

SEANAD ÉIREANN

Dé Céadaoin, 22 Meitheamh 2011.
Wednesday, 22 June 2011.

Chuaigh an Cathaoirleach i gceannas ar 10.30 a.m.

Paidir.

Prayer.

Business of Seanad

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

The need for the Minister for Health to discuss the proposed centralisation of medical cards with effect from 1 July and the negative effects it will have on discretionary cases.

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

The need for the Minister for Public Expenditure and Reform to outline the omission from the first progress report of the Croke Park agreement of the costs of redundancies and pensions.

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

The need for the Minister for Environment, Community and Local Government to clarify the position on the need for a new fire station in Bundoran, Ballyshannon and Glencolumcille, County Donegal, and a timeframe for construction of each station.

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

Order of Business

Senator Maurice Cummins: The Order of Business is No. 1, statements on the jobs initiative and competitiveness (resumed), to be taken at the conclusion of the Order of Business and conclude not later than 1 p.m., with eight minutes for spokespersons and five minutes for all other Senators, and the Minister to reply not later than 12.55 p.m.; No.2, statements on European affairs and the European Union's role on enterprise, innovation and job creation, to be taken at 2.30 p.m. and conclude not later than 4.30 p.m., with 12 minutes for spokespersons and eight minutes for all other Senators, and the Minister to reply not later than 4.25 p.m.; and No.11, Private Members' motion re distressed homeowners, to commence at 4.30 p.m. and conclude not later than 6.30 p.m.

Senator Darragh O'Brien: I would like to thank the Leader for a couple of things. The debate yesterday on Seanad reform was very useful. The CPP in the House has met Members of all

[Senator Darragh O'Brien.]

parties and we all share a desire to move swiftly with reforms in the House. I would like to ask the Leader about the progress made on the CPP with the formation of the Seanad petitions committee. This will be an important step for the House because it will enable Members and parties to call in people from outside the House, including parliamentarians from other jurisdictions and experts in certain fields.

I was pleased to hear that the Minister for Health is to attend the House on 7 July. That is important and the Government must be commended for the number of Ministers who have given their time to this House. The discussion on health will be important. How much time is being given to this debate?

We had a good debate last week on the Finance (No. 2) Bill 2011 and the Leader provided extra time for it, which was welcome. Yesterday's *Irish Examiner* contained a story that 75% of defined benefit pension schemes are in deficit, and that the Pensions Board has warned the Minister for Social Protection on the unhealthy state of three quarters of these schemes. In response to the report, the Minister stated that the Government is committed to reforming the pensions system to ensure its sustainability. I am glad to hear that. The Minister and the Government took a major step in reforming the pensions industry and private pension schemes but not for the better.

The Government has not published any of the written correspondence or written advice given to it prior to the introduction of the pensions levy. It is a substantial levy that will raise €450 million per year over four years. The Taoiseach was asked a number of times to publish the documentation, and this has been standard practice for the last ten or 15 years. It was mentioned in the House that the same Minister for Social Protection wrote to the Taoiseach expressing her concerns that the levy could have a very negative impact on pensions and pension provision. I agree with the Minister on that.

It is interesting to hear her say that the Government is committed to reforming the pensions sector. It has reformed it, but it has not done so in a way that will assist pension provision. Then it transpires that officials from the Department of Finance warned the Taoiseach that the policy the Government was considering could seriously undermine the pensions sector. Why has the Government moved away from the normal practice over the last ten or 15 years of publishing advice? They have not yet published the advice and the Taoiseach refuses to do so. The only reason these matters have come to light is based on freedom of information requests. That is a serious departure from normal parliamentary procedure. We discussed this last week in respect of statements being made outside this House and initiatives presented to the media rather than the Oireachtas. When will the Taoiseach publish the supporting documentation and the advice he was given prior to the introduction of the 0.6% pension levy? With 75% of defined benefit schemes badly underfunded, is the Government concerned that many of these schemes will be wound up and made insolvent? Those with an expectation of pensions in retirement will find their pension schemes wiped out. This will be the straw that breaks the camel's back.

Senator Ivana Bacik: Yesterday, Senator Norris raised the case of the Magdalene laundries. Perhaps we can have a debate in this House on the initial report, which is to be made to Cabinet by the interdepartmental committee announced by the Government. Senator Norris and others have raised ongoing issues that have come to light in respect of the Magdalene laundries. I refer to the article by Mary Raftery in *The Irish Times* of two days ago, which outlined the ways in which health and safety and factories legislation should have applied to these laundries. A further article by Patsy McGarry in *The Irish Times* today outlined that many Departments used the services of the laundries, which were able to undercut other laun-

dry services because they were paying no wages to the incarcerated women. We need to have a debate on this in the Seanad as soon as the interdepartmental committee has made its report. I welcome the announcement of the interdepartmental committee to investigate the facts. We must keep oversight of this within the Legislature, as well as having the Government call the independent committee.

I ask the Leader for a debate on education. Others called for a debate on the allocation of special needs assistants. In response, the Leader said that the Department of Education and Skills has given a clear and welcome indication that existing levels of special needs assistants in special schools will be maintained in order to protect and assist the most vulnerable children. The Department will ensure all schools that enrol children with significant care needs will have special needs assistant support allocated to the school. However, there is concern about a reduction in the number of special needs assistants. The previous Government decided to cap the special needs assistant posts in 2010.

Senator Darragh O'Brien: Senator Bacik's party is in government now. Senator Bacik cannot hide behind what the previous Government did all the time.

Senator Ivana Bacik: In fairness, we need a debate on this to ensure all children who require special needs assistants receive the service. The context of this must be understood. If we call on the Minister for Education and Skills to attend the Chamber for a debate on special needs assistants, we should also have him discuss the severe cuts to the visiting teacher service for Travellers and the resource teacher allocation for Travellers. There has been much less publicity about that. I have been contacted by someone who works with the visiting teacher service for Travellers and many of us have been contacted by those concerned about the damage this will do to the inclusion of Traveller children in the education system. An EU funded report from 2008 refers to the visiting teacher service for Travellers in Ireland as being successful in increasing the participation of Traveller children. The reaction was positive and the Department of Education and Skills, in its circular, acknowledged that few initiatives in the area of Traveller education have been as successful as the appointment of visiting teachers who liaise between travelling families, schools and other agencies. We need a debate on that and whether the cut is necessary. It seems to have far too serious an impact on the education and inclusion of Traveller children.

I support the call by Senator Reilly for a debate on symphysiotomy with the Minister for Health. An important report was published on that appalling practice this week.

Senator Katherine Zappone: On 20 June, last Monday, the United Nations Human Rights Council passed a resolution on human rights violations based on sexual orientation and gender identity. This was a groundbreaking achievement, upholding the principles of the Universal Declaration of Human Rights. It was also an historic resolution as it was the first UN resolution to bring specific focus to human rights violations based on sexual orientation and gender identity. The resolution also affirms the universality of human rights, that it extends to every human being, and notes concerns about acts of violence and discrimination based on sexual orientation and gender identity. The resolution specifically requests the High Commissioner for Human Rights to prepare a study on violence and discrimination on the basis of sexual orientation and gender identity. Hopefully, this will be finalised by the end of the year. The resolution also calls for a panel discussion to be held at the Human Rights Council to discuss the findings of the study in a constructive and transparent manner and to consider appropriate follow-up measures.

