous. The Government has chosen to introduce a tax package that will cost over €600 million. Let us consider what will happen as a result of that tax package. A millionaire gains €747 from the budget. A person on the minimum wage gains €173. How is that fair? A part-time worker on €9,000 per annum gains nothing from this budget. A high earner on €109,000 gains nearly €750. The gap between the lower paid and the better off widened significantly in the budget. No amount of Government spin, wishful thinking or contrived statistics will change that fact.

It is quite galling to hear Ministers and Government backbenchers uttering the nonsense that this budget was about cutting tax for low and middle income earners. It was not about that at all. This was predominantly about cutting tax for the better off. Of course, there were other ways to deal with it. There are measures and steps that can be taken to target any tax relief, but the Government chose not to do that. It sought to mislead people, I believe deliberately, by saying there was a clawback, that while it reduced the top rate of tax by 1% there was a clawback through USC. Overall, when one takes into consideration the widening of the standard rate band, which benefits all those earning very substantial incomes, that clawback did not exist. Everybody earning over €70,000 per annum benefits to the tune of €747 per year and double income, high earner households gained double that amount. By no stretch of the imagination can this be seen as a fair budget.

The UNICEF report to which I referred showed that children bore the brunt of the recession and identified what measures the Government should have taken to tackle the problem. It should have invested in family support services, which have been decimated in recent years, and properly funded preschool services. The provision of a year of free preschool education is all very well but it is seriously under-resourced, especially in the poorest areas. The report states the Government should also have invested in education. Rather than improving education services, however, it chose to implement more cuts. It failed to take the opportunity to reverse the forthcoming 1% cut to the capitation payment. Despite hitting the poorest and most vulnerable children in society, the Government believes it is all right to allow it to proceed.

The Government should also improve health services for children. At community level, primary health care services have been slashed and long waiting lists have developed for speech and language therapy and occupational therapy. Some 9,000 cases involving child welfare and protection have not been allocated a social worker. Moreover, 400,000 people are on waiting lists for hospital services and 60,000 are on waiting lists for primary care services, which are very important for children.

This legislation is a missed opportunity. The Government had a chance to show we live in a caring and decent society and have set the right priorities. It declined to take it, however, choosing instead to introduce a regressive budget and this regressive legislation which have widened the gap between rich and poor, further alienated many sections of society and increased cynicism about politics. It was for these reasons that 150,000 people took to the streets last week.

**Deputy Martin Heydon:** I welcome the opportunity to speak on the Finance Bill. To respond to Deputy Róisín Shortall's point on the fairness or otherwise of the budget, the measures provided for in the Bill further improve the progressiveness of the income tax and universal social charge systems.

**Deputy Róisín Shortall:** That is untrue.

**Deputy Martin Heydon:** As a result of these measures, the top 1% of earners will pay 21% of income tax and the universal social charge, while the bottom 76% of earners will pay only 20% of income tax and the universal social charge. That is progressive and fair.

**Deputy Róisín Shortall:** The budget reverses the progressivity of recent years.

**Deputy Martin Heydon:** I propose to focus on the agriculture measures in the budget, many of which were positive. As the chairman of the Fine Gael Party's internal agriculture committee, I commend the Minister and his officials, working with officials from the Department of Agriculture, Food and the Marine, on producing some highly progressive changes that will be of great assistance in the areas of land mobility and ensuring young farmers can access agriculture through long-term leasing and other measures.

I also welcome, albeit with a couple of caveats, the retention of 90% agriculture relief for active farmers and non-active farmers who lease out their land for six years or more. The date should be extended until 2016 to give those affected by the changes time to prepare.

The definition of an "active" farmer is a serious issue. The requirement that an active farmer must spend 50% of working time farming is unworkable, unfair and impossible to meet. Part-time farming has become an integral part of the agriculture industry, largely because commodity prices are low and farmers must go off farm to earn additional income. This does not mean such farmers are bad farmers or do not make a valuable contribution to the agriculture sector. A part-time farmer who holds down a 40 hour per week job may be also highly efficient and productive. Some part-time farmers use a contractor model, whereby they hire contractors to plough, till and sow. This does not make them lesser farmers or mean they make less of a contribution to agriculture than their neighbours who perform these tasks themselves. Agriculture needs part-time farmers because the alternative is ranch farming and land abandonment.

I ask the Minister to consider adopting the Irish Farmers Association proposal that an active farmer be defined as someone who farms and files a return under schedule D. This week, the Joint Committee on Agriculture, Food and the Marine agreed to write to the Minister highlighting its concerns in this regard. A couple of options are available, including the use of the green certificate. Given that not every older farmer has a green certificate, an alternative would be to use a percentage of the working week.

Long-term leasing is preferable for younger farmers who need to plan and wish to make a lifetime career in agriculture but do not have access to land. We must move from the conacre system. Statistics show that farmland here is sold on average once every 400 years, whereas in France a field will be sold every 80 years. Land mobility here is not good. We must ensure any measures taken in this area do not penalise the children of farmers who wish to inherit a family farm and possibly farm it in future. This is a key point.

On the application of consanguinity relief until 2017, a similar issue arises as in the case of the definition of an active farmer and similar changes need to be made as the measure is unworkable. One cannot require a farmer who works off-farm for 40 hours per week to prove that he or she is working 40 hours per week on the farm. To do so would penalise farmers other than those at whom the measure is directed.

The consanguinity measure provides an incentive to encourage earlier lifetime transfers of

farms. The issue that arises is the proposal to implement the measure from 1 January 2015. The incentive of a lifetime transfer may be lost if we do not provide more time. A lead-in period should be provided for the relief, which would apply to all transfers. It should be similar to the lead-in period that applies before the capital gains tax retirement relief applies. As such, consanguinity relief would apply where the disposer transfers the asset before he or she reaches pension age. Children of farmers aged in their early 60s may be preparing to take over the farm. The time to consider such a change is in the period before the parent receives a pension. We should extend the threshold from 65 to 66 years to bring it into line with pension age. This would be a helpful change.

I welcome the changes to the income tax and universal social charge regimes to support employment and job creation, which are our primary objectives. Concern has been raised in recent weeks about the taxation levels that apply to the self-employed. I accept that the purpose of the increase to 11% in the universal social charge rate for those earning more than €100,000 per annum was to compensate for the reduction in the marginal tax rate. A full review of the entire taxation regime, as it applies to self-employed individuals, is required. It is possible to improve how the tax system applies to entrepreneurs and those starting out in business when compared to employees. Even small changes would assist those who have ideas. We must encourage start-ups given their key role in the economy. An overall review of the taxation system is warranted.

Prior to the budget, I met representatives of the Irish Association of Health Stores to discuss the issue of herbal teas. I am pleased that herbal teas and fruit infusions are included in the definition of “unprepared teas” and will be subject to a 0% VAT rate. This is a positive move which will come as a relief to the 101 members of the association and their 400 employees nationwide. They were keen to have the 0% VAT rate confirmed for a number of health supplements that maintain, protect and enhance health. I will continue to work with the association and highlight the case of other health enhancing products over which a question mark remains in respect of VAT.

I met a number of members of the Vintners Federation of Ireland in south County Kildare in the run-up to the budget. Deputies are aware of the pressure faced by small pubs, especially those in rural areas. Publicans launched a campaign on excise before the budget and I welcome the decision not to increase excise duty. In the longer term, it will be necessary to protect the pub trade, which provides an important social outlet and employment. In future budgets, it will be necessary to review excise duty and address the low cost sale of drink by multiples. This issue is now on the radar and needs to be tackled. It is much better to take a drink in the regulated environment of a pub than to pour one’s own measures at home, which is the latest trend. We do not want to lose the pub from rural Ireland. It has a very important role to play.

In regard to the employment investment incentive scheme, I have spoken to a number of companies and financial advisers who are seeking an extension from three to five years of the minimum holding period. Some are growing industries, such as the Irish whiskey and distilling sector where a long holding period is a necessity. The extension to four years is welcome, even though it was not what the industry was seeking. We need to encourage industries and sectors which are recognised as world leaders and I admire the growth in whiskey distilling. It is a proven export product for which we are recognised and rewarded. It is a major help in our attempt to meet and surpass the food harvest 2020 targets of hitting €12 billion in exports of food and drink products. Irish whiskey has massive growth potential and needs continuous support.

The extension of the home renovation scheme to rental properties whose owners are liable for income tax is welcome and shows the positive nature and impact of the scheme to date. Many landlords are struggling to manage increasing costs and additional charges on top of hefty mortgages, therefore improvements to properties are down the lists of priorities. However, given the shortage of quality and suitable accommodation we need to incentivise landlords where possible to keep rental properties to an appropriate standard. I hope the officials and Minister will take on board the points of concern I raised today. I commend the Bill to the House.

**Deputy Michael Creed:** I welcome the opportunity to say a few words on the Finance Bill and the budget, as outlined by the Ministers, Deputies Michael Noonan and Brendan Howlin. I share some of the observations made by Deputy Billy Kelleher in the context of demystifying the budgetary process. We are still somewhat archaic in that regard. A lot of consultation takes place in committees with various interest groups which make submissions, etc. The Executive guards jealously its responsibility for the budget without sufficient engagement with all parties. To have the kind of engagement for which we would all yearn, where we would leave our political caps outside the Chamber and work collectively and share the distilled wisdom of all parties, calls for a fundamental honesty of approach. I say this in the context of some previous contributions I heard.

There are so many black holes in the budgetary proposals of other political parties that this Chamber would be engulfed in darkness. We often have the dialogue of the deaf here, where people come in and submit their scripts without ever listening to the points made by the other side. Scripts would be illegible because of the darkness. We might as well hand our contributions to the editor of debates and close the Chamber because nobody seems to be interested in what anybody else has to say. The poverty of the Chamber is its unwillingness to take on board constructive proposals because they might come from Deputy Seán Ó Fearghail or, God forbid, Deputy Mary Lou McDonald if she was here for the debate. We on this side do not have a monopoly of wisdom and neither does the Opposition. God knows, we know it did not have it in the critical years which landed us in the mess we are in. It is something on which we have to work harder so that we can harness the collective wisdom of all Deputies.

Deputy Róisín Shortall has left the Chamber and it is not in my nature to attack somebody who is not here, but it struck me forcibly that despite all her criticisms she was in government when critical decisions were made. She blindly ignored the context in which difficult decisions were made. Of course many reports criticise all of the things which have happened to Irish society in the past seven or eight years, such as child poverty and homelessness. Deputy Billy Kelleher also referred to homelessness and, I understand, waiting lists for speech and language therapy. In the heyday of the boom we had waiting lists and people sleeping homeless 150 yards from where I speak. We need to work harder and smarter, and get more for the taxpayers' money we spend.

The Taoiseach gave hostages to fortune in quoting the objective of reducing the top rate of tax. It was but one of many objectives. In the same breath, Deputy Róisín Shortall went on to speak about the working poor. It must be remembered that people hit the top rate of tax at below the average industrial wage. There are hundreds of thousands of people who are the working poor and who would benefit from the reduction in the top rate of income tax. We need to have some context about where the country is at. We continue to spend more than we earn on a daily basis. We are borrowing money, though we will meet the objectives in terms of reducing our deficit, to run the day-to-day business of the country. We are not borrowing money for investment purposes.

Deputy Richard Boyd Barrett is in the Chamber. He usually calls for the introduction of a wealth or financial transaction tax. It is interesting that the 11 member states involved in enhanced co-operation in Europe have decided to plough on unilaterally and try to develop a financial transaction tax. We have a 1% stamp duty tax on transactions here. The 11 member states are proposing a financial transaction tax of 0.1%, and one of the 11 has walked away from the table.

We have to be honest about the debate we are having. We have choices. We need to realise we have succeeded in turning around the ship of State. We are creating more jobs. We have an awful lot more to do, but we have succeeded because we are flexible in the way in which we have been able to change. We do not need to disadvantage ourselves. We need employment opportunities and we need to attract multinationals. Such investment is very mobile and goes to Singapore, Dublin, Cork or anywhere else on the globe.

We need to address things at a multinational level in terms of taxation, and the double Irish is a welcome step in that regard. We need to be box clever. We do not need to disadvantage ourselves on the altar of competing bids on the Opposition benches about how we could raise more money. It is not as easy as they suspect. I do not want to be personal about Deputy Richard Boyd Barrett, but the financial transaction tax is the one area where the hypocrisy of there being easy solutions, if only we were willing to engage with them, is clearly exposed.

I want to raise one specific issue in regard to taxation which I have never quite understood. It is appropriate that the USC rate of 10% was increased to 11% for self-employed people earning more than €100,000. Why is it exclusively the self-employed who pay the higher rate? A significant number of people, many of whom are mentioned in this Chamber on a regular basis, are employees, employers or work in the public service and earn figures in excess of that. Why are their earnings ring-fenced from the higher rate of USC? The self-employed, who are also creating jobs for others, are asked to pay a higher rate. A significant amount of money is involved, on which we should not turn our backs. I would like to know why only self-employed people are affected. The Minister of State might explain the situation.

Deputy Róisín Shortall also referred to the Department of Education and Skills. She was a Minister of State when the decision was made to have a rolling reduction of 1% in the capitation grant for a number of years. She also failed to acknowledge that the Department's budget has increased for the first time. That is because a significant demographic bulge has to be accommodated in new schools, etc. Most of the investment is going into built infrastructure to deliver for children in classrooms rather than into salaries or wages for staff in the Department or teachers or higher capitation rates.

Deputy Micheál Martin referred to a number of points, one of which was agri-taxation. In the past 12 months we have deliberated on the best way to use or refocus whatever resources are available. Significant additional costs are not envisaged, but we need to discuss how it might be best focused to take account of the current situation regarding agriculture. A significant player in agriculture in terms of targets for harvest 2020 are part-time farmers. It would be wrong to send a signal that we value their contribution, their animals and the crops they send to the marketplace and the employment they provide less than the person who is in the fortunate position to be able to work full-time on a farm.

With regard to capital tax reliefs in the agricultural sector, we must be extremely careful about what signal we give out, because these reliefs are valued by the farming community. We

must be creative in finding the proper definition to ensure this sector can avail of the agricultural relief and ensure greater land mobility. Deputy Martin Heydon hit the nail on the head in terms of the reluctance in Ireland to sell land and the consequent lack of land mobility, notwithstanding previous incentives, be they installation aid or early retirement schemes, which never really succeeded in achieving their objective. The situation remained stagnant. This is a good proposal, but we need to ensure it is available to part-time farmers and those who facilitate the leasing of their land on to others. We also need to ensure there is relief in the area of stamp duty, because the definition as proposed in the legislation is equally restrictive in that area. We need to ensure the relief is available to part-time farmers and those who facilitate the availability of their land by way of long-term leases to others.

We tend to over-egg on all sides. It is damnation and perfidy from the Opposition benches and a bright new dawn from this side. We must consider the reality of the situation. We are giving back some €600 million, but we have taken multiples of that from people over the past number of years because of the financial situation. I admit that while we are giving back €600 million with one hand, we are taking much of it back through other indirect taxation. However, prudence is the order of the day. We must ensure we never have boom-and-bust cycles again. What is at play here also is a fundamental reorientation of our tax system. Taxes on work are regressive, and the more we can put into people's pockets to allow them discretionary spending the better. On the other hand, we will have indirect taxes, be they in the area of water or property taxes, but these allow individuals some degree of control over the outcome.

I welcome the opportunity I have had to say my few words. I hope this debate is not a dialogue of the deaf and I hope that some of the constructive suggestions from all sides will be taken on board.

**Minister of State at the Department of Finance (Deputy Simon Harris):** I would like to pick up on the point on which Deputy Michael Creed left off, in regard to the potential for a dialogue of the deaf. While it may seem like that, I have attended this debate over the past three days and I believe it has largely been a constructive engagement. It was unfair of Deputy Róisín Shortall to suggest that Government Deputies did not participate. The list of speakers indicates differently. We have had a constructive debate, and the comments made by Deputies Michael Creed and Paul J. Connaughton last night that there is no monopoly on wisdom are fair. Deputy Paul J. Connaughton suggested that people on this side of the House tend to think that everything is wonderful while people on the other side think everything is dreadful. Perhaps the truth lies somewhere in the middle.

Neither I nor the Government advocates that this Finance Bill or budget 2015 is a panacea for all the challenges faced by this country. As every Member and citizen knows, we have had several extremely harsh budgets over a number of years involving difficult decisions that have had a negative impact on the lives of all people living in this country. This budget was the first that allowed us to try to give something back. However, I hasten to add that what has been given back has been modest and limited. The budget and the Finance Bill need to be viewed in that light.

A wide range of issues have been raised in the past three days and it will not be possible to deal with all of them in the time available. While all of the issues raised do not relate directly to the Finance Bill, I understand and appreciate how these wider issues arise. It is unsurprising that the issue of water charges has featured strongly in contributions. A number of measures were announced on budget day in regard to the Finance Bill and what we are discussing now to

approve the overall affordability of water charges. The objective of these supports is to assist households that pay their water bills. Following on from the announcement on budget day, officials from the Department of Finance are working closely with their colleagues in other relevant Departments and agencies on the development of processes that will be employed to deliver the relief. As the Minister for Finance stated on budget day and subsequently, we will design the measure as broadly and efficiently as possible to ensure the relief reaches all households that pay their charges. As Members know, the Government is expected to make an announcement on this and related matters in the near future.

On the issue of tax progressiveness and fairness, a number of Deputies have asserted that the income tax package was skewed towards higher earners. However, the maximum benefit from this tax package is achieved at incomes of €70,000. The new USC rates on incomes above that level act to cap the benefit in order that those with incomes greater than €70,000 achieve only the same benefit in monetary terms. People come into this House and make disingenuous comments about millionaires getting so much, but the benefit flatlines after €70,000. It may not sound as appealing to a millionaire to say the maximum benefit is achieved at €70,000. That point should not be lost if we are to have an honest debate. The highest proportionate benefit, as a percentage of net income, from the budget tax changes occurs at an income level of just over €12,000.

Since the Government came into office, some 410,000 people no longer pay the USC. Now, following this budget, a further 80,000 will be removed from the USC net. Some 33,000 people have been removed from the top rate tax band. These are people on incomes of approximately €32,800. The band has been increased by €1,000 to €33,800. These people are not millionaires or wealthy people. They are normal people who get up, go to work and earn a relatively modest income but who were paying the higher rate of tax. We have had debate in the media in the past few months about how people here start paying the higher rate of tax at a low income. The budget makes an honest attempt to begin to rectify this, because this entry point to the marginal rate of tax is a disincentive to people who choose to work harder and accept promotion or move from part-time to full-time work. I concede that we have raised the band by only €1,000 in this Bill, but some 33,000 workers who were paying the higher marginal rate of tax will benefit and will no longer pay that rate.

In the lifetime of the Government, we have restored the minimum wage. The availability of social housing is an issue in all our communities, certainly in mine, and we have had significant discussion on this. The budget represents a massive effort to invest in social housing. As a country, we stopped building social housing and moved to a model of private rental, a model that caused significant difficulties in terms of social cohesion. People ended up renting a house for a year, not knowing where they would be the following year or where their children would go to school. They could not become embedded in their communities. We must get back to a situation in which we are building local authority housing, and this budget will help us start on that. I have alluded to housing issues because of the concerns raised in this debate.

Concerns were also raised regarding access to front-line services. While this issue is not directly related to the Finance Bill, it should be noted that the Government announced through the budget the ending of the blanket moratorium on recruitment. This moratorium was a blunt instrument which was implemented absolutely. Sometimes it is necessary to use a blunt instrument when in the midst of a crisis. However, the moratorium led to a situation regarding access to front-line services. In all communities we see its effect. With the ending of the blanket moratorium, we will have a situation in which local managers, paid to manage, will have to act



within their employment budget. They will make the decisions in regard to how they spend that budget. I believe this is a better and fairer way to deal with front-line services in terms of closeness to the community.

It is unfair for Deputies to suggest every new job created has been a low-paid job. I have responsibility for the international financial services sector and when I visit companies and meet people working there, the assertion is not borne out by the facts. It is also not borne out by our tax take. The Government has given a commitment to a low pay commission. In regard to getting people to move from social welfare to work and providing supports for people who are trying to move, the Tánaiste has announced that these people will be allowed to retain the qualified child payment when transitioning from lone parent allowance. These important measures are worth noting if our debate is to remain in context.

In response to some of the specific issues raised, Deputy Michael McGrath suggested the abolition of the weekly PRSI allowance two years ago affected all taxpayers equally.

*3 o'clock*

However, I must correct the record because that is simply not the case. Those who did not earn more than €18,304 were unaffected as they were not liable to PRSI.

As regards individualisation of the tax system, the position is that this issue was considered by the Commission on Taxation which, as Deputies will know, recommended no change be made to the current system. As regards the self-assessed and the fact they do not have access to PAYE tax credits, the reasons for this are historic. There have, of course, been changes during the years, with the result that the self-employed now pay tax on a current year basis, for example, and that the PAYE allowance has become a tax credit. However, the Government has signalled its intention to introduce a programme of tax reform. Budget 2015 is for the first year of that programme and I hope we can look at such tax reform issues in subsequent budgets.

With regard to progressivity, it is important to indicate that Ireland has one of the most progressive income tax systems of the EU members of the OECD and the second most progressive of all members of the OECD. The changes introduced in the budget will reinforce this progressivity such that the top 1% of income earners will pay 21% of all income tax and USC collected in 2015, up from 19%. In contrast, the bottom 76% of income earners will pay only 20% of all income tax and USC collected, down from 21% before the budget. I heard Deputy Róisín Shortall describe the Government statistics as contrived, but they cannot only be contrived when they are uttered from this side of the House. These are statistics and they are the facts. We can look at and debate the analysis, but let us also debate the facts.

A number of Deputies spoke about the SARP provisions in the Bill. While the take-up of the SARP to date has been very low, the Minister believes the enhancement of the SARP will help to improve our offering in attracting companies and mobile talent. Companies that avail of it are required to report to the Revenue Commissioners on the number of jobs created or retained that can be attributed to the existence of the scheme. This is a job creation measure. There has to be a linkage between jobs created or jobs retained by virtue of an individual being in this country and availing of the scheme. The Minister will be watching these reports closely in regard to the statistics for the uptake of the scheme.

There was a discussion about the so-called double Irish. I disagree with those who assert that the Minister's announcement on budget day on Ireland's rules on company residence and

the so-called double Irish placed Ireland at a competitive disadvantage internationally. I argue the opposite is the case. Industry expects certainty and we are partaking in an OECD BEPS process. Why would anyone wait to arrive at a destination when he or she could have what I describe as a first-mover advantage? Let us get out there and let investors know where we intend to go with the tax code and various regimes we have in place. That is what we have done. This change is very important for the State. It is a small part of a much broader initiative which is set out in the new roadmap for Ireland's tax competitiveness which contains a comprehensive package of competitive tax measures to provide the foundations to maintain Ireland as a thriving hub for foreign direct investment.

Deputy Pearse Doherty asserted that the Minister had misled the Dáil on the issue of the so-called double Irish. That is, obviously, an assertion I reject. The Minister has always been very clear that the double Irish is not part of the Irish tax offering. It is just one example of the many international tax planning arrangements which have been designed and developed by tax and legal advisers to take advantage of mismatches between the rules in two or more countries. Obviously, it is something we are putting beyond doubt as a result of the budget announcement.

There has been a discussion about the amount of tax paid by multinationals. It is an important discussion to have; discussions on all tax issues are extremely appropriate to the Finance Bill and the budget. However, it is also important to have the discussion in the context of some of the documentation and reports published on budget day. I refer Deputies to the report issued on budget day on the effective tax rate paid by companies in Ireland and also the ESRI report on what would have happened, hypothetically, if the corporation tax rate in this country had been increased from 12.5%. A substantial body of work was done by the ESRI and its report has been published. It builds a good foundation for a debate on the matter in the House and I am sure it is an issue to which we can return.

The issue of tax competition was raised and there were questions about who benefited from this practice. Questions were also raised about evidence that supported a low corporation tax rate in Ireland. Again, it is important that these questions be considered in the context of the ESRI's report and the report on the effective tax rate published by the Department of Finance.

Reference was made to the provision of tax relief for crowd funding and loan capital. The Minister has no plans to introduce such tax relief, but investors can, of course, avail of tax relief for qualifying investments in SMEs through the employment and investment incentive.

Reference was made to increasing the tax-free thresholds that applied under CAT legislation to gifts and inheritances, depending on the relationship between the giver and the beneficiary on foot of the increase in property values. While asset values, including property prices, have been recovering in recent times, it is unlikely they have recovered to previous levels or uniformly in all areas of the country. This is a threshold the Minister will keep under review.

On the need to encourage domestic entrepreneurs, a point raised by Deputies Dara Calleary and Michael McGrath and others, section 45 of the Finance (No. 2) Act 2013 provided for capital gains tax relief for entrepreneurs who reinvested the proceeds from the disposal of assets made on or after 1 January 2010 in certain charitable business assets. Commencement of the legislative provisions had been made subject to EU state aid approval. A number of changes are being made to the capital gains tax entrepreneur relief provisions in this Finance Bill in order that the relief will satisfy new EU regulations introduced earlier this year, thus obviating the need for formal EU approval of a relief from a state aid perspective. I hope that in time this is

something that can be of significant benefit to domestic entrepreneurs.