I raise this issue in order to draw our attention, as lawmakers, to an historic resolution on human rights emanating from the UN Human Rights Council. I also raise this issue because it

[Senator Katherine Zappone.]

has a direct bearing on the fact that Ireland has marked the one-year anniversary of the Government's withdrawal of its appeal in the case of Dr. Lydia Foy. We are one year on from the Government's acknowledgement that Ireland is in breach of the European Convention on Human Rights because of its failure to provide for the issuing of new birth certificates to transgender persons. Dr. Lydia Foy cannot change her birth certificate. She has been on this legal journey for 14 years and I hail her as a courageous, brave and perseverant change maker. Four years ago, the High Court first ruled that the failure to recognise Dr. Lydia Foy in her female gender and to provide her with a new birth certificate was a violation of human rights under the European Convention on Human Rights. Mr. Justice McKechnie declared that Ireland is isolated within the member states of the Council of Europe and must be further disconnected from mainstream thinking.

Last year, the Government formed the interdepartmental gender recognition advisory group to provide recommendations for legislation required for legal recognition of the acquired gender of transsexuals. The group has been established under the Department of Social Protection. I am deeply concerned that so much time has passed since the judgment and the establishment of the advisory group. The current situation causes severe distress to many transgender people in Ireland, affecting their health, their families and their jobs. I ask the Leader for an update from the Minister for Social Protection on the following questions. When will the recommendations of the advisory group be made to the Minister? Will the Minister make the recommendations public? This will assist our work if they are made public, specifically when we come to the consideration of the Bill that will better protect and promote the human rights of transgender people in Ireland by providing them with legal recognition.

Senator David Norris: I need hardly say that I support everything that was so eloquently said by Senator Zappone. I need saying nothing more because that matter is in capable hands. She will have my support when such a debate takes place.

Regarding the Order of Business, we had a good start but it seems we are wobbling and I wish to signal a number of concerns. The first concerns the fact that Private Members' business will be at 4.30 p.m. It used to take place between 5 p.m and 7 p.m. Under the previous Government, I complained when there are variations. All of us are busy and committed politicians and it is helpful to put a clear date and time for specific recurring debates. I respectfully ask the Leader to ensure we continue the practice so that we know that Private Members' business will be between 5 p.m and 7 p.m on Wednesday. There may be special reasons for the timing.

The other point is that there is a certain flabbiness about the debates today. They are all in the format of statements and were introduced by the Leader in such a way as to suggest that it is all more or less the same debate. The matters itemised for consideration by us were virtually the same.

I am glad that Senator Bacik took up the issue of the Magdalene laundries. Perhaps it will receive further coverage by us in this House. It is interesting and ironic that this new information came from a ledger that was unearthed when bodies were exhumed on foot of a sale of land by the Sisters of Our Lady of Charity as a consequence of financial losses on an unwise investment in Guinness Peat Aviation. This puts the matter in an interesting context. As I suggested yesterday, all kinds of surprising sources will be found because a variety of institutions used the facilities, whether knowingly or not. The issue is not confined to one religious group, however. One of my favourite stories in James Joyce's *Dubliners*, "Clay", is about a laundry called the Dublin by Lamplight Laundry, which was run by Protestants at the beginning of the last century. It was a real laundry, the ledger books of which were unearthed by my

academic colleague, the late Professor Florence Walzl from Milwaukee. It is something we have to address as a society.

I ask the Leader to pass on to the relevant Ministers the Seanad's regret at the riots that have taken place in Northern Ireland over the past several days. It is awful to think there is a possibility we could go backwards. The riots have been described as sectarian but I do not believe that is the case because members of the Protestant community stated on the radio this morning that they are terrified of the UVF. The members of the UVF are gangsters and it is the same as claiming that the branch of extreme republicanism which is involved in drugs and trying to create explosions represents the Roman Catholic population. If there is anything we can do to assist, all of us, who have been democratically elected through one route or another, would wish to play a constructive role.

I ask that we send our collective congratulations to RTE. It is a small broadcaster in a small country but it won the major award and 17 other individual awards at the biggest broadcasting competition in the world. That is fantastic and RTE should take a bow. There is further good news because we are among the three finalists to be appointed European city of design. That shows we still possess the creative, imaginative and inspirational spirit.

Senator Fidelma Healy Eames: I concur with Senator Bacik regarding the danger of the severe cuts to resource teachers for Traveller children. These cuts will not only affect Traveller children; they will affect all our children. Travellers are particularly at risk of early school leaving. Last autumn this House completed an Oireachtas report on preventing early school leaving which heard from many parts of society and I ask the Leader to provide time to debate that report at the earliest opportunity.

An important event is taking place today in the Department of Education and Skills, namely, the first of three discussion days on a national forum on patronage and pluralism in the primary school sector. The Catholic Church has been our main patron for many years but other groups now want to become patrons, not least Educate Together. This is an important benchmark in the history of Irish education. Seating is reserved for the discussion days but if Members are interested they should take advantage of this opportunity to get involved. The discussions, which are chaired by the eminent Professor John Coolahan, are taking place in the clock tower in the Department of Education and Skills and can be viewed online. When the discussions have concluded, I ask the Leader to arrange for the Minister for Education and Skills, Deputy Ruairí Quinn, to debate explicitly the findings on school patronage and provide a roadmap of his plans for the issue. This issue cannot be addressed until we finalise these discussions and there are practical ramifications on the ground. For example, efforts to establish a new school are ongoing in Clare-Galway but the project is being delayed by the issue of naming a patron.

Senator Mary M. White: On Monday, 28, it will be 48 years since John F. Kennedy addressed the Dáil. I was not in the Dáil personally but I had the pleasure of seeing him and I followed his career assiduously for the rest of his life. His assassination at the end of 1963 was a tragedy for us in Ireland. President Kennedy emphasised the interdependence of nations and pointed out that no nation, whether large or small, can be indifferent to the fate of others, near or far. He quoted the following lines from his favourite poet, John Boyle O'Reilly, who was born in the small village of Dowth, outside Drogheda, around 1844:

The world is large, when its weary leagues two loving hearts divide;
But the world is small,
when your enemy is loose on the other side

[Senator Mary M. White.]

Last Saturday in Drogheda, the John Boyle O'Reilly Society of Ireland held its inaugural meeting. The society's objective is to promote greater awareness and appreciation of the poet's life and work. He was a Fenian and a lover of literature, and was sent to Australia in 1868. However, he used his ingenuity to escape to Boston where he became editor of *The Boston Pilot* and advocated the rights of Irish people in the United States. President Kennedy became aware of him because of the many monuments that have been erected to him in Boston.

The theme of Saturday's seminar was whether the Seanad should be abolished. Former Senator Mary O'Rourke and I fought valiantly for the preservation of the House and my colleagues, Senators Whelan and D'Arcy, were very provocative in arguing for abolition. I suggested to Senator John Whelan that he might come to like the House better. We know he was shocked during his initial several days.

An Cathaoirleach: Is the Senator seeking a debate?

Senator Mary M. White: It is more serious than that. My argument was that since 1937 some 12 reports have been produced on reforming the Seanad and in 1979 some 500,000 Irish people supported the seventh amendment to the Constitution to expand the university mandate beyond NUI and TCD. Successive Governments ignored their decision, however.

An Cathaoirleach: Is the Senator calling for a debate?

Senator Mary M. White: It is more important. A vote was taken at the end of the debate. The 120 people in attendance were discerning followers of history. The majority called for reform of the Seanad rather than its abolition. I ask the Leader to pass that message on to the Taoiseach, who impulsively sought cheap political gain without telling my colleagues.

I ask the Leader to tell the Taoiseach that when the motion is put to the people next year it should not be about abolishing the Seanad——

Senator Rónán Mullen: The Senator should tell her leader as well.