There was a significant discussion and, it is fair to say, concern on all sides of the House about the definition of “an active farmer”. Concerns were expressed about the revisions to the definition in dealing with CAT relief on agricultural property. I am pleased to inform the House that the Minister will examine these concerns which have also been expressed by others and will see if further amendments are required on Committee Stage. This is clearly an issue that needs to be looked at and I am sure we will be returning to it on Committee Stage.

Quite a few Deputies referred to the abolition from next year of the windfall tax provisions. I would like to restate the rationale behind it. The Minister has done so because the tax is an impediment to the proper functioning of the property market at this time. Such profits or gains will in the future be taxed at normal rates of capital gains tax, corporation tax or income tax, as appropriate. The Minister will keep developments in the property market under very close review and, if it is found that transactions on the sale of land for development are leading to abuse or increased development costs, in particular in providing housing, he will not hesitate to introduce whatever measures are open to him to correct the situation.

It was extremely regrettable that Deputy Róisín Shortall referred to one representative body which the Minister had consulted, as outlined in the course of a reply running to a page and a half to a parliamentary question. The Minister consults widely; the budget process is open to pre-budget submissions and such submissions are received from far and wide and considered in the context of the budget. It is appropriate to do so. To suggest in a slur that some of the representative bodies named by the Deputy in this Chamber were responsible for the economic mess in which the country finds itself is not to recognise the reality that many of these organisations are responsible for significant economic and business activity. For example, Chambers Ireland was among the group of bodies listed. It is very appropriate for the Minister for Finance of the day, whoever he or she may be, or whoever is in government, to consult widely with all stakeholders and participate in an engagement process. We need to make sure that when we get to the stage of introducing a budget, we have engaged with as many stakeholders and heard as wide a variety of views as possible.

There were some queries about the first-time home buyers’ issue. First-time home buyers will be entitled to a refund of DIRT paid on savings used to purchase a home, on up to 20% of the purchase price in the 48 months prior to purchase, up to the end of 2017.

Deputy Pearse Doherty referred to the proposal to amend the general anti-avoidance legislation. There are significant numbers of cases involving transactions which have already taken place and which Revenue is challenging. However, pursuing these cases through the courts is slow, the outcome can never be certain and the process ties up significant Revenue resources. That is the reason a settlement opportunity is being provided. Let me be clear: at an absolute minimum, the taxpayer has to pay the tax due and, where interest is relevant, 80% of it also has to be paid. The measure is strictly time-bound. Tax evasion is illegal; tax avoidance is not. Nonetheless, Revenue challenges aggressive tax avoidance schemes and the unintended use of legislation.

There was a discussion during the course of the debate of a proposed levy on alcohol sales in off-licence premises. As the Minister has previously pointed out, EU Directive 92/93 which governs the structure of alcohol taxation does not provide for differentiation in tax treatment based on the location in which an alcohol product is sold. As Deputies on all sides of the House

will be aware, however, the broader issue is being looked at in terms of a whole-of-government approach.

Deputies Michelle Mulherin, Denis Naughten and John Paul Phelan raised the issue of petrol stretching. This is a very serious issue about which we have heard a significant amount in recent times. I assure the Deputies that it is being taken very seriously by the Revenue Commissioners and that investigations into the matter are ongoing. To date, 48 premises nationwide have been tested, with samples referred to the State Laboratory. Where the examinations indicate the presence of illegal stretching agents, the Revenue Commissioners will take action and pursue prosecutions against offenders, where possible. I reiterate a call I made previously during Topical Issue debates that anyone with relevant information pass it on immediately to the Revenue Commissioners. There is a section on the Revenue Commissioners' website to enable people to pass on this information.

Deputy Pearse Doherty asked about the VAT treatment of Government funding for the 1916 centenary commemorations. As Government funding is outside the scope of VAT, there will be no VAT liability on the receipt of funding by groups commemorating the 1916 Rising. The Deputy also asked for clarity on the different VAT treatment of Irish dancing and ballet classes. The EU VAT directive, with which Irish VAT legislation must comply, provides for a public interest exemption for education. Ballet schools are regarded as providing VAT-exempt education of a similar kind. This is because, in general, recognised ballet schools are run by qualified ballet teachers who teach to an externally examined syllabus. That was one of the more niche issues raised, but it was also an important one.

A number of Deputies referred to the pension fund levy, which will be very significantly reduced next year and end after that. Other Deputies welcomed the retention of the 9% VAT rate on tourist-related activities. As the Minister for Finance said in his Budget Statement, without the pension levy fund, there would have been no VAT reduction, but he has now outlined very clearly how he intends to wind it down.

I have tried to answer as many questions as I can. No doubt, there will be an opportunity to tease out these issues further on Committee Stage. In his opening statement to the House the Minister mentioned that there were still a small number of matters under consideration for inclusion on Committee Stage.

I will end where I began. The Finance Bill is not a panacea for all of the challenges faced by families. It is simply not possible to do this in one budget after the significant economic crisis from which the country is emerging. We now have the fastest growing economy in Europe, with the expectation that this will continue into 2015 and 2016. We also have one of the fastest growing employment rates in Europe. The budget was the first opportunity we had to try to give something back in a small and modest way. I hope it is something on which we can build in future budgets. I think the message that needs to go out is that the firefighting in the economy is over and that we now need to do all we can to create more jobs, continue to reduce the unemployment rate, increase investment in the country and deliver the public services on which all of our constituents and every citizen in the country depend. I commend the Bill to the House.

Question put:

<i>The Dáil divided: Tá, 66; Níl, 41.</i>	
<i>Tá</i>	<i>Níl</i>

<i>Bannon, James.</i>	<i>Boyd Barrett, Richard.</i>
<i>Barry, Tom.</i>	<i>Broughan, Thomas P.</i>
<i>Bruton, Richard.</i>	<i>Calleary, Dara.</i>
<i>Burton, Joan.</i>	<i>Collins, Joan.</i>
<i>Butler, Ray.</i>	<i>Colreavy, Michael.</i>
<i>Buttimer, Jerry.</i>	<i>Coppinger, Ruth.</i>
<i>Byrne, Catherine.</i>	<i>Cowen, Barry.</i>
<i>Byrne, Eric.</i>	<i>Crowe, Seán.</i>
<i>Collins, Áine.</i>	<i>Daly, Clare.</i>
<i>Conaghan, Michael.</i>	<i>Dooley, Timmy.</i>
<i>Conlan, Seán.</i>	<i>Ellis, Dessie.</i>
<i>Connaughton, Paul J.</i>	<i>Fitzmaurice, Michael.</i>
<i>Corcoran Kennedy, Marcella.</i>	<i>Fleming, Sean.</i>
<i>Costello, Joe.</i>	<i>Fleming, Tom.</i>
<i>Creed, Michael.</i>	<i>Halligan, John.</i>
<i>Daly, Jim.</i>	<i>Higgins, Joe.</i>
<i>Deering, Pat.</i>	<i>Kelleher, Billy.</i>
<i>Doherty, Regina.</i>	<i>Kirk, Seamus.</i>
<i>Donohoe, Paschal.</i>	<i>Kitt, Michael P.</i>
<i>Dowds, Robert.</i>	<i>Mac Lochlainn, Pádraig.</i>
<i>Doyle, Andrew.</i>	<i>McConalogue, Charlie.</i>
<i>Feighan, Frank.</i>	<i>McDonald, Mary Lou.</i>
<i>Fitzpatrick, Peter.</i>	<i>McGrath, Finian.</i>
<i>Gilmore, Eamon.</i>	<i>McGrath, Michael.</i>
<i>Griffin, Brendan.</i>	<i>McGuinness, John.</i>
<i>Hannigan, Dominic.</i>	<i>McLellan, Sandra.</i>
<i>Harrington, Noel.</i>	<i>Mathews, Peter.</i>
<i>Harris, Simon.</i>	<i>Moynihan, Michael.</i>
<i>Hayes, Tom.</i>	<i>Murphy, Paul.</i>
<i>Heydon, Martin.</i>	<i>Naughten, Denis.</i>
<i>Humphreys, Kevin.</i>	<i>Ó Caoláin, Caoimhghín.</i>
<i>Keating, Derek.</i>	<i>Ó Cuív, Éamon.</i>
<i>Kenny, Seán.</i>	<i>Ó Fearghail, Seán.</i>
<i>Kyne, Seán.</i>	<i>Ó Snodaigh, Aengus.</i>
<i>Lawlor, Anthony.</i>	<i>O'Brien, Jonathan.</i>
<i>Lynch, Ciarán.</i>	<i>O'Dea, Willie.</i>
<i>Lynch, Kathleen.</i>	<i>Pringle, Thomas.</i>
<i>Lyons, John.</i>	<i>Shortall, Róisín.</i>
<i>McCarthy, Michael.</i>	<i>Stanley, Brian.</i>
<i>McFadden, Gabrielle.</i>	<i>Tóibín, Peadar.</i>
<i>McGinley, Dinny.</i>	<i>Wallace, Mick.</i>
<i>Maloney, Eamonn.</i>	
<i>Mitchell, Olivia.</i>	

<i>Mitchell O'Connor, Mary.</i>	
<i>Mulherin, Michelle.</i>	
<i>Murphy, Eoghan.</i>	
<i>Neville, Dan.</i>	
<i>Nolan, Derek.</i>	
<i>O'Donnell, Kieran.</i>	
<i>O'Dowd, Fergus.</i>	
<i>O'Mahony, John.</i>	
<i>O'Reilly, Joe.</i>	
<i>Penrose, Willie.</i>	
<i>Perry, John.</i>	
<i>Phelan, John Paul.</i>	
<i>Quinn, Ruairí.</i>	
<i>Rabbitte, Pat.</i>	
<i>Ring, Michael.</i>	
<i>Ryan, Brendan.</i>	
<i>Spring, Arthur.</i>	
<i>Stagg, Emmet.</i>	
<i>Tuffy, Joanna.</i>	
<i>Twomey, Liam.</i>	
<i>Varadkar, Leo.</i>	
<i>Wall, Jack.</i>	
<i>Walsh, Brian.</i>	

Tellers: Tá, Deputies Emmet Stagg and Jerry Buttimer; Níl, Deputies Aengus Ó Snodaigh and Seán Ó Feargháil.

Question declared carried.

#### **Finance Bill 2014: Referral to Select Committee**

**Minister for Jobs, Enterprise and Innovation (Deputy Richard Bruton):** I move:

That the Bill be referred to the Select Sub-Committee on Finance pursuant to Standing Order 82A(3)(a) and (6)(a) and 126(1) of the Standing Orders relative to public business.

Question put and agreed to.

6 November 2014

### **Social Welfare Bill 2014: Order for Second Stage**

Bill entitled an Act to amend the Social Welfare Acts; and to provide for related matters.

**Tánaiste and Minister for Social Protection (Deputy Joan Burton):** I move: “That Second Stage be taken now.”

Question put and agreed to.

### **Social Welfare Bill 2014: Second Stage**

**Tánaiste and Minister for Social Protection (Deputy Joan Burton):** I move: “That the Bill be now read a Second Time.”

While this is a short Social Welfare Bill by normal standards, it none the less marks a positive shift in our economic and social recovery. That recovery is now clear to see. According to the European Commission, Ireland will be the fastest-growing economy in the EU this year, with our growth rate expected to hit 4.6% compared with an average of just 1.3% for other member states. Last month the Government delivered a budget package that reduced taxes for middle-income and low-income workers and provided welfare increases in a number of key areas, such as child benefit and the living alone allowance, which are the subject of this Bill. By any standards, this is a remarkable turnaround given the economic crisis this Government inherited upon taking office. In regard to the Trichet letter, which we discussed earlier, it is important to note that at that point, the deficit was 32%. It is incredible to contemplate the level of indebtedness that existed six years ago.

The main social protection measures contained in this Bill are an increase of €5 a month per child in child benefit from January 2015; a new back to work family dividend scheme to help people back to work; support for water services for certain social welfare recipients; an increase in the living alone allowance to €9 a week from January 2015; payment of a Christmas bonus of 25% to all long-term welfare recipients in early December; and a doubling of JobsPlus places from 3,000 to 6,000 and increased funding for JobPath. In addition, the decision to discontinue application of the 0.6% pension levy will be welcomed by pension scheme members and older people in particular as providing greater certainty regarding their retirement provision. I hereby notify the House of my intention to retain the weekly earnings disregard for recipients of one-parent family payment at its present level of €90 a week, which I will provide for by way of an amendment on Committee Stage.

On the subject of Committee Stage amendments, I take issue with recent comments in a prominent newspaper by a commentator generally regarded as being fair and balanced. He contended that the amendment to the Social Welfare and Pensions Bill enacted earlier this year to allow Irish Water to use PPS numbers was surreptitiously slipped into that legislation, which had no relevance to the matter. This commentator further claimed that the Oireachtas was not given sufficient time to understand the significance of the change or debate it adequately. The legislative basis for the allocation of PPS numbers, the purposes for which they can be used, the agencies to which specified-body status is granted, and offences for the misuse of PPS numbers are set out in the Social Welfare Consolidation Act 2005. The extension of specified-body sta-

tus to different agencies for the purposes of using PPS numbers is a common feature of most Social Welfare Bills. In the circumstances, the Social Welfare and Pensions Act 2014 was the most appropriate legislative vehicle to provide for the extension of specified-body status to Irish Water.

While the extension of specified-body status to Irish Water was provided for by way of a Committee Stage amendment to that Bill, I indicated to Deputies on Second Stage my intention to table the amendment. In addition, in advance of the Second Stage debate, officials from my Department briefed the Opposition spokespersons on social protection, other members of the Oireachtas and their research assistants on the contents of the Bill, including the proposed Committee Stage amendment enabling Irish Water to use PPS numbers. During this briefing session, my officials answered questions relating to the operation of this provision. Moreover, a detailed briefing document, including information on this particular Committee Stage amendment, was given to all those who attended the briefing session and was subsequently circulated more widely to Deputies and Senators. Therefore, the contention that this amendment was somehow surreptitiously slipped by an unsuspecting Oireachtas is both inaccurate and insulting to Members. I will deal with the issue of the use by Irish Water of PPS numbers in more detail later.

In the six years since the banking collapse, very difficult decisions have had to be made in the area of social welfare provision. Nevertheless, in my time as Minister for Social Protection I have been able to prioritise the protection of basic social welfare rates and maintain a social welfare safety net that is among the most effective in the EU at reducing poverty. We are now realising the benefits of the sacrifices that have been made by the Irish people, as we emerge from the unprecedented economic crisis that impacted so significantly on the country and into which we were plunged by the fatally flawed blanket bank guarantee. Budget 2015 reinforces the improvements in the economy by sharing the gains of our recovery in an equitable and sustainable manner. My aim is that this Bill, together with the other measures announced in the budget, will begin the process of restoring living standards for families, older people and low-income and middle-income workers. I am very pleased that it has been possible, for the first time since becoming Minister for Social Protection, to provide for modest increases in social welfare payments.

In recognition of the sacrifices that were made and the difficulties still faced by families, the Government's Statement of Priorities, published earlier in the year, promised a new deal on living standards for low-income and middle-income families. In line with this commitment, the Bill provides for a €5 increase in the rate of child benefit, as announced in budget 2015. This will bring the monthly rate of child benefit from €130 to €135 per child, with effect from 1 January 2015. The Government has also committed to increase the monthly rate of child benefit by a further €5 in 2016, if circumstances allow. Child benefit has been critical in supporting families through difficult times and this increase will help families to build a better financial future and boost the recovery. This additional support for children is also in line with the key conclusions of the recent UNICEF report, which states that "increasing investment in social protection policy and programmes can reduce poverty, enhance social resilience in children and support economic development in an efficient, cost-effective way."

Child benefit, along with other child income supports paid to welfare recipients and low-paid working families, helps to prevent poverty. Following the changes we are implementing, the Government will provide a combined weekly payment of €63 for vulnerable children. These and other social transfers greatly reduce the at-risk-of-poverty rate for children from



45% to 19%. I am a strong advocate of child benefit as a universal payment because of its crucial importance to low-income and middle-income families. A crucial element of a strong and sustainable welfare system is the principle that everybody contributes and that the system is there, in turn, to support those contributors at key stages in their lives. Child benefit is one of the few universal payments in the welfare system and its universality has an important role to play in maintaining the sustainability of the system. Moreover, the fact that every family receives child benefit, regardless of employment status, ensures this payment does not act as a disincentive to work.

The live register figures for October, which were released this week, confirm the continued improvement in the labour market. In the first nine months of this year, 113,000 people left the live register to take up employment. What is more, this growth in employment was entirely accounted for by full-time jobs. Unemployment is down from a crisis peak of 15.1% to 11% now. That is still far too high, but the pace of the reduction in unemployment is accelerating. I am confident that we will get unemployment below 10% in the next 12 months.

Employment creation remains a central focus of Government policy. In particular, we want to ensure people who lost their jobs during the crisis will benefit from the strong economic recovery that is under way. A vital part of the Government's strategy is the need for additional activation measures in the interim while the economy recovers. That is the rationale behind our activation strategy, Pathways to Work. In order to support the implementation of Pathways to Work, €1.6 billion is being made available in 2015 to provide approximately 300,000 work and training places. The number of positions on JobsPlus will be doubled to 6,000 with a focus on young unemployed people at a cost of €13.5 million in a full year. Under the JobsPlus scheme, monthly cash grants are paid to employers to help with wage costs when they recruit long-term unemployed jobseekers.

I am also introducing a new incentive called the back-to-work family dividend which will help jobseekers with families to return to work. This dividend will provide an incentive of €1,550 per child in the first year of employment or self-employment and half that amount in the second year. This scheme, which will come into operation in early April 2015, will cost €22 million in 2015 and €46 million in a full year. The necessary administrative and technical details of this dividend are being developed and will not be finalised in time for inclusion in this Bill. Instead, the required legislative amendments will be provided for in a further social welfare Bill to be introduced early in the new year with a view to its enactment by the end of March 2015 so the dividend can commence early in April 2015, as provided for in the budget. The 2015 social welfare Bill may also provide for several other changes to the social welfare code arising from policy, administrative, operational and control matters. This measure, when taken together with the employer incentives under JobsPlus as well as the activation measures under the JobPath scheme, will ensure that people who have remained on the live register for a prolonged period can also benefit from the recovery in the labour market.

The ongoing task of economic repair must be accompanied by an equal focus on social recovery. Following several budgets which required a major consolidation of the public finances, including social protection expenditure, budget 2015 provides that all social welfare payments and supports will be maintained during 2015. This means there will be no reductions in payment levels and no changes in eligibility criteria. However, the improved economic circumstances have allowed us to go beyond this. Accordingly, I am also providing for the first increases in weekly social welfare payments since 2008.

The living alone allowance, payable to some 180,000 pensioners and people with disabilities, is being increased from €7.70 to €9 a week. We are also in a position to restore partially the Christmas bonus this year. A bonus of 25% will be paid in early December to all long-term welfare recipients, including pensioners, lone parents, jobseekers, carers and people with disabilities.

While these increases are modest compared to those provided in the recent past, they are also prudent. We will not return to the recklessness of the past. Instead, we will use the economic dividend from the recovery to invest in sustainable growth, in families and communities and in vital public services.

Budget 2015 provides for several other social protection measures, including helping vulnerable welfare households to meet the costs associated with water services. In addition, my colleagues and I are looking at the possibility of further options whereby every single household receives help with their bills.

Budget 2012 provided for a phased reduction between 2012 and 2016 in the weekly amount of earnings that can be disregarded for the purposes of the one-parent family payment scheme, with the disregard due to fall from €90 to €75 next year and to €60 in 2016. I am pleased to announce that I have provided for the retention of the weekly earnings disregard for recipients of one-parent family payment at its present level of €90 a week. This measure will be provided for in a Committee Stage amendment I will be tabling. This will benefit some 28,000 working recipients of one-parent family payment during 2015 at a cost of €8 million. In addition, the back-to-work family dividend will be of significant financial assistance to lone parents looking to return to work.

I want to assure Deputies and the public about the uses that can be made by Irish Water of the PPS, personal public service, numbers that are provided to it. Irish Water has confirmed that validating eligibility for water allowances is the sole purpose for the collection and storing of PPS numbers. While the exact processes are yet to be developed, it is important to reiterate that the Department of Social Protection will not be giving any additional information to Irish Water. The intention is that the PPS number will serve as a unique identifier in the case of individual Irish Water customers. It will be used by Irish Water to facilitate and control the distribution of allowances which are subvented by the Government. The Department will simply be providing validation of information that Irish Water has collected and provided to the Department.

Irish Water has indicated PPS numbers will only be shared with the Department of Social Protection and only for the purposes of verifying the applicability of water allowances to a customer's account. This is to confirm eligibility for the allowances and to ensure a customer claims allowances only once rather than at multiple properties. Social Welfare legislation specifies that the PPS number can only be used by specified bodies and agents acting on their behalf and only for the purposes of public service transactions. Provision is also made for sharing a person's PPS number between specified bodies.

The PPS number is the unique identifier introduced in 1998 and is used to provide access to an important range of public, civic and other services. It replaced the Revenue and Social Insurance, RSI, number, introduced in 1979, for engagements between individuals and Revenue or social welfare. The introduction of the PPS number made it accessible by specified bodies, rather than just Revenue and social welfare, in transacting public services. At its core, the PPS number is a device to assist in and to enhance the efficiency of the provision of public services

to members of the public. Those public services vary greatly. Accordingly, the PPS number is used widely by, for example, all employers in their transactions with Revenue and the Department of Social Protection, in the delivery of social welfare payments and services including dental, optical and audiological services provided by the private practitioners, financial institutions and the health and education sector.

It is an offence for persons other than specified bodies, their agents or those to whom the number refers, to use PPS numbers or otherwise seek the disclosure of same. The Department is committed to protecting and facilitating the use of the PPS number in accordance with the law. In this regard, it monitors compliance with legislation among the specified bodies and deals with identified and reported cases of misuse. The collection, storage and use of the PPS number is also subject to the provisions of the Data Protection Acts.

Section 1 provides for the definition of the term the “Act of 2012” which is used in the Bill to mean the Social Welfare Act 2012. Section 2 provides for a €5 increase in the monthly rate of child benefit, bringing the current rate up from €130 to €135 with effect from 1 January 2015. This increase represents an annual increase of €60 for each child, bringing the overall annual investment through the child benefit system to €1,620 for each child. This measure will benefit some 1,171,700 children in 612,800 families. Section 2 also provides that in the case of twins, the monthly rate of child benefit will increase from €195 to €202.50 per child, while in the case of multiple births of three or more children, the monthly rate of child benefit will increase from €260 to €270 per child, with effect from 1 January 2015. Section 3 provides for the Short Title and construction of the Bill.

Despite the need to stabilise the public finances over the past number of years, the Irish social welfare system continues to play a key role in our society and I have ensured that the necessary resources have been made available when required. We have made substantial progress in repairing the enormous damage that has been done to the Irish economy and to our society, initiated by the fatal bank guarantee of Fianna Fáil and the Green Party when in Government.

The social protection measures contained in this Bill and in budget 2015 are built on the foundations of the economic recovery. It is none the less recognised that there are still many difficulties that need to be addressed. While these measures represent a modest start, we will not imperil this recovery by returning to the reckless policies of the past. Instead, we want to sustain the economic recovery and build the social recovery, so that every person, family and community feels the benefits of it.

Today saw the publication of a letter from the then head of the European Central Bank, Mr. Trichet, to the then Minister for Finance, the late Brian Lenihan. When one sees the tone of that letter and the data pertaining to the Irish economy during that snowy winter of 2010, one has to say that they were incredibly difficult times for everybody. We have come through some difficult years but people are returning to work. In addition, our target for the budget deficit in 2015 is below 3%, at 2.7%. Compared to a period when the deficit soared to 32%, one can see the turnaround.

Many people suggested it would have been better to throw our hands up and not work to repair Irish society. We have seen examples of other societies that chose that route, but two decades later they are still in an incredibly difficult position. We are now able to raise debt on international markets at extremely competitive and favourable prices, just slightly above the German price of debt.

I realise it has been difficult for a lot of families but I am pleased to bring these budgetary measures, including the Social Welfare Bill, before the House. They are positive and hopefully will set the tone to continue our economic and social recovery. This will widen and deepen, reaching everybody and every area of the country, including cities, towns and villages.

**Deputy Willie O’Dea:** I am opposed to this Bill, not because I object to the rate of child benefit being increased - I welcome that - but because it is a remarkable piece of legislation. Normally when we say something is remarkable, we are talking about what is contained in it. This legislation, however, is most remarkable not for what it contains but for what it omits. I will come back to that point shortly. I am also opposed to the Bill because it is an intrinsic part of the fourth regressive budget brought in by this Government. There is an old saying that two wrongs do not make a right, but four wrongs certainly do not make a right.