Senator Mary M. White: ——it should be about Seanad reform.

Senator Michael Mullins: The Senator could tell her leader.

Senator Jimmy Harte: Perhaps we should abolish Fianna Fáil first before we abolish the Seanad.

Senator Darragh O'Brien: Senator Harte should be careful.

Senator Jimmy Harte: I will withdraw that remark in case it comes back to bite me. I ask that the Tánaiste and Minister for Foreign Affairs and Trade would make a statement on foot of an issue raised by my colleague in the Dáil, Deputy John Lyons. He outlined the difficulties with visas experienced by people in the context of the soccer match due to be played by the Irish soccer team in Moscow on 6 September. That was also the experience of people who travelled to Russia in 2002. I was there and encountered difficulties at the time on entering Moscow Airport. I was one of a few people who had to pay €150 just to get past the passport control area. Many fans were in the same position. The authorities in Russia were unhelpful. I expect up to 6,000 fans to travel to the game on 6 September. I hope it will be an important game, providing we beat Slovakia. I encountered problems myself entering Moscow. It was frustrating for many fans who were kept in the airport for hours after they arrived.

In order to be ahead of the curve the Tánaiste should speak to the Russian embassy in Dublin to ensure a facility is put in place to prevent a reoccurrence of the previous experience which was distressing for many people. My son had gone through passport control and I was held back with other people. There was no facilitation by the Russian authorities, who were quite rude to many people. I do not say Russians are a rude nation but the experience of Irish fans, whom we know are the best behaved fans in the world, was that they received much abuse on that occasion. When we arrived in Moscow the atmosphere was not very welcoming and there was much security around the grounds. Irish fans were treated shabbily by the Russian authorities.

Perhaps the Tánaiste could make a statement to inform us of what has been done in conjunction with the FAI. John Delaney may already be ahead of us. Deputy John Lyons has raised the issue and I wish to back him up. Some Members may intend to go to Russia for the game but I cannot afford to go on this occasion. I am sure there will be many good supporters there to keep the team going. The issue will crop up and there will be many disappointed fans. The cost of the visa is another issue of concern. Previously it was €100 to travel to Russia for a weekend. I urge the Tánaiste to seek clarity on the matter.

Senator Fiach Mac Conghail: Notwithstanding what Senator O'Brien said about the petition committee, I thank all Senators for unanimously passing last night's Private Members' motion on the overhaul of how we do business in the Seanad. The debate was productive. Separate to the petition committee, I wish to ask the Leader how soon the CPP will meet to begin to implement the decision on last night's motion and whether we could see a result of that before the end of July. Will someone come to the floor of the Seanad to address us so that before we rise for the summer we will have seen effective and clear change? That would address Senator White's anxiety about the continuing audition of Seanad Éireann.

Senator Rónán Mullen: Last week Senator White went on record with the allegation that the university Senators think they are superior to everyone else. It reminded me of the joke about the Corkman with the inferiority complex who thought he was the same as everyone else. Listening to Senator White's eloquent defence of the Seanad and her case for Seanad reform this morning nobody could believe that anymore. She deserves to be commended for bringing to our attention the deliberations of the group referred to. It should be said that in criticising the Government for its hasty and populist rush with the proposal for Seanad abolition Senator White should also criticise her own party leader and the leader of the Labour Party—

Senator Mary M. White: I said "all parties".

Senator Rónán Mullen: —for rushing like lemmings down the path of the proposal following the then Leader of the Opposition, Deputy Kenny's, snatch for this populist idea. It is clear that the way we should be going is rather than a hasty, simplistic proposal to the people which would almost certainly be passed given the general discontent about politics and politicians, we should engage in a staged consultation with the people. I do not know whether it is proposed that this would happen as part of the proposed constitutional convention or whether a separate track of preparation will take place for the referendum on the Seanad. Perhaps the Leader might indicate to us what are the Government's intentions in that regard because there seems to be a degree of confusion about it.

I have proposed in the past and others have supported the idea that we should opt for a preferendum. On an issue as important as this when, in effect, we are going to shape our political institutions for the next generation, it seems appropriate to put to the people a number of options for their consideration. A debate that would lead up to such a decision by the people

[Senator Rónán Mullen.]

in a referendum of their preferred options could in theory take place at the same time as the presidential election. Arguably, it would be better than the referendum proposal that is on offer in conjunction with the presidential election. It would be appropriate to put a number of possibilities to the people, including the option of a reformed Seanad or various possibilities for a reformed Seanad and political system in addition to the straight option of abolition or retaining the *status quo*. It would be good to ascertain people's preferences at that point.

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

Senator Rónán Mullen: I ask the Leader's view on that. Arising from the consultation with the people, because that is what such a referendum would amount to, we could then have a clear idea about what precise proposal to put to people about political reform and Seanad reform at a later stage. I have no doubt that if one puts the question to the people, one would get a gradation of different positions. I doubt there is a clear majority in favour of one position as against another. As Senator White rightly said, people would abolish the Seanad if it was a straight option between things continuing as they are and abolition, but many would adopt a more nuanced position if they felt there was a genuine intent to reform. It would be a real disservice to the cause of political reform not to give people the opportunity to have a say on the proposition.

Senator Martin Conway: I wish to raise a matter with the Leader that was raised in the House last week, which he may discuss with the Minister for Jobs, Enterprise and Innovation. I refer to the disgraceful overcharging that took place in this city for hotel bedrooms last weekend. As we are aware, the Take That concert was on in Dublin at which 80,000 were in attendance. Practically every hotel bedroom in the city was booked. I spoke to constituents who had families in Dublin trying to get on cancellation lists. Telephone calls were received from many prominent hotels in the city to say there was a cancellation but the room which would normally cost between €80 and €120 on a Saturday night would be a minimum of €250 and up to €400 in some cases. That type of behaviour is appalling in a country that is trying to get back on its feet, promote itself internationally and get 450,000 people who are unemployed back to work.

Senator Fidelma Healy Eames: Hear, hear.

Senator Martin Conway: It appears that the hotel industry is incapable of regulating itself. Given that, the Minister must consider introducing some form of regulation because that is the type of behaviour that destroys our reputation internationally. It was prevalent during the years of the Celtic tiger. It is absolute greed and should be dealt with. The Irish Hotels Federation has done nothing about this. I have heard no statement condemning the behaviour of the hotel industry in this city last weekend. As such, at this stage the Minister may need to consider some form of regulation. I suggest to the Leader that he raise this with the Minister.

Senator Darragh O'Brien: Hear, hear.

Senator David Cullinane: I condemn in the strongest possible terms the violence we have seen in Belfast over the last couple of nights. While some in small sections of the media have attempted to characterise this as a clash between two communities, many seasoned commentators and security spokespersons in the North have correctly characterised it as an attack on a small Nationalist enclave. The involvement of the east Belfast brigade of the UVF in these clashes is sinister. I spoke to people on the ground in that community this morning and yesterday, and there is real fear about what is happening.

It would be helpful if this House were to adopt an all-party motion condemning the violence. In addition, we could explore the possibility of a visit by a cross-section of the parties and groups from this House to the Assembly to meet the parties and those who are involved with communities in these flashpoint areas. We must play our part in making sure that peace and dialogue are the way forward.

This is an important issue because there is an attempt by some in that organisation — one of those armed groups that have not left the stage — to bring people back to where they were in previous times. I am convinced the vast majority of Nationalists, republicans, Unionists and loyalists are not minded to go back. Everyone on this island has a job to do in continuing to support the peace process. I ask that my proposal to visit the Assembly be examined by the Leader.