The Minister has announced - as did the Minister for Finance and the Minister for Public Expenditure and Reform on budget day - that they were putting €196 million back into social welfare. What they did not mention was that over the three preceding budgets the Government took almost €2 billion out of social welfare. Outside organisations who have no particular axe to grind have said that this budget alone has widened the gap between rich and poor by a minimum of €500 per annum. As the Tánaiste said, we have just come through a massive economic recession. The people who were hit hardest in this recession are the poorest and most vulnerable amongst us. One would have thought that when the day arrived when the Government had something to give back, those people would be at the start of the queue, but no. If one closely examines the provisions of the budget and the social welfare announcements, they remain where they were before - at the end of the queue.

The cumulative effect of the hits those people have suffered over several years is devastating. They represent a major factor in our considerable levels of poverty but these cuts do not tell the whole story. They must be seen in the context of cuts to public services, which have also weighed hardest on those least able to afford them.

Government spokespersons have disputed the fact that the budget is regressive. However, as a result of this budget, a single unemployed person gains €46.80 per year. A couple with two earners on €125,000 per year have gained €1,226, which is nearly 30 times more. The budget gives about 90 cent per week to an unemployed single person, and €14.30 per week to a single person earning €75,000. It certainly sounds regressive to me.

The Social Welfare Bill is remarkable for what it does not contain. The Government’s main innovative proposal is the so-called family dividend, from which the Minister has generated several public relations outings, announcing that it would be part of the budget. Two days ago, however, when we got copies of the Bill we found that the proposal had not been thought out at all. It was not ready for inclusion in the Bill but will be introduced in some other Bill next year to take effect when the legislation is enacted. That does not show a particular sense of urgency on the Government’s part. There are many questions about the family dividend provision which I would like to ask but I will have to wait until the new Bill is produced, whenever that may be. We are also told that changes to the Christmas bonus and living alone allowance can be made by way of regulation. Basically, therefore, we are debating a Bill the totality of which is to give an amount equal to one extra hour of child care per child, per month.

The Bill is also remarkable for a number of other things it omits. The Minister will be aware of all the submissions received by her and various other Ministers, including the Minister for

Finance, in the lead up to the budget by various individuals and organisations. She will also be aware that the Committee on Education and Social Protection heard from representatives of a number of those organisations. From what they said, it was quite possible to ascertain what the main items on their agenda were. They represent those who suffered most in the recession and were the main victims of the cuts totalling almost €2 billion. The cost of heating, the fuel allowance and ESB bills loomed large on their agenda.

*4 o'clock*

People are isolated because they can no longer afford to pay the rent on a landline or can only pay it with great difficulty just to have an alarm system. Lone parents wanted the disincentives to work to be removed. Carers provided some €70 million per week in unpaid work for the State. It is no exaggeration to say that not one of these demands, which were couched in modest terms and were modest reversals rather than complete reversals, have been met.

The cost of gas and electricity has escalated to the point where Ireland is the dearest in the EU. Against that background, with no increases in social welfare benefits and cuts in other aspects of several social welfare provision, the Government reduced the period for which fuel allowance is paid from 32 weeks to 26. In addition, it gutted the free ESB allowance at a time when social welfare was not increasing but gas and electricity prices were. The total amount taken from the two allowances over the past number of budgets comes to €90 million, with some €51 million off the fuel allowance and €38 million off the free ESB allowance.

Many organisations that approached us had carried out surveys. I do not have adequate time to read out all the comments in response but some said that home heating had to be reduced to save fuel so that one man's wife, who is ill, stays in bed most of the time. Another comment was that a person only turns on heating in some rooms and does everything to save heat, including extra clothing, staying in bed late and going to bed early. Another comment was that a person rarely uses the phone. That is what is happening in the real world in Ireland in 2014.

The free telephone rental allowance was also high on the list. People of my personal acquaintance find that the rent costs a multiple of what they spend on calls. I am sure the same is true of the Tánaiste.

**Deputy Joan Burton:** They are being ripped off.

**Deputy Willie O'Dea:** Many of them maintained a landline so they can have an alarm system for the sake of their security and safety. Despite protestations to the contrary, many people found that only by maintaining the landline system and paying the rental can they have a sense of security. It is important to elderly people, particularly those who feel isolated and vulnerable. There was a major push before the budget for a reversal of the €110 million taken from the allowance over the past number of budgets but no response.

Detailed submissions were made by the Carers Association. Carers contribute €70 million per week in unpaid work. If the State had to pay the bill, the 3% deficit target would be far out of sight. The Carers Association looked for a partial restoration of the respite care grant. The respite care grant is paid to people working as carers 24-7, often at the expense of their health. I know many carers whose health has been impaired by their onerous duties. The respite care grant was not a bonus, sweetener or incentive but a payment to enable those people to get away for a short time from their onerous duties and it was slashed. When making representations, the Carers Association asked for a partial restoration and a few extra days away. God knows

they have onerous duties working seven days a week, 24 hours a day, but there was no response from the Government.

When the Tánaiste reduced the unemployment assistance payments to young jobseekers, she did so on the spurious basis that it would be character building, that there were plenty opportunities and that these people had to be encouraged to take up these opportunities in employment, education or training. Despite that, some 74,000 young people are not in employment, education or training. Why are they enduring these penurious rates of social assistance if places are not available? It is not the case that they are not in employment, education or training by choice; the vast majority are not in those activities because there are no places.

I welcome the announcement in the Tánaiste's speech that she will partially recognise the arguments we make on the Opposition side. The last Government must also bear some responsibility for this. The income lone parents can earn without the allowance being reduced is decreasing. The age of the child under which one can receive lone parents' allowance is being reduced gradually to seven years. People who do not qualify, because they do not have a child under the requisite age, go on jobseeker's allowance at which point it is much harder to go to work because of the means test and the three-day rule. It is extraordinary that this is presented as an activation measure or an incentive to people yet the only people affected by the twin changes are lone parents who work. They are the only ones who lose out. Jobseeker's allowance is €188 per week for those over 26 years of age. The lone parent's rate is the same so the only people affected are lone parents who go to work. It seems to be based on the extraordinary proposition that the less people gain by working, the more likely one is to work.

People with disabilities made representations and came to see us on a number of occasions. The reaction to the budget was summed up by the spokesperson, Mr. Dolan, who said it completely "fails to meet people with disabilities' ambition to live in the community with dignity and independence".

Maternity benefit has been cut and there is no restoration of it. People who qualify for the clothing and footwear allowance have had €43.2 million gouged from their payments by the Government. These are the poorest of the poor and it takes €43.3 million from the pockets of people who must be virtually destitute to pass the means test to qualify for the clothing and footwear allowance. In last year's budget, the Government announced people must provide for themselves for six days rather than three days if they are sick. This takes €22 million away from the sick. In most cases, the employer will not pay. The Government has made it more difficult to qualify for the disability allowance at a cost of €46.6 million to people on disability allowance. I do not have time to elaborate on the changes made to the farm assist scheme, to the disadvantage of recipients, the abolition of the statutory redundancy schemes, increases in minimum rent contributions for rent allowance or cuts to the exceptional needs payments. The latter was designed to help people who are virtually destitute. There is also the abolition of the PRSI allowance and prescription charges, a tax on medical card holders, cuts to medical home help hours of 600,000 hours, the gradual erosion of the voluntary and community sector, property taxes, water charges, carbon taxes, etc.

The Tánaiste has trumpeted the improvement resulting from the €196 million expenditure and one is the increase in the living alone allowance from €7.90 to €9 per week. That is a grand annual total of €67, or 20 cent per day. I do not know of any retail establishment in this country where people can buy a lollipop for 20 cent. Child benefit has given an extra hour of child care per month per child. In its previous two budgets, the Government took approximately €213

million out of the allocation in respect of the child care. On foot of the recent budget, €72 million of this will be restored.

The back to work dividend scheme, much vaunted though it has been, seems a very insipid response to the problem of poverty traps and to the question of encouraging people - or making it worth their while or affordable for them - to go out to work. There are alterations which could be made to the social welfare system. I refer, for example, to dealing with the three-day rule relating to jobseeker's allowance or introducing a number of small changes to the family income supplement, FIS, system. Such steps could make an enormous difference. There is also the lack of refundable tax credits to consider. I could go on but I will not do so. No real attempt has been made to deal with any of these matters. What we have been presented with is, as far as I can see, a fairly minor proposal that will certainly not compensate in any way for the cost of child care incurred by someone who goes out to work. If one goes out to work and one has children, then one must obviously make arrangements for child care. However, we will not see what is proposed in this regard until some time next year.

I have no objection to an increase in the Christmas bonus. If there is money available to the Labour Tánaiste and Minister for Social Protection to increase the Christmas bonus by 25% in order to give everybody a few cent, would it not be much better if she used €27 million of the money involved to restore the respite care grant and the remainder to reverse - to some extent - the cuts to the free ESB allowance? The latter would have a real impact but the difficulty is that only a certain number of people or a particular sector of society would benefit. The Government must appeal to the majority of voters and it is giving them all a few cent as a result. Its action in this regard is tokenistic.

**Deputy Joan Burton:** Why did Fianna Fáil abolish the Christmas bonus?

**Deputy Willie O'Dea:** Why is the Minister not using the money to restore the respite care grant?

**An Ceann Comhairle:** The Tánaiste and the Deputy should address their remarks through the Chair.

**Deputy Joan Burton:** Deputy O'Dea should tell us about Fianna Fáil's part in the story.

**Deputy Willie O'Dea:** The Government is seeking votes by giving a few cent to everybody.

The Members of this House - those on all sides - were elected to govern a society, not just an economy. Let us take a step back and consider the type of society that exists almost four years into the lifetime of this Government and in the aftermath of the introduction of its fourth budget. According to the CSO, approximately 4.5 million people live in Ireland. As measured internationally, some 750,000 of these individuals - one in six - live in poverty. I refer here to those who are obliged to live on incomes which are below the level that would guarantee them a minimum standard of dignity. The position is worse for people under the age of 17, one in five of whom - nearly double the OECD average - lives in a state of poverty. The Tánaiste referred to the recent UNICEF report, which is extremely interesting in the context of what it has to say about child poverty. One of the conclusions reached in the report is that there are now 130,000 more children living in poverty here than was the case when the Government took office. The Tánaiste may refer to the recession in this regard but the details contained in the UNICEF report give the lie to that argument. UNICEF analysed the position in all OECD countries, including those that were as badly or even more adversely affected by the recession as Ireland, and dis-

covered that the level of child poverty has actually decreased in 18 of them. In Poland, child poverty fell by as much as 30%. It is not just a question of the state of the economy; it comes down to the choices the Government has made. The conclusion in this regard is inescapable. As a result of the choices made by the current Administration, 130,000 more children are living in poverty than was the case when it took office.

Even the figures to which I refer do not tell the whole story. One can use whatever yardstick one likes to measure the impact of what has occurred. I refer, for example, to the deprivation rate, which is used to calculate the number of people forced to go without at least two of the 11 basic necessities of life. The figure in this regard in Ireland has reached 1.2 million. This means that 27% - one in four - of our population of 4.5 million must go without two of the 11 basic necessities of life. In the context of a just society, the most recent figures for income distribution show that last year the top 10% of households in this country were in receipt 24% of all disposable income whereas those in the bottom 10% received just 3% - or one eighth as much - of it. That certainly does not sound very fair and it does not appear that we have moved very far along the road towards creating a just society. All I am referring to here is income distribution and I am not even taking access to and control over capital into account, which remains in the preserve of those in the upper echelons in society. If one combines capital and income, then the levels of inequality, not to mention poverty, in Ireland are not just indefensible, they have become positively dangerous.

Ireland in 2014 is a country of two populations, namely, a pampered, protected and privileged elite, on the one hand, and, on the other, a huge and growing coterie of people who are shackled by poverty. The Government has no coherent guiding vision in terms of how to achieve a fairer or more just society. The tactic has been to cut social welfare provision in many different areas and then perpetrate the myth that payments have been protected and the poorest in society have been safeguarded. The obvious question that arises relates to the €2 billion cut to the social welfare budget. That must have been some sort of statistical glitch. According to statements made by various Ministers, it never happened at all. As was the case when one of the Ewing brothers on the television programme “Dallas” was shot, perhaps it was just a dream. Regardless of whether that was the case, the nightmare continues for those most affected by the cuts.

The core values of a just society should be human dignity, equality, respect for human rights, solidarity, sustainability and pursuit of the common good. The Government does not appear to have the slightest idea of how to ensure the maintenance of such values. Worse again, it does not seem to have the slightest intention of trying to do so. The budget, of which the Bill before the House forms an intrinsic part, provides no guiding vision whatsoever. It is a management agenda and a collection of miscellaneous and unconnected items, utterly devoid of social vision. It is, however, designed to have the broadest possible appeal. Effectively, it is nothing short of political lap dancing. To paraphrase Disraeli, the Government has made its conscience not its guide, but rather its accomplice. The Taoiseach is relentless in continuing to utter the mantra that his main objective as head of the Government and leader of his party is to make Ireland the best small country in the world in which to do business. That is fair enough, but it must be remembered that he governs with the support of Labour, which represents itself as a socialist party. Surely the leadership of the Labour Party should be saying to the Taoiseach that if his objective is to ensure that Ireland is the best small country in the world in which to do business, then its objective is to make it a better small country in which to live if one is poor, vulnerable, disabled or disadvantaged. There has been absolutely no sign of this in any of the



four budgets considered by this House since the Government took office.

When introducing the budget, my constituency colleague, the Minister for Finance, made his usual poetic allusion by quoting Robert Frost and stating that he would not take the road more travelled. On the subject of roads, the Irish poetess Anna MacManus - I think poetess is the correct term - wrote a remarkable poem called "The Passing of the Gael" around 15 years before the aforementioned work of Mr. Frost. The poem begins with the writer addressing Ireland by one of her mythical names: "Oh, Kathaleen ní Houlihan, your road's a thorny way". For the poor children of Kathleen Ní Houlihan, the vulnerable, disadvantaged and weakest in society, the road continues to be a thorny way. Each budget introduced by this Government has seen that road become harder.

**Deputy Aengus Ó Snodaigh:** I dtús báire, ba mhaith liom an t-ardú de €5 sa liúntas leanaí a chur i gcomhthéacs. Is é seo an t-aon rud amháin atá á dhéanamh sa Bhille seo. Is trua nár thapaigh an tAire an deis déileáil leis na ciorruithe eile a chur sí i bhfeidhm go dtí seo, nó fiú roinnt de na ciorruithe a chur an Rialtas roimhe seo i bhfeidhm. Ní hamháin go ndearnadh gearradh siar ar an liúntas leanaí in ainneoin an ghealltanais a tugadh don phobal i gcoitinne, ach rinneadh a lán gearrtha eile freisin. Cuireadh an t-ualach sin ina iomlán ar na clanna atá ag brath ar an gcóras leasa shóisialaigh agus orthu siúd timpeall na tíre atá ar phá íseal. Cé go bhfuil mé i bhfábhair cuid den mhéid atá sa Bhille seo - measaim go mbeadh sé deacair d'éinne cur i gcoinne ardú de €5 sa mhí a chabhróidh leo siúd inár sochaí atá ar an ngannchuid agus atá bocht - ní leor é. D'fhéadfadh an Rialtas seo dul i bhfad níos faide ná mar atá leagtha síos sa Bhille seo. Is é sin scannal an Bhille seo. Tá sé deacair tacaíocht a thabhairt don reachtaíocht seo toisc nár thapaigh an Rialtas an deis a bhí aige.

As I said as Gaeilge, I want to put the €5 child benefit increase in context. I will not rehash all of the promises made by the Labour Party before the last general election - there is no need to, as the public do not have selective amnesia. The public know what was promised and in recent elections they have shown the Labour Party what they think of those pre-election promises. The Labour Party promised to protect child benefit and made it a red-line issue; its posters stated "Every little hurts". The public will show the Labour Party what they think of those promises, because this Government is trying to spin the €5 increase as a "one for every child in the audience" giveaway for struggling families. The public are supposed to be bowled over with gratitude for crumbs from the table of the rich, but they are not that stupid. I respect the public and can see that the people are not stupid because they have shown this in elections in the past year. They can see through the lies of the last general election. The public know that the Government has targeted children relentlessly with cuts, and the consequence is that one third of children in the State experience deprivation.

The last Government cut child benefit, but not in the extreme manner of this Government - it also cut other social welfare payments. This Government has cut child benefit by between €10 and €47 per child per month. These cuts are in addition to the €100 cut to the annual back-to-school clothing and footwear allowance for poor families. Maternity benefit has been cut by €32 per week and the lone parent income disregard was cut from €146.50 to €90. Working lone mothers and fathers are down €28 per week as a consequence. During the intervening years the cost of living has risen, further eroding the value of the total child benefit payment. In this context, struggling, intelligent Irish voters will assess the value of the measure contained in this Bill.

The Tánaiste has indicated that water charges may be capped for a period - she was in the

House earlier but, strangely, she has disappeared for this debate. She may have had other engagements, but that is the case for all of us. It is odd that the Minister of State at the Department of Agriculture, Food and the Marine, Deputy Tom Hayes, is here instead, but perhaps he can use his influence to make cheap wood from the forests under his remit available to the people suffering from cuts to the fuel allowance. A total of €120 per year has been cut from the fuel allowance, which many people depend on, yet the Government trumpets the extra €60 per year that children will receive. Perhaps the Minister of State will use his position to help these people grow food; he might provide some land for this purpose by using his responsibility for areas such as horticulture and food safety.

**Minister of State at the Department of Agriculture, Food and the Marine (Deputy Tom Hayes):** We encourage such initiatives all the time.

**Deputy Aengus Ó Snodaigh:** The Minister of State may encourage this, but he is not willing to pay for it and use money to back up his words. The exact opposite is the case, as money has been taken away from people continuously over the past three and a half years.

The Tánaiste indicated that water charges would be capped at €300 - this may be the Government's line, or perhaps the Tánaiste was on a solo run. The Cabinet has repeatedly stated that water charges are modest. If €25 per month is deemed to be modest, then the €5 child benefit increase is minuscule. This matter must be examined and overcome, because the legislation before us is a disgrace. It does not deal with poverty and will not relieve the poverty and deprivation facing children and their parents. This legislation means social welfare payments will probably not keep track with inflation in the coming year.

This Bill is accompanied by an explanatory memorandum that spends more time and space referring to what is not in the Bill than what is in it. In fairness, the officials probably had to pad it out, because it is a small Bill. Despite this, the list in the explanatory memorandum gives a far from comprehensive overview of cuts in recent years. I will add to the list of budgetary cuts for 2015 that the Government neglected to mention. Further cuts will be imposed on the one-parent family scheme; this is not mentioned in any of the budget documents or in the explanatory memorandum, but they come into effect in January 2015. I debated this issue with the Tánaiste on Tuesday but she failed to answer my questions in any shape or form. She went on blathering about something else, as is the norm for her. I raised the key issue of the income disregard and asked her to address the matter. Two days later she came into the House and proved that my approach was right; she had taken the time to reflect on what I raised on Tuesday and reversed the decision made last year. However, she did not say that the other changes to the one-parent family scheme that are to come into effect next year will be reversed.

On Tuesday, before the Tánaiste came before the House with her prepared speech, I outlined the scale of poverty in one-parent families. These are the families who are dealing with children and who are more limited than other families in terms of getting out of poverty.

While this is something that affects all families but one-parent families are most at risk, a fact accepted in every report of recent years. Those most at risk of poverty have the highest consistent poverty rate at 17.4% and a rate of deprivation of almost 50% applies to almost 30% of families at risk of poverty. When I suggest almost 50% of children in lone-parent households have experienced deprivation I am referring to children who do not have a warm coat or two pairs of strong shoes or who cannot afford to eat meat, chicken or fish every second day. These are children whose homes are not adequately heated.

The latest reprieve for lone parents is welcome and the Tánaiste referred earlier to the income disregard. However, as I said earlier, this was preceded by a relentless list of cuts in each year that this Government has been in office. I urged the Tánaiste to abandon her plan to reduce the cut-off age to seven years in 2015 for children under the one-parent family payment. If the Tánaiste proceeds with the cut, the effect will be to exclude thousands more lone parents from the one-parent family payment, meaning that an income disregard of only €60 will be available to them. The Tánaiste should reflect on that. For many, the move will negate the income disregard change announced this morning.

In 2012, the Tánaiste promised that she would not proceed with the cuts to the one-parent family payment without what she described as “a credible and bankable commitment” from the Government to put in place a system of safe, affordable and accessible child care. I am referring to the reduction from 12 years to ten year and then from ten to seven years. That has not happened. The Tánaiste can ask any parent about this safe, affordable and accessible child care system. It is not here, yet the Tánaiste had the opportunity to reverse this on Tuesday when I asked her about it. She has an opportunity to reverse it in this legislation, but there is nothing in place. I appeal once again to the Tánaiste to use the opportunity afforded by this Social Welfare Bill to address the anomaly. The Tánaiste gave a commitment not to proceed without a credible and bankable commitment from the Government to put in place a system, but that has not happened. It is another one of those empty promises from the Tánaiste.

The Deputy before me spoke about the respite care grant. We all have alternatives and an opportunity to discuss what changes can be made. When the Tánaiste introduced the cut to the respite care grant, I remember the horror from carers throughout the country, many of whom contacted my office. I presume they contacted the offices of every other Deputy as well. The fact is that this Government has targeted those who are caring for loved ones. In many cases, these people gave up full-time jobs to save this State money. They did not do it for that reason but because they wanted to care full-time for their loved ones. They would do it for nothing if they could. The answer this State gave them was a cut of €325 to the respite care grant.

The Carers Association issued a press statement on budget day in which the association expressed its anger, on behalf of all carers, that the cut made to the respite care grant was not remedied in this budget. The Government had a golden opportunity and it would have been lauded by everyone in this House and many outside the House but it chose not to take that opportunity. Instead the Government has looked after the rich in society once again. The Government has looked after companies that do not pay the full rate of tax in this country. It has also looked after companies which are now disappearing with their money to other countries in Europe that have a better tax regime.

The Carers Association described the grant as a lifeline for over 77,000 family carers. The association said it was devastated that family carers had been neglected. Budget 2015 should have included targeted relief for family carers but it did not. The Tánaiste said to me in the Chamber only a month ago that she promised carers some relief in budget 2015 but she has not lived up to that promise. A number of carers and associated organisations gave presentations at a meeting of Deputies that I organised in the audiovisual room two or three weeks ago. One carer said that when a parent gets the shattering diagnosis about her child or hears such words as, “Your child has cancer”, she does not lose her intelligence or the ability to recognise condescending words when she hears them. Carers know full well that the Government did not prioritise them in this budget.

The true priorities of this Government have been exposed by the failure to address the cut in the respite care grant. Family carers have all the same pressures as the general population and then some. Mortgages or rents still have to be paid. There are rising utility bills, grocery bills, property taxes and, if the Government has its way, in January there will be water charges as well. We can add to that the cost of housing adaptations and private speech and language or physiotherapy sessions, because the State is not supplying enough or cannot supply enough because, once again, it is looking after the private sector instead. Let us not forget that bin charges include the weight of adult nappies to name but one additional cost. That is not taken into account when people get the carers allowance or the respite care grant.

The role of carer involves significant mental and emotional strain. Recent research by the College of Psychiatrists of Ireland found that more than half of family carers experienced a significant mental health issue, which could include depression and anxiety. The vulnerability of carers to health problems is compounded by the financial pressures to which they are subjected. In view of financial pressures, many do not avail of medical advice or intervention as quickly as they should because they are too busy trying to ensure that the person they are caring for is looked after to the fullest. However, the respite care grant cut has meant that they have limited ability to avail of respite or any supports.

A government cannot make it all better but it can try to tackle some of the associated burdens that this Government has landed on top of those dependent on social welfare and, in this case, those who are dependent on us totally because they are full-time carers of people who are vulnerable. The Government could begin to tackle the financial burden that they must endure by undoing the €325 cut to the respite care grant, but that is only a first step. I urge the Government to reconsider the matter and perhaps bring forward an amendment on Committee Stage.

An online petition was launched recently and, as far as I know, it has almost 3,500 signatures at this stage. Many who signed it are carers. I urge the Tánaiste to study the petition and in particular the comments, because the comments are very important. Many of these are from carers. If I get the opportunity, I will read some of them into the record. It would be valuable to hear testimony from the carers themselves rather than my talking about it or trying to represent it. The Minister has an opportunity to address this on Committee Stage in two weeks and after that on Report Stage. In that time, she should look into her soul, if she can find it, and introduce a change in the legislation.

I refer to some of the comments on the online petition, Restore Respite Care Grant. Carly writes: "I am a single mum on carers and I am finding it difficult to get by on what the government is giving me to live on think how much you are saving by the family who care for the disabled its time you realised that people can't live on what you give them." Lynn from the west of Ireland says: "This really hit the most vulnerable and must be reversed. It would cost the state so much more only for the carers." Veronica says: "I am a carer myself. I care for my son who has ASD. Life is hard and the respite care grant helps toward a holiday for my child and his sister which would be impossible without the grant." Athena says: "Like most cuts to the most vulnerable in our society, this shouldn't have been cut and it most certainly shouldn't have been ignored around the budget. The state constantly take from the most vulnerable in society and people let it happen because it doesn't effect you but it could one day and even if it doesn't it doesn't make what the government continue to do any less wrong." There are many other such comments.