I also ask the Leader whether he could move forward the discussion with the Minister for Health, which is supposed to take place on 7 July. It is important that we have this debate as soon as possible. I spoke to a number of medical professionals in Waterford Regional Hospital yesterday who are concerned about a shortage not just of junior doctors but also of nurses. Interestingly, one issue affecting hospitals is that agency workers are being employed, which affects hospital budgets. This shows that the recruitment embargo is not having the desired effect, because hospitals are spending more money by paying premium rates for agency workers. It does not make sense. The whole thing is not working. I ask for this debate to be taken sooner than planned.

I wish to move an amendment to the Order of Business. I have asked on several occasions that we have a proper, robust discussion in this Chamber about the future of the joint labour committees. I am fearful that we could end up having a discussion when the Cabinet has carried out its deliberations and the decisions have already been made. That is not good enough. We should have an opportunity to have our say. I move an amendment that we ask the Minister for Jobs, Enterprise and Innovation to attend the House and take statements from 4.30 p.m. to 6.30 p.m. and then take Private Members' business from 6.30 to 8.30 p.m. It is important that we are not sidelined in this important debate and that Members of the House have an opportunity to have their say.

While the Cabinet is considering cutting the incomes of low-income families, perhaps the Leader of the House and his party could consider a Bill tabled by Sinn Féin in the Dáil, which attempts to cut the pay and generous allowances of Oireachtas Members of both Houses. That is what we should be focusing on, and not the incomes of low-paid workers.

Senator Denis Landy: I support Senator Mullen's call for a debate on the proposed referendum on the abolition of the House. Can the Leader find some mechanism for getting the views of what I call the ordinary people of Ireland? There is a view within the media that this is a done deal. I spend most weekends out and about in my community, and there is a strong view among ordinary people who have an interest in the mechanisms of democracy that the Seanad should be reformed but not abolished. The more time we give to sessions such as those held in Louth last weekend, at which a number of Senators spoke, the more this will become apparent.

Does the Leader have any proposals to broaden this debate? He might come back to us with some suggestions. The debate need not all happen within this Chamber but should take place in the community, to the people who will be making the decision. It should not be a "Yes" or "No" question. Good work has been done here over the last couple of days with regard to suggestions for reform of the House.

[Senator Denis Landy.]

The second issue I want to raise is a surprising one. I support the comments of Senator Conway about the price of beds in Dublin last weekend. One of our colleagues, who brought his children up to the Take That concert, told me he had to stay in Maynooth because he could not get a room in Dublin.

However, there is another issue, dear to many of our hearts, with regard to prices. I refer to the cost of entry to GAA matches. I ask the Leader to take this matter up with the president of the GAA. We had a paltry announcement last weekend that the cost of tickets was being reduced by €5, but only for scheduled central competition matches. The Munster semi-final between Clare and Tipperary was held in Limerick last Sunday — Senators all know who won, so I do not have to give the result.

Senator Darragh O'Brien: Is there such a thing as a semi-final in Munster?

An Cathaoirleach: The Senator can write to the Munster council about that. It is not relevant to the Order of Business.

Senator Denis Landy: It is relevant, and I will tell the Cathaoirleach why. It goes back to what Senator Conway said. Prohibitive prices mean that people are unable to get out into their communities and spend their money even if they want to.

An Cathaoirleach: No Minister has responsibility for that. Does the Senator have a question for the Leader?

Senator Denis Landy: The Leader can approach the relevant organisation, Cumann Lúthchleas Gael, and make representations on behalf of this House expressing our concern. Our native games are dying. There were 16,000 people at the Munster semi-final. When the Cathaoirleach and I were boys — the Cathaoirleach was a boy before I was — one could not get a ticket for a Munster semi-final. I was brought to sit on my father's knee, getting in over the stile. Now we have an attendance of 16,000. It is a disgrace.

The GAA should wake up to the fact that nobody has money in this country. It should allow people the opportunity to go to matches at reduced rates and have a day out on Sunday as they always had. I know the Leader, a good GAA man who follows a great team in Waterford, will address this matter to the president of the GAA.

Senator Martin Conway: Well said.

Senator Paschal Mooney: That comment has probably scuppered Senator Landy's chances of getting tickets for the All-Ireland matches. He will have to go scurraging in Tipperary for the final. As the Cathaoirleach and some Members of the House will be aware, there was a time, not too distant in memory, when a former Cathaoirleach of this House absolutely resisted any reference to the GAA. The fact that he was a trustee of the organisation might have had something to do with it.

I share Senator Cullinane's concerns about the events in Belfast. It was depressing to watch the images coming from outside the Parliament building in Greece and then, on the same Sky News bulletin, to see young thugs — because that is all they were — firing stones and creating mayhem in a small Catholic enclave in Belfast. Contrary to what the Senator said — this may reassure him — it was made absolutely clear by both the assistant chief constable of the PSNI and the media itself that the initiators came from the east Belfast brigade of the UVF. It did not originate from the Catholic side in any way. This is the conclusion I and, I am sure, others

came to based on the reports emanating from Belfast. This House should continue to be alert to any threat to the ongoing peace process.

I wish to refer briefly to the comments made by Senator Conway. I have no difficulty with the main thrust of what he said, but I suggest that the Leader might afford the House an opportunity at some time in the future, in the context of a debate on tourism, to try to reduce the cost burden on our hotel sector. As a former chairman of Fáilte Ireland North West, I was aware that whenever there were major events in the region, certain hotels would increase their prices, as happened for the most recent event in Dublin. However, if one looks at *hotels.com*, the worldwide website for monitoring hotel prices, one will see Ireland now has the cheapest hotel rooms in Europe.

We should be promoting a positive image of our hotel sector, notwithstanding the comments made by Senator Conway. He is right in defending the consumer, but there is another side to the story. It would be helpful if the cost burden on hotels were reduced. They are attempting to be as competitive as possible. One can get a four-star bedroom in this city throughout the year for between €60 and €75 per night, with all of the attendant services.

Regarding the matter raised earlier by Senator Healy Eames, last evening I raised a matter on the Adjournment relating to the withdrawal of school bus services from the Traveller community at Mohill and Carrick-on-Shannon, County Leitrim. In his reply, the Minister of State at the Department of Education and Skills, Deputy Ciarán Cannon, claimed the withdrawal of these services was an attempt to mainstream Traveller children into the school transport system.

An Cathaoirleach: Does the Senator have a question?

Senator Paschal Mooney: The real reason that emerged from the reply, however, is that the Traveller community will no longer enjoy its exemption from the distance requirement of 4.5 km from the school that applies to school transport. This is simply a cost-saving exercise.

Will the Minister for Education and Skills, for whom I have enormous respect and who has been a personal friend of mine for many years, explain to the House why the most discriminated group in society will not be encouraged to send their children to school through the absence of a school transport facility? Removing the exemption from distance-to-school rule is simply a cost-saving exercise, the amount of which will probably be minimal anyway. I hope the Minister will reverse this decision.

Senator Jim D'Arcy: Will the Leader bring the Taoiseach's attention to the results of the seminar on the abolition of the Seanad to which Senator Mary White referred earlier? The clincher argument at this seminar was that abolishing the Seanad would lead to a democratic deficit with the checks and balances necessary to a functioning democracy diluted. I have no interest in spending the next five years here arguing whether the Seanad should be abolished. Having an effective and efficient Seanad with the participation of all Members is the best way for those who believe reform of the Seanad is the answer.

The great democratic deficit in this country is that we are beholden to the kindness of strangers and that we have lost our economic sovereignty. We are a vassal state. The great task for all of us is to restore our economic independence.

What the Minister has done with special needs assistants, SNAs, is not highly significant. Last Thursday, the Seanad debated the provision of language support teachers. When I suggested that 1,400 language support teachers was too many, a Member on the other side laughed at me. I recall in 2007 when the then Minister appointed 200 more language support teachers, some schools went from having two to six support teachers with no proper evaluation of children's need for language support until 2008. It was like putting the cart before the horse.

[Senator Jim D'Arcy.]

Over 10,000 SNAs are assigned to schools, not individual pupils. The system, however, needs to be regulated more with an emphasis on value for money. From my teaching experience, I remember a special education needs organiser, SENO, informing me that a child coming from another school did not require a special needs assistant as he only had behavioural problems. While I argued he did, the SENO won in the end and the child did not receive a SNA. The boy now is much better off and his independence has increased while his behavioural problems have reduced. It is not always a clear cut case of just providing a SNA. Their roles also need to be defined.

An Cathaoirleach: Does the Senator have a question?

Senator Jim D'Arcy: I agree with Senator Bacik on the need for support teachers for Traveller children. Will the Leader ask the Minister for Education and Skills to clarify how Traveller children will be supported in his new dispensation?

Senator Paschal Mooney: He could reverse the decision on school transport for Traveller children for a start.

Senator John Crown: I wish to raise a little "Is féidir linn" success story which the Leader could forward to the Minister for Health and the Minister of State with responsibility for medical research to see how it could be developed. Recently, the All Ireland Co-operative Oncology Research Group, ICORG, celebrated its twelfth anniversary. It was founded at a time when Ireland, uniquely for a western country, had no national structure for organised national cancer clinical trials. These trials of new treatments for patients have been shown to advance treatment for cancer, make new treatments available at an earlier stage in the development of the drugs and, generally, raise standards in the health services. They are an index of quality in a health service.

Since its humble beginning when there were only five cancer specialists in the country, ICORG has had a spectacular growth, now having 350 members from medical, surgical, radiation and oncology communities in addition to cancer nurses and scientists. It has brought millions of euro worth of free treatment drugs into the country while establishing a large national network which has provided 100 jobs for skilled researchers in the clinical support area. More importantly, it has resulted in a net increase of funds coming into the country from major international pharmaceutical companies, research charities and other international research groups. It also led to the development of local affiliates of major international research companies which previously only had sales forces based in Ireland.

As a result, Ireland now punches way above its weight in cancer clinical trials. In the United States, 3% of patients diagnosed with cancer join such trials. In Ireland, in 2009 over 30% of patients diagnosed with breast cancer were enrolled on trials. Two drugs, Glivec and Herceptin, which have been shown to have major survival prolongation impact for patients with leukaemia and breast cancer, respectively, became available to cancer patients in this country substantially earlier than they were for patients in other countries, due to the efforts and success of ICORG in attracting clinical trials at an earlier stage. ICORG, of which I humbly admit I was the co-founder, is now leading many international studies and is rightly proud of what it has achieved.

Will the Leader ask the relevant Ministers if they would consider a voluntary redeployment of those in officialdom in the health system who have been designated potential candidates for redundancy as a result of the perception of an excess of some people in official capacities following the merger of the health boards into the Health Service Executive? I do not believe we can ethically take people who were guaranteed permanent and pensionable jobs and force

them into redundancy. In a time of national emergency, it strikes me that people who have both given service and have the privilege of permanent and pensionable jobs should be used to the best advantage of the taxpayer.

I request that the Leader ask the Minister for Health, Deputy James Reilly, and the Minister of State at the Department of Jobs, Enterprise and Innovation, Deputy Sherlock, if it might be possible to consider the introduction of some form of voluntary redeployment scheme. If we had access to the skills of an additional five, eight or ten people — these individuals, who might otherwise be looking down the barrel at some type of redundancy, could be redeployed from official capacities in the Health Service Executive — in the clinical trial support area, we could increase both the number of studies that are carried out and the number of new drugs that could be introduced. In addition, we could bring millions of extra euro worth of free drugs into the health service and the economy.

Senator Kathryn Reilly: I second the amendment proposed by Senator Cullinane.

Last week the Leader stated that the House is to engage in a debate on food labelling in the next three weeks. Will he indicate when this debate will proceed and identify the Minister or Minister of State who will come before the House to take it?

I am sure every Member has received a copy of the report circulated by the IFA — which it commissioned from UCD academics — on the agrifood sector. Will time be made available for a debate on Food Harvest 2020 or the future of the agrifood sector in Ireland? This is a critical indigenous sector but it was omitted from the list of sectoral initiatives included under the jobs initiative, which is designed to assist with the creation of employment.

The Minister of State with responsibility for European Affairs is due to come before the House today in order to discuss enterprise, innovation and competitiveness. When will she be coming here to discuss the outcome of the meeting of the Economic and Financial Affairs Council?

Senator Maurice Cummins: Senators Darragh O'Brien and Mac Conghail referred to the petitions committee. That matter will be discussed by the Committee on Procedure and Privileges, CPP, next week. It is the intention that — regardless of its title — such a committee will be established and that people will come before it to make representations. It is also intended that relevant individuals will be invited to come before the House to address Members. There are already mechanisms in place which will facilitate the latter. I am of the view that it is the wish of every Senator that this matter be progressed. As already stated, the CPP will discuss it next week with a view to moving it forward.

The Minister for Health will be coming before the House on 7 July. It is proposed that we should have a normal two-hour debate on health matters on that date. If necessary, we can either extend the time available or adjourn the debate and complete it at a time that would be suitable for the Minister. At times it is very difficult to encourage Ministers to make time available in their schedules in order that they might come before the House. With that in mind, I do not intend to accept the amendment tabled by Senator Cullinane. The Minister will come before the House on 7 July to discuss all health matters.

Senator David Cullinane: With respect, that is not what the amendment requests.

Senator Maurice Cummins: It is a fact that 75% of defined benefit pension schemes are going to be in deficit. The Minister for Social Protection is due to come before the House tomorrow to take the debate on the Social Welfare and Pensions Bill and perhaps she might comment on some of the points made by Senator Darragh O'Brien in respect of that matter.

[Senator Maurice Cummins.]

I dealt previously with the recommendations relating to the Magdalene homes, particularly in the context of the interdepartmental committee that has been established. I agreed that the House would engage in a debate on the recommendations when the committee submits its report.

Senator Zappone referred to the UN Human Rights Council's report and matters relating to sexual orientation and stated that we are in breach of human rights laws. In that context, she asked for an update in respect of the advisory group. I will try to ascertain from the relevant Minister the up-to-date position regarding that matter and I will contact the Senator as soon as I receive a reply.

Senator Norris inquired about Private Members' business, the time slot for which has been changed to 4.30 p.m. to 6.30 p.m. The Senator was correct to state that the House has not dealt with much legislation this week. However, we are due to take Second Stage of the Social Welfare and Pensions Bill tomorrow and the Committee and Report Stages of this legislation will be taken next week. In addition, the Ministers and Secretaries (Amendment) Bill is also due to be taken next week. The House will, therefore, deal almost exclusively with legislation next week.

Senator Healy Eames referred to the report on early school learning and the patronage of schools. The forum on patronage and pluralism in the primary school is beginning its work today. I am sure the Minister for Education and Skills will be willing to come before the House to discuss those matters when the forum issues its report.

Senator White referred to Seanad reform. I am glad the debate on such reform and on the abolition of the House has already begun. Were he alive, I do not know how John Boyle O'Reilly would vote on the matter. There is no doubt that, over the coming 12 months or so, the debate on this issue will be extremely lively.

Senator Mary M. White: John Boyle O'Reilly was a democrat.

Senator Maurice Cummins: Senator Harte referred to the difficulties soccer fans are experiencing in respect of obtaining visas for the game with Russia in particular. This is a matter which is close to my heart and I have received representations from quite a number of people about the previous occasion on which the national team played in Russia. The other team which the Republic is due to play — the name of which the Senator could not recall — is Armenia. I will make representations to the Minister for Foreign Affairs and Trade in respect of this matter. It is expected that several thousand Irish supporters will be travelling to Russia and we hope they will be treated with dignity and respect when they go there.

Senator Mullen referred to the proposed constitutional convention and whether the referendum on the abolition of the Seanad comes under the remit thereof. I am not quite sure of the position in this regard. Neither am I sure that it is possible to hold a "preferendum" rather than a referendum. That is a matter in respect of which legal advice will have to be taken.

Senator Rónán Mullen: Perhaps we could hold a referendum to decide on whether there should be a "preferendum".

Senator Maurice Cummins: The Senator may be more *au fait* than I with regard to the legal aspects of the matter. I am informed that at present it is not possible to hold a "preferendum" and that a referendum is the accepted model. However, the position can be clarified at a later stage.

Senator Conway referred to the astronomical increase in the prices charged for hotel rooms when major events, concerts, etc., are taking place. This is a certainly a cause for concern at a time when we are trying to build up the tourism industry and encourage more people to come here. The Irish Hotels Federation and the Minister for Tourism, Culture and Sport should intervene in respect of this issue.

Senator Martin Conway: Hear, hear.

Senator Maurice Cummins: I hope that those who own and run hotels and who might be charging exorbitant prices realise that the country's reputation is at stake. This is an extremely important matter.

I already informed Senator Cullinane that the Minister for Health is due to come before the House on 7 July next.

Senator David Cullinane: On a point of order, the amendment I tabled does not relate to the Minister for Health. It requests that the Minister for Jobs, Enterprise and Innovation come before the House.

An Cathaoirleach: That is not a point of order, it is a matter of procedure. It is up to the Leader to reply to the Order of Business as he sees fit.

Senator David Cullinane: Perhaps the Leader can correct what he said earlier.

An Cathaoirleach: I have no control over that matter.

Senator Maurice Cummins: On JLCs, the House is to resume its debate on the jobs initiative and competitiveness following the Order of Business. I suggest that the topic of JLCs could be addressed during said debate.

Senator Landy also referred to the cost of hotel rooms and to the cost of tickets for GAA matches. As someone on the Opposition benches stated, it was not possible to mention the GAA in the House when one of the Cathaoirleach's predecessors was in the Chair. The GAA's central council has reduced the price of tickets and I hope the provincial councils will do likewise. Nothing has been forthcoming in this regard as of yet but I will certainly be applying for a ticket for the Munster final at which, it is to be hoped, my county will give Tipperary a game.

Senator Mooney raised the issue of school transport and also referred to the cost of hotel rooms. I hope to have the Minister of State, Deputy Cannon, in the House next week to discuss the whole area of school transport, when that matter can be discussed.

Senator D'Arcy spoke about the democratic deficit and restoring our economic independence. I agree totally with him in that regard. I respect his views on special needs assistants. We will have the opportunity to discuss that matter when we discuss school transport.

Senator Crown mentioned advances in radiation oncology, the funds that have been attracted to the country as a result of the association that was set up and the possibility of a voluntary redeployment scheme. We will take up that matter. I am sure the Senator has already raised it with the Minister. It could be desirable.

Senator Reilly raised the issue of food labelling. We will debate food labelling in two weeks time. Within three or four weeks, and certainly before the end of July, I hope to have the Minister for Agriculture, Fisheries and Food in the House to discuss the areas of agriculture and fisheries.

An Cathaoirleach: Senator David Cullinane has proposed an amendment to the Order of Business: “That statements on the future of the joint labour committees be taken from 4.30 p.m. until 6 p.m.” Is the amendment being pressed?

Senator David Cullinane: Yes.

Amendment put:

The Seanad divided: Tá, 16; Níl, 30.

Tá

Byrne, Thomas.
Crown, John.
Cullinane, David.
Daly, Mark.
MacSharry, Marc.
Mooney, Paschal.
O’Brien, Darragh.
O’Donovan, Denis.

O’Sullivan, Ned.
Ó Clochartaigh, Trevor.
Ó Murchú, Labhrás.
Power, Averil.
Reilly, Kathryn.
White, Mary M.
Wilson, Diarmuid.
Zappone, Katherine.

Níl

Bacik, Ivana.
Bradford, Paul.
Brennan, Terry.
Burke, Colm.
Clune, Deirdre.
Coghlan, Paul.
Comiskey, Michael.
Conway, Martin.
Cummins, Maurice.
D’Arcy, Jim.
Gilroy, John.
Harte, Jimmy.
Hayden, Aideen.
Healy Eames, Fidelma.
Henry, Imelda.

Higgins, Lorraine.
Keane, Cáit.
Kelly, John.
Landy, Denis.
Moloney, Marie.
Moran, Mary.
Mullen, Rónán.
Mullins, Michael.
Noone, Catherine.
Norris, David.
O’Keeffe, Susan.
O’Neill, Pat.
Quinn, Feargal.
van Turnhout, Jillian.
Whelan, John.

Tellers: Tá, Senators David Cullinane and Kathryn Reilly; Níl, Senators Paul Coghlan and Susan O’Keeffe.

Amendment declared lost.

Order of Business agreed to.

Jobs Initiative and Competitiveness: Statements (Resumed)

An Leas-Chathaoirleach: I welcome the Minister of State to the House.

Senator Kathryn Reilly: There is a jobs crisis in our community which can be seen every day on the streets, standing on dole queues, and getting on planes saying goodbye to their native land. Our people demand to be brought back to work and in order to meet this demand we need investment proportionate to the crisis we are facing. We need to invest in our economy to deliver employment and increase competitiveness and growth. We need to stop spending billions of euro bailing out banks and servicing unsustainable debt. Investment must increase and we must increase the money we are making available to the economy. This jobs initiative has had to be revenue neutral and is on a scale that cannot make an impact and is therefore a

lost opportunity of sorts. We need a jobs stimulus that will put people back to work and inject growth back into the economy. We need to take the big decisions to invest in the State's infrastructure and people. To date we have been following irrational strategies of austerity and bailing out insolvent banks. That has continually limited our options and landed us in our bailout — it has landed Greece in its second one. We need to start discussing strategies that open up options to free us from the bailout trap in which we find ourselves.

It will take a number of complementary steps for employment, growth and competitiveness. One step is labour activation. Only €29 million of the jobs initiative fund is allocated to jobs activation measures, which means that long-term unemployed people will essentially receive little benefit from the initiative. The Government needs to move swiftly to address a situation where for the first time in our history more than half of those who are unemployed are long-term unemployed. Recent figures from the British Department for Work and Pensions show that the number of Irish people moving to live in Britain last year increased by 25% to 13,920. The overwhelming majority of these people are in the 18 to 34 cohort. Young, educated and skilled people are leaving the State in their droves. While we welcome aspects of the Government's jobs initiative, it falls short of what is required to create jobs. We are finding ourselves falling back on the safety valve of emigration to pay for the economic shortcomings of the past.

The jobs initiative contains much less than what we were promised and what is required. Both Fine Gael and the Labour Party need to make good on the faith invested in them by the electorate and need to deliver on their election commitments. They need to stem the tide of emigration that is depriving us of so many talented young people and they need to get over 400,000 people off the live register into employment. The people are looking to Members of the Oireachtas for hope but we are hearing only platitudes.

Senator Maurice Cummins: I welcome the Minister of State, Deputy Perry, to the House. Job creation is central to Ireland's economic recovery. The programme for Government has job creation at its core. Small businesses are the backbone of our economy, as we have heard on many occasions. There are currently some 250,000 small businesses, employing approximately 700,000 workers. The appointment of Deputy Perry as Minister of State with specific responsibility for small business is a clear signal to the business community that small businesses are and will continue to be central to economic recovery. This is a very positive step on the Government's part.

Governments do not create jobs; entrepreneurs and risk-takers do and it is the businesspeople and exporters throughout the country who create wealth. Governments, however, can, through their decisions, have a positive influence on the environment in which wealth and job creators operate. The current Government is working hard to find ways to help, and not hinder, the efforts of those businesspeople and workers who will lift our economy out of the gloom.

The foundation stones that made our economy strong nearly two decades ago were controlled costs, a flexible and well-trained workforce, innovative new products and services, and access to export markets. Today we need to focus on getting new lines of credit flowing, reducing business costs and supporting new technology and innovation. The Government's jobs initiative addresses all these issues and more. It represents a very positive intervention to support entrepreneurs and businesspeople to create vitally needed jobs and rebuild our economy.

One of the key factors that impacts upon the viability of small businesses and their sector's ability to create jobs is access to credit. The Government's plans to restructure and recapitalise the banking system comprise the principal response to this challenge. These plans are designed

[Senator Maurice Cummins.]

to secure an adequate flow of credit into the economy to support economic recovery, even as the banking system is downsized. The banking system must provide substantial new lending to the economy. The business plan submitted by the pillar banks to provide over €30 billion in new lending over the next three years across core business areas is very important. Up to €20 billion of this sum will go to small and medium-sized business.

The financial authorities will be rigorously monitoring the banks' activities to ensure credit is available for borrowers who meet reasonable credit standard requirements. It is proposed that a partial loan guarantee scheme will be in operation by the autumn. This measure will be of particular help to the innovative companies we are trying to encourage as part of our growth strategy. For every €400 million guaranteed by the State, an additional 4,500 companies can obtain further credit that will, in turn, create over 8,000 jobs. A micro-finance fund will provide funding for small loans for start-up companies. Many start-up companies lack the small amounts of finance that can make the difference between success and failure. The commitment on a micro-finance fund is the Government's contribution to filling the enterprise finance gap in the market.

From 1 July next, all Government bodies, excluding commercial and semi-State bodies, will be required to pay suppliers within 15 days of receipt of a valid invoice. Given that the public sector enters contracts with suppliers worth €15 billion each year, the importance of such a policy for all companies that do business with the State is very clear. The Government is committed to keeping all costs that have an impact on business as low as possible to enable them to benefit fully from the stimulus provided by the jobs initiative. Work in this area is ongoing across all Departments.

One way to help job creation and improve labour cost competitiveness is to ease the cost of taking on new employees. Accordingly, in line with the commitment given in the programme for Government, there will be a halving of the lower rate of PRSI until the end of 2013 on jobs that pay up to €356 per week. This measure will take effect from 1 July next and will reduce employers' costs by 4%, which will offset the restoration of the national minimum wage committed to in the programme for Government. The existing employer job PRSI incentive scheme will remain in place until the end of the year so enterprises and businesses that have planned to take on staff under the scheme in the qualifying period may continue to do so.

The loss of competitiveness in the economy during the boom years, coupled with the global economic downturn, has had a profound impact on the bottom line for many Irish companies. This has led to a drastic knock-on effect for employment, with many employers having to lay off staff and reduce hours for those remaining. Addressing this loss of competitiveness has been one of the Government's top priorities since taking office. There have been recent improvements, for example, reductions in electricity and gas prices for businesses and the reduction and freezing of local authority rates. The cost to business of water services compares favourably with that of our main trading partners. The cost of broadband services compares favourably with the EU average.

The changes the Government has announced regarding the research and development tax credit will make Ireland a more competitive location for research and development activities. Thus, it will have a substantial impact on job creation in this vital sector. This revenue-neutral change will allow companies to choose whether to account for the credit against corporation tax or against the cost of employing researchers, and would greatly improve Ireland's attractiveness to multinational companies when comparing costs with those in alternative locations.

Other areas of the jobs initiative worthy of mention include the making available of an additional 20,900 places in specific education and skills training courses, including the back-to-

education innovation places, post-leaving certificate courses, the third level Springboard programme and the new national internship scheme, which the Minister for Social Protection, Deputy Burton, will be discussing in this House at a later stage. Approximately 1,000 jobs will be created through the rehabilitation of the local and national roads along with the implementation of smarter travel and management systems. The additional €19 million in Exchequer funding being allocated for the retrofit scheme will create approximately 850 direct and 400 indirect jobs. It is likely that the impact of the jobs initiative on employment will be most visible from 2012, as economic activity picks up in response to the initiative and other Government measures. The stability programme update, published on 29 April, foresees net employment creation of 100,000 over the period 2012 to 2015.

The jobs initiative represents the first steps of the new Government on the road to improving the economy's international competitiveness and promoting job creation. The intention of the measures contained therein is to target the limited resources available at key sectors of the economy that can build the confidence that will encourage consumers to spend again, provide opportunities for those who have lost their jobs to re-skill and, more important, assist in getting people back to work.

Senator David Norris: I welcome the Minister of State to the House and compliment the Leas-Chathaoirleach on his flexibility with regard to time as far the Leader of the House is concerned. I say this sincerely because the Leader always had a very strong interest in matters when he was on this side of the House. We spoke very closely on the development of the bio-fuels industry in County Waterford. The flexibility afforded is always very useful and I am glad the Leader was not curtailed.

The question of jobs is very significant. Former US President Bill Clinton was quite correct when he said, "It's the economy, stupid". Jobs are where it is at as far as this nation is concerned. We certainly need employment. Unemployment leads to desolation and despair. It is not just bad for the economy; it is bad for the personality. I am very hopeful because I have visited areas throughout the country and I have seen local start-ups and enterprise boards. I pay tribute to enterprise centres and enterprise boards which I have seen throughout the country, for example, in Roscommon several weeks ago. I knew the people there were working from their own experience and this is important. These are organically grown jobs on the ground. One company had the wonderful new idea of collapsible easily-exportable flood barriers. This came about because the people are based in the Shannon plain. It employs a small number of people here but it exports throughout the world and hopes to bring manufacturing back. These enterprise boards and Enterprise Ireland are a key part of what will be a successful outcome.

I have a small amount of experience of business myself and I am glad to state I was successful in running two small companies, one of which is still quite successful. One was in the tourism industry. We need to examine some issues and I know I am on the same side as the Government on this. For example, our bankruptcy laws are daft. They really need to be examined and I appeal to the Minister of State to bring back to his colleagues, in particular the Minister for Finance, that we must address the issue of enterprise boards.

With regard to enterprise, job creation and competitiveness we have an extraordinary Irish gene for creativity. I am known for speaking about James Joyce and I did it this morning and on the Order of Business but we also have science. We have Robert Boyle, the son of the Earl of Cork, with his law of the expansion of gases. I could go on and on. We have so much in the area of science and we do not recognise it enough. Another day, I will have the opportunity to develop this theme.

[Senator David Norris.]

We should also consider Hollywood. I am very glad that we spend money there. There are begrudgers who say it is wrong to give a party in Hollywood at the time of the Oscars but it is not; it is perfectly right and I hope it continues. Look at what we contributed, from DW Griffith's "The Birth of a Nation"; Rex Ingram, the director of one of the great classics of the silent era, namely, "The Four Horsemen of the Apocalypse"; Richard Baneham, who was nominated for an Oscar for his work on "Avatar"; and actors such as Maureen O'Hara, Daniel Day-Lewis, Stephen Rea, Colin Farrell, Saoirse Ronan and John Ford. Just last week, I presented prizes as I had been on the judging panel for the ICCI's human rights short films competition and one of the other judges was Brenda Fricker, the only Irish person to receive an Oscar. There is so much we can be really proud of and creativity is the root of enterprise as well as the arts and science.

I mentioned Richard Baneham. He is a young man from Tallaght who was awarded a BAFTA for his contribution to "Avatar" and was nominated for an Oscar. This was our third nomination in the area of animation. How did this come about? I remember in the 1980s when the Government attracted a major animation company from New York, Sullivan Bluth, which was based in a huge studio on the docks. It was given special facilities in return for 5% Government ownership of the studio. It opened with a staff of 85 and soon increased this to 300. The studio took young people to the United States and then brought them back. Although the company closed down, it started something and there is real start-up energy in the country. The Ballyfermot——

An Leas-Chathaoirleach: The Senator has 30 seconds remaining.

Senator David Norris: I think I possibly have a little latitude.

Consider the way in which Ballyfermot College of Further Education took this up. Consider how we have combined technology and imagination with "Granny O'Grimm", "The Story of Kells" and "Give Up Yer Aul Sins". These are wonderful Irish stories with Irish imagination and technology. In the past decade, the animation sector has flourished and hundreds of people are involved and we have moved into cutting-edge 2-D and 3-D animation for cinema screens, television, web, mobile and game consoles. This is what happens when a new company with new skills comes to Ireland and receives support from Enterprise Ireland, Irish content is seen.

With regard to tourism we have had visits of Queen Elizabeth and President Obama. We have fantastic food and hotels which are available at cheap rates. We need to push this out.

We have a success story and we must keep telling it. We are not Greece. We have done the difficult tasks and this Government continues to do them. We continue to increase our productivity. Let us remember that we have a series of companies investing and giving very considerable amounts of employment in the United States. Although we have multinationals here, we also give a significant employment benefit to the United States.

An Leas-Chathaoirleach: I thank the Senator. Sometimes it is hard not to give him latitude.

Senator David Norris: I appreciate that very much.

Senator Lorraine Higgins: I wish to share time with Senator Kelly.

An Leas-Chathaoirleach: Is that agreed? Agreed.

Senator Lorraine Higgins: I welcome the Minister of State, Deputy Perry, to the House. This is my maiden speech and before I make my statement on the jobs initiative may I state how honoured I am to have been selected as one of the Taoiseach's 11 nominees to the 24th Seanad?

I am a native of Athenry, County Galway and have lived there all my life. I am delighted to be joined in Seanad Éireann by Senators Rónán Mullen and Michael Mullins. In my work as a barrister I have strived to achieve very high standards and I hope in this House my high standards will be retained and I will work hard on behalf of the people in Galway East and Ireland to give them the dedication they deserve.

I will now speak on the jobs initiative. As we are all aware, Ireland is experiencing a very challenging and turbulent economic time. However, in the programme for Government we have produced a very credible plan to restore the confidence and growth in our economy. Part of this plan is the recently announced jobs initiative and I welcome this development. However, it is but one step in the right direction to address all that has gone wrong in our economy in the past three years. We cannot beat this crisis overnight and the expectation that we will sort out in one fell swoop the unfortunate mess we inherited from the previous Fianna Fáil-led Government is foolhardy to say the least.

This is a sign of our intent in government and a move broadly welcomed throughout the country. In particular, I welcome the reduction of VAT to 9% for all businesses in the tourism industry. This measure will help increase turnover in the sector. This, coupled with the reduction in employer PRSI contributions, which will be available until 1 July 2013, will make it easier for employers in the sector to hire additional staff.

I also welcome the abolition of the travel tax. To have taxed people coming into the country in the first instance was ludicrous. We must recognise specific challenges as an island. Given the demise of our building sector, we are now reliant on tourism and we must facilitate the inward migration of tourists to the country. We need to keep open the businesses dependent on the sector and we need to keep their employees working. Its abolition is a positive move and along with a strategic marketing campaign abroad, it will open up Ireland to all of its core markets.

The only regret I have in this regard is that the initiative focuses solely on the three State airports with no reference whatsoever to Galway Airport, which is essential to my county's connectivity to the world. Galway is a county rich in history, geography, culture, facilities and infrastructure and can meet the needs of the thousands of tourists we are trying to attract. Notwithstanding the recent decision to stop the airport's funding at the end of the year, I want to know whether Galway Airport will be given a share of Tourism Ireland's marketing budget.

It must be recognised that the jobs initiative is just a beginning. More is needed to provide more jobs and maintain those close to the brink. We must look at new ways of financing businesses to assist this process. One in every two companies is in trouble and at risk of not being able to meet its daily financial and trading obligations. We need to address this immediately where businesses cannot acquire funds from their banks, very often experiencing an abrupt reduction of their overdraft facilities.

We also need to address the rates issue. Recently, I met a man in Galway who bought a pub five years ago. He demolished and rebuilt it in the expectation he was adding value to his property. However, his property was rerated and he now pays €15,000 per annum on rates. Next door to this enterprise is a similar business engaged in similar activity. Its owner pays €2,000 per annum in rates. How can we say this is fair? We need to get more equilibrium in the rating system in Ireland. If the rates bill was not hanging over this man's head he might provide an opportunity for people in the community to be employed. One should not underestimate the effect that creating one job can have on a small community.

Owing to the weak economic position in which the country finds itself, we do not have sufficient resources to fund large-scale policy initiatives to generate significant economic activity. Consequently, the jobs initiative will be budget neutral until 2014. What is significant

[Senator Lorraine Higgins.]

about the measures that have been announced is that they demonstrate that the Government has ambition to move the country forward. They also show the world that we have an objective and, more important, a plan to achieve it. The initiative will help to facilitate the return to work of some of those who are unemployed. It will create confidence among the occupants of households as well as domestic companies and potential investors abroad.

Senator John Kelly: I will focus on what has gone wrong and what changes need to be made. While I do not propose to reduce our generous social welfare rates, it is unfortunate that a series of other bonuses have been introduced for those in receipt of social welfare payments. Free travel and electricity, rent allowance, mortgage subsidies, medical cards and so forth make it difficult for recipients of social welfare to take up employment. They are one of the reasons for the large number of people who are in long-term unemployment. If new charges, for example, water rates or property taxes, are introduced, social welfare recipients should not be automatically exempted from paying them as to do so would make it even more difficult for people on social welfare to take up a job.

Everyone in receipt of social welfare costs the State €21,000 per annum. By giving employers €10,000 for taking one person off the dole queue, we would create 100,000 jobs in the retail and tourism sectors. It should be mandatory for anyone offered such a place to accept it. Those who refuse to participate should have their payment reduced by 5% per annum until such time as they find work. The creation of 100,000 jobs would save €1.1 billion per annum.

Overpricing in the hotel sector, an issue I raised on the Order of Business last week, was referred to by two Senators this morning. I propose adopting the French model under which two star, three star, four star and five star hotels may only charge prices within a fixed price bracket. This would prevent hotels from charging ridiculous prices, such as the €499 per night charged