There are other measures which are not included in the Bill which the Government could

6 November 2014

have introduced if it had taken heed of my party's alternative budget or the submissions made by other people before it proceeded with its budget arithmetic. There are alternatives, as we have said continuously. The Government takes the decisions and it suffers the consequences of that. My party supplied the Government with a fully costed pre-budget submission. It is no harm if the Minister looks at it, even if she might not agree with it.

Debate adjourned.

### **Topical Issue Debate**

**Minister of State at the Department of Agriculture, Food and the Marine (Deputy Tom Hayes):** I seek a postponement to next Tuesday of the debate sought by Deputy Regina Doherty as both the Minister for the Environment, Community and Local Government, Deputy Alan Kelly, and the Minister of State at the Department of the Environment, Community and Local Government, Deputy Coffey, are out of the country on business.

**Deputy Regina Doherty:** I agree to that.

### **EU Directives**

**Deputy Michael Moynihan:** I thank the Ceann Comhairle for the opportunity to raise the designation of lands under the birds and various other EU directives and the consternation it is causing in the communities I represent.

There is a major issue with the designation of lands in western Duhallow, in particular, and in other counties such as Kerry, Limerick and those along the western seaboard. It has now transpired, despite all the advice that was given at the start when the directives were being implemented, that the land has been rendered worthless with one stroke of a pen, as was said by one of the farmers who is leading the campaign in this regard. Many of these farmers have been trying to develop their lands or even sell them so they can move on to different enterprises or get involved in more productive farming such as dairying and so forth.

The substance of the issue is that we must get representatives of the Department of Arts, Heritage and the Gaeltacht, and particularly the National Parks and Wildlife Service, the Department of Agriculture, Food and the Marine and the farmers concerned into a room to hold factual discussions on this matter. It is time for representatives of the Department of Arts, Heritage and the Gaeltacht to meet these farmers in a meaningful way. Lands have been declared worthless. The hen harrier issue has been ongoing since 2004 or 2005. There were issues at the time relating to afforestation and the development of wind farms on the lands that were to be designated, and all of the evidence or issues brought forward at the time have turned out to be non-existent. Some of the farmers concerned make the point that the best lands for the breeding of the hen harrier are not designated at all.

The scientific basis for designating the lands in the first instance must be challenged. The European Union and the State, through the Department of Arts, Heritage and the Gaeltacht, have wiped out the value of this land whose owners must be compensated. The plans to be

submitted to Brussels are being delayed. As many of the farmers in question told me, the next step must be to have a meeting with officials from the Departments of Arts, Heritage and the Gaeltacht and Agriculture, Food and the Marine to try to resolve these issues, which have been ongoing for some time. I call on the Minister to convey to his two ministerial colleagues, the Ministers for Arts, Heritage and the Gaeltacht and Agriculture, Food and the Marine, the need to hold a summit meeting with the farmers in question as that is the only way to make progress on the issue.

Last week, I and my colleagues, Deputies Niall Collins and Éamon Ó Cuív, met farmers in Adare, County Limerick, to discuss this issue. The livelihoods of many of the farmers in question have been affected in different ways. I ask the Minister to ensure his colleagues arrange a crisis meeting or summit in the next week or two to allow the farmers in question, in the first instance, to air their serious grievances and, second, to try to find a resolution and make progress.

**Minister for Communications, Energy and Natural Resources (Deputy Alex White):** I will deal with this matter on behalf of the Minister for Arts, Heritage and the Gaeltacht.

As the Deputy is aware, the hen harrier is a protected but endangered bird of prey, listed in Annex 1 of the EU birds directive. Ireland is, therefore, obliged under European law to protect and conserve this species.

The position of the hen harrier was a major factor in a judgment of the European Court of Justice of the EU in 2007 against Ireland - it was known as “the birds case” - for failure to provide adequate protection for wild birds. This case remains open, with the continuing possibility of major fines being imposed on Ireland. As a result of the judgment, Ireland designated six special protection areas or SPAs for the conservation of this species. These SPAs are at risk due to a number of factors, such as the reclamation of upland open habitats for agriculture, development of wind farms and maturing of large-scale forests planted in upland areas. These activities have a significant negative impact on the birds’ breeding and feeding habitats.

In 2012, following discussions with the European Commission it was agreed that Ireland would pursue a threat response plan for the protection of the hen harrier which would assist in meeting Ireland’s requirements following the 2007 European Court of Justice judgment. It is acknowledged that there have been difficulties in granting consents for certain activities within these sites under EU law. However, the threat response plan aims to bring certainty to consent authorities and landowners and to develop a framework for consents that can operate in compliance with EU legal requirements.

In the early summer, an interdepartmental steering group was convened to assist in the development of the plan. The group comprises representatives from the Departments of Arts, Heritage and the Gaeltacht, Agriculture, Food and the Marine, the Environment, Community and Local Government and Communications, Energy and Natural Resources. The group is examining all of the issues at hand, including forestry consents, planning permissions for wind farms and financial supports for farmers, with a view to determining the appropriate course of further action. Its first meeting took place in late July and it will continue its important work over the coming months.

A consultative committee of stakeholders, which will include farming representatives, is also being established. Through the consultative committee, the views of those affected will be incorporated into the work of the steering group. It should be noted, however, that officials

from the Department of Arts, Heritage and the Gaeltacht have already had significant engagement with farming organisations in regard to this issue. While the Department has a lead role in the implementation of the habitats directive and birds directive, the bulk of available EU and national funding to assist farmers in meeting the requirements of these directives is provided through the rural development programme operated by the Department of Agriculture, Food and the Marine.

Agri-environmental schemes such as the rural environment protection scheme, REPS, and agri-environment options scheme have provided a range of supports for farmers, including payments in respect of designated sites to tens of thousands of farmers. In future, the provision of financial supports for agri-environmental actions by farmers in special areas of conservation and special protection areas will be made predominantly through the green, low carbon, agri-environment scheme, GLAS, which is operated under the rural development programme.

**Deputy Michael Moynihan:** I seek clarity on a number of issues. How many times has the interdepartmental group, comprised of representatives of the Departments of Arts, Heritage and the Gaeltacht, Agriculture, Food and the Marine, the Environment, Community and Local Government and Communications, Energy and Natural Resources, met since July? A new organisation has been established by farmers who have been directly affected by the relevant directives. I ask that the Minister ensure this organisation is consulted as it reflects the concerns of the communities and individuals affected by the directives. It must be given prominence and a seat at the table when the interdepartmental group meets.

I have first-hand experience of the problems I have highlighted because they affect my own community. What daily fine would be imposed if we were to decide to no longer implement the directive? How far advanced is the threat response plan? Is it near completion and, if so, when will it be submitted to the European Commission? Will the farmers affected have an input into the development of the plan? Their voices must be heard loud and clear and their representatives should be invited to meetings of the interdepartmental group.

**Deputy Alex White:** The Deputy asked how many times the interdepartmental group had met since July. I do not have this information but I will revert to him on the matter.

The Deputy also made a not unreasonable point on consultation with farmers who are directly affected by the directives. As I indicated, there has been engagement with representative bodies of farmers. The Deputy indicated that specific *ad hoc* groups are dealing with this issue. I see no reason not to engage with these groups and I will communicate the information the Deputy provided to the Minister. Perhaps the matter could be also raised with the Minister for Agriculture, Food and the Marine. In circumstances such as this, Ministers are generally open to meeting representatives of persons affected by policy decisions. I am sure the Deputy's concern in this regard can be, therefore, addressed, although I do not propose to make a direct or specific commitment on behalf of a colleague in respect of meeting a particular group or body. As a general proposition, however, it is a good idea that people who are affected by issues should have their voices heard by government, notwithstanding that the Minister has already engaged with the main farming representative bodies.

As to the precise level of the daily fine, I cannot possibly answer that on my feet but I will revert to the Deputy on the matter. If there is a lack of compliance and a threat of infringement proceedings, these must be addressed. This does not depend entirely on the level of the fine. If a fine is possible, we will wish to avoid it. On the other hand, if the Deputy wants more infor-

mation as to precisely what is the risk in respect of fines, including the level of fine, I will do my best to assist him in that regard.

### **Green Paper on Energy Submissions**

**Deputy John Paul Phelan:** I thank the Minister for attending the House to discuss this important issue and the Ceann Comhairle for selecting it for discussion. In the short time available to me, I propose to make a couple of points.

There has been much media coverage in the past two weeks of a report that was commissioned by the ESB and submitted as part of the consultation process on the Government's Green Paper on Energy. Submissions on the Green Paper were taken over a number of weeks in the summer. The report deals in detail with the proposed upgrade of the national grid and various measures announced in 2008 which came to be collectively known as Grid25.

*5 o'clock*

The report goes into detail, outlining the fact that the expected increase in demand for electricity that was included in the Grid25 project in 2008 will not materialise as was projected, for obvious reasons. Furthermore, the ESB stated that the Grid West and Grid Link projects should be reviewed so that the research reflects the latest evidence. There is a process in place in regard to the Grid Link project which stretches from Kildare to Great Island and east Cork.

In light of the fact that the increased demand which was projected in 2008 for electricity use in the country will not now materialise, and the comments of the ESB, which is the largest electricity supplier in the country, that this is the case, is it not now time that the Grid Link project and perhaps Grid West would be parked?

**Deputy Martin Heydon:** In 2006, as the Minister is well aware, EirGrid was formed. It forecast at that time that there would be an increase in energy demand in Ireland up to 2024 of 60%. When the former Minister, Eamon Ryan, launched EirGrid's Grid25 project in 2008 the forecast was reduced to 45%, but still suggested a 45% rise in demand for energy prices up to 2024.

This year in its submission to the Green Paper and review on energy policy, the ESB, using Eirgrid's latest demand projections, suggested only a 5% increase between now and 2024. In its submission, the ESB confirmed that the capital cost of the infrastructure build in any year will be recovered from electricity bills for up to 50 years. Infrastructure must be planned well in advance so that it will be in place when it is needed. However, the ESB stated it must be delivered no sooner than needed or it will act as a drag on electricity prices.

There are two key stakeholders. The first comprises communities throughout the country. The Minister is aware of their concern. They are in the root corridor of the proposed Grid Link and Grid West project and have grave concerns about pylons and high voltage tension lines being in their areas. The other is those who will pay electricity bills, business and residential customers alike, for the next 50 years. We have to be absolutely sure that any suggestion that the proposed level of demand is not needed is thoroughly investigated.

Our economic landscape has changed utterly since 2008. Having borne that in mind, what assurances have the Minister's Department received from EirGrid as to the necessity of this



project? What communication has the Department had with the ESB regarding Grid25 plans? Prior to 2006 and the formation of EirGrid, it was the job of the ESB to decide whether to build more pylons. It now says we probably do not need Grid Link or more lines.

The ESB submission highlights that as Grid Link and Grid West was planned nearly seven years ago there is a need to review them in order that research reflects the latest evidence. That request from the national energy company cannot be ignored.

**Deputy Alex White:** I thank the Deputies for raising this issue. The report referred to in the question from the Deputies is the ESB submission on the energy Green Paper. It is one of over 1,240 submissions received earlier this year during the period of public consultation on the Green Paper. That submission, like all those received is a useful contribution to the process of developing a definitive energy policy. That process is continuing, with further stakeholder engagement planned over the coming months, including a number of events at various regional locations before the end of the year.

We had a very useful seminar this week in the Chester Beatty Library. I encourage Deputies, as I have said before, to participate in the process regarding the preparation of the White Paper which will be the definitive energy policy statement for this country for the next generation. We will develop this in the next six months. The process is not being rushed. Deputies will have an opportunity to contribute and I encourage those on both sides of the House to do so.

Deputy Heydon is correct. My Department is focused on ensuring that the assumptions on which the final policy paper will be written are tested and accurate, so as to produce a dynamic and responsive evidence-based framework. This work will facilitate us in steering an appropriate course as we seek to address sustainability, security and competitiveness challenges and opportunities. The text of the policy paper will be progressed during the first half of 2015, with a view to publication of the final policy paper by September 2015.

The ESB and EirGrid are fully in agreement on the need for critical energy transmission and distribution infrastructure. Both companies also acknowledge the need for Irish electricity networks to address citizen and community concerns, to take account of changes in the level of electricity demand due to changing economic circumstances and to accommodate evolving European energy policy. The ESB and EirGrid work closely together on development and reinforcement of the transmission and distribution systems in order to ensure security of supply and to meet customer and stakeholder needs.

As a matter of course, EirGrid regularly reviews its strategies and projects. Grid25 was originally developed in 2008 when the macro-economic climate was very different. In line with Eirgrid's review policy, Grid25 was updated in 2011, when the scale and scope was reduced to reflect the change in circumstances. As a result, the cost was revised downwards from €4 billion to €3.2 billion.

Grid25 was developed to improve security of supply and to provide a high quality of electricity supply to all areas, including the west, and to enable the delivery of electricity generated from wind farms to the major urban areas. In May this year, EirGrid initiated a further update of Grid25 to take into account the most up-to-date information available, including technical innovation and future economic and demand projections. Following discussions with my Department, this update also includes an independent review to verify the strategies of Grid25 on the basis of changing circumstances since 2008. EirGrid expects this review to be completed

and published early in 2015.

**Deputy John Paul Phelan:** I welcome the Minister's answer, in particular the fact that the review is to be published in early 2015. A lot has happened since 2008. There is an interesting paragraph in the Minister's response where he speaks of the ESB and Eirgrid working closely together, as one would assume they would. The point of raising this issue is that the ESB, in its submission, clearly pointed out that the demand increases projected in 2008 will not materialise.

I hope and fully expect that Eirgrid's review, to be published early next year, will take into account that demand will not be what was expected in 2008. Therefore, in particular for Grid Link and Grid West, demand does not exist at present. People in those communities who are directly affected have a legitimate expectation that their views will be heard. Those views are being echoed by the ESB in its submission and we hope that will be reflected in the final report next year.

**Deputy Martin Heydon:** I thank the Minister for his comprehensive reply. If we have a White Paper in early 2015 that says demand is not what was estimated and we cannot have a lag on electricity costs by building infrastructure which is not needed, the mechanisms have to be in place for EirGrid to halt its plans for Grid Link and Grid West. That seems to be the ESB's current position.

In regard to wind energy, 182 wind farms have been constructed around the country and 188 are at the planning and development stage. In its report the ESB estimated that we need another 1,000 MW and at present we have 2,200 MW. The CEO of the Irish Wind Energy Association disagrees and said we need to almost double our output. One could say, "They would say that, wouldn't they?" Many commentators say the wind lobby has been very effective in selling wind to us at a policy level. I hope the wind energy element, as well as the power requirement element, will be taken on board by the Department in the White Paper and when it is published it will have an impact on our wind energy policy on proposed wind farms around the country, Grid25 and, in particular, Grid Link.

**Deputy Alex White:** I reiterate that the ESB submission to which the Deputies referred will be considered, together with all of the other submissions received as part of the consultation process, and will contribute to the develop of a new energy policy for Ireland. It is important to understand ESB and EirGrid are fully in agreement on the need for critical energy infrastructure, including both transmission and distribution infrastructure.

It is important to recall also the projections for demand changed and the extent to which they changed between 2008 and 2011 and this work has been taken into account. One of the Deputies used the phrase "demand at present." Demand is a dynamic. We can look at the years 2008, 2011 and 2014. The challenge is to project forward three, seven and ten years to try to predict as best we can what the demand will be in these years. We cannot do this on the basis of what we had in 2008, nor can we be definitive today about what our requirements will be in five years. The dynamic in the projection agenda must be borne in mind. We must ensure the infrastructure is provided, but we must also ensure we engage in a better way than heretofore with communities and citizens. Our energy policy is not just the energy policy for industry or the political system; it is also the energy policy for the entire community and the people. For that reason, I encourage people to participate in the debate. I thank the Deputies for raising the issue.

## Public Transport Provision

**Deputy Terence Flanagan:** I welcome the Minister for Transport, Tourism and Sport and take the opportunity to wish him well in his demanding portfolio.

The issue of fare increases is important and will have a substantial impact on large numbers of my constituents and others across Dublin who use DART and Dublin Bus services every day. At the end of October, an announcement was made that ticket prices for rail and bus services were set to increase and they have subsequently been increased. It is difficult for commuters to stomach the fact that ticket prices have continued to increase, despite the fact that there has been no improvement in service. My constituents are already paying substantial amounts, between €3.85 and €5.75 for a day return ticket, if they are not using a Leap card.

I am aware that Leap cards provide cheaper fares and that more people are availing of this service. However, those passengers who pay cash face substantial price hikes, increases of up to 13% in fares across rail and bus services. This amounts to a total increase of 40% since 2012 because of the reduced Government subvention from the Department. These price increases are not justified, particularly when the service is patchy. For example, on Monday and Tuesday of this week, two major signal failures occurred at peak commuting time, around 5.45 p.m., as a result of which thousands of passengers trying to commute home from the city centre were stranded after their day's work.

I raised the issue previously of the reduced number of DART carriages to four, particularly at peak times. This is unacceptable and the Minister should raise the issue urgently with Irish Rail management. Another issue is the lack of information when there is a difficulty with the service. Doors are left open on some trains and commuters are allowed to board. However, they are then told there is a delay in the service, but they are not given any further information or only hear muffled announcements on the train's communication system which is unfit for purpose. Commuters are unhappy with the level of service and I hope the Minister will take these issues on board.

**Deputy Dessie Ellis:** Last week the NTA sanctioned price increases on rail and bus services. In ten years there has been an increase of almost 85% in the lowest fares on Dublin Bus. It seems criminal that at a time when Dublin Bus passenger numbers are increasing and there is further potential for growth, these fare increases have been proposed. In the past few years Dublin Bus has restructured and rejigged routes and services, causing great upheaval. This restructuring was supposed to save money, but it is now going to add to the cost of journeys by increasing cash fares by up to 15%.

Dublin Bus had a surplus of €3 million last year which was achieved despite a cut in the subvention. Recently, the new head of Dublin Bus said at the Oireachtas Joint Committee on Transport and Communications that he did not envisage fare increases. What has happened since? It is important to note that some Leap card fares have been cut and that any increase in prepaid fares is smaller than other increases. Dublin Bus wants to encourage a further move to Leap cards and prepaid options by bus users. The problem is it is going about it in the wrong way.

In the context of the substantial fare increases in recent years and increasing passenger numbers, Dublin Bus should be using a carrot to attract new customers and new Leap card users. Instead, it is using a stick to beat cash fare users into using prepaid models or beat them out of

using public transport altogether. It is now possible that a person living in Finglas or Ballymun will pay almost €6 for a round trip to the city centre. One might argue such persons should have a prepaid card, but it not so easy for them to have €30 or so every week to pre-load onto a Leap card. Also, owing to the inflexibility of Leap cards in terms of top-up options, regular small top-ups are inconvenient to say the least.

In order to make Dublin Bus increasingly viable, we must make it more accessible and better value. There have been big improvements, but this move shows much more is needed in the company's thinking.

**Minister for Transport, Tourism and Sport (Deputy Paschal Donohoe):** I thank the Deputies for raising this matter.

Under the Dublin Transport Authority Act 2008, as amended by the Public Transport Regulation Act 2009, the National Transport Authority is responsible for determining fares on publicly funded bus and rail services. I have no role in the setting of public transport fares. It is the responsibility of the NTA to adjudicate on applications from the CIE companies and the Railway Procurement Agency for fare increases or changes. On 28 October the NTA issued its 2015 fares determinations for Luas and the CIE companies - covering monthly and annual tickets, cash fares, Leap card fares and pre-paid tickets. In contrast to a trend of reducing public service obligation allocations in recent years, I have ensured the level of PSO subvention for bus and rail services will be maintained in 2015 at current levels.

The maintenance of subsidy funding for public transport in 2015 at current levels has enabled the NTA to moderate the fare increases necessary in order that the operators can, as far as possible, maintain the current level of services and respond to sectors where demand is growing and capacity needs to be increased. The NTA has continued its plans to increase use of the Leap card integrated ticket by keeping fare increases to a minimum on the card when compared to cash. In fact, even with the fare increases approved by the NTA, a Leap card fare in 2015 will nearly always be the same as or lower than the cash fare was in 2012. There are now over 750,000 Leap cards in circulation and almost €2 million per week used in travel credit, which provides evidence of the convenience and value it offers to the travelling public. I emphasise again that the Leap card fare in 2015 will be almost always the same or lower as the cash fare three years ago.

Before the end of the year the NTA will introduce a second-journey discount on Dublin Bus Leap card fares. This will be further rolled out to cover all PSO operators in 2015. This will reduce the cash penalty currently paid by a person who is required to change buses to make a trip from A to B. Also, an off-peak reduction in Luas fares has been introduced for Leap card users, as the cash fares for peak and off-peak have been merged. The NTA aims to increase Leap card use to simplify fare payments, improve bus journey times and cross-mode transfers. It has also incorporated a wide-ranging structural review of fares across and between all operators, with a view to simplifying and streamlining fares to encourage increased use of public transport by removing some of the confusion around anomalous and illogical fares and pricing.

I understand that for people who are paying cash fares, this represents an increase, and I understand that we are asking people to pay more in a time when they have less income available to do that. However, the payments they are making are going directly towards maintaining the level of public service available at present on our buses, Luas trams and trains, and it is giving our public transport companies the best capacity possible to provide a better service in

the future.

**Deputy Terence Flanagan:** I thank the Minister for his very detailed response and for dealing specifically with the issue in front of us. However, the issue is broader in that customers are not getting the service they deserve and demand. As I stated, there were two signal failures on the railway line this week, with little notification given to paying customers as they left their workplaces to try to get home after a day's work. It is unreasonable to expect people to pay more, particularly given that the service is so poor at present. I would ask the Minister take an active interest in this issue by using both rail and bus services to see for himself what people have to deal with.

Is capital investment needed in regard to the signal failures, which, while not a daily occurrence, do happen periodically? Can the Minister ensure proper customer service is given by all staff of CIE to customers so they know exactly where they stand, by providing either information on screens within stations or proper and audible public announcements?

**Deputy Dessie Ellis:** At a time when we see huge increases in passenger numbers on Dublin Bus and other services, it seems hard to understand how we could be looking for price increases. I believe it is counterproductive and I do not understand the logic for it. Dublin Bus had a surplus of €3 million and the subvention has been cut substantially, even though the Minister said he would try to maintain it in the coming years at the current level.

We cannot afford increases like this when people are struggling. The people who are most affected are the least well-off, because they pay cash when they get on the bus with a buggy or a child, although they might only be going a number of stops. It is the least well-off in society who are getting hurt the most, which seems to happen every time we have an increase.

I acknowledge that the Leap card has been a huge success and that it provides much better value for money. However, most of the people I meet in the suburbs, whether it is in Ballymun, Santry, Whitehall or Finglas, do not have a lump sum to hand out for a Leap card, as they only have the bare minimum left at the end of the week. None the less, these are the people who will be affected.

The Minister said the NTA and the RPA had been given the legislative role of dealing with this, but there must be some input from the Minister. He must be warned in advance that this is going to happen and he must have some input in telling them this is unacceptable in these times of austerity.

**Deputy Paschal Donohoe:** There is a broader picture in this regard, which Deputy Flanagan touched on. To consider the issue from the point of view of Irish Rail alone, it has accumulated losses on its balance sheet of over €200 million. That is the scale of difficulty that is being faced, which feeds directly into the point Deputy Flanagan put to me regarding the need for investment in the future. There is a very clear need for investment levels not just to be stabilised, as I have done for next year, but to be increased in the future.

A point I want to make very clearly in response to the different issues that have been raised with me is my hope that, due to the current economic growth, we will see our public transport companies increase their revenue because more people are using bus, tram and rail services. My hope and ambition is that during my time in office I will be able to increase the investment these companies need, particularly within rail, to deal with the capital needs that exist.

**Deputy Terence Flanagan:** Are there problems with the signalling system?

**Deputy Paschal Donohoe:** There is signalling work that needs to be done, and some of that work will take place next year. However, if we get ourselves to a point at which revenue is going up because of an improving economy, and the Government is also able to increase investment, it is my expectation that the fare increases we have seen in the past will not continue in the future, in either their level or their frequency.

An objective we must have is that, as we encourage more people to use public transport, two things must happen. The first is that it must be affordable, and the second is that we have to deliver a service that meets the needs of the public. That will need investment and it will need a recovery in revenue. We are seeing encouraging signs, but, I have to say, it is only recently that we have seen the kind of increase that the Deputy is referring to actually occur month after month. As these issues improve, it is my expectation that the fare increases of the past will not be the fare increases of the future.

**Deputy Terence Flanagan:** We need improved customer services.

The Dáil adjourned at 5.30 p.m. until 10 a.m. on Friday, 7 November 2014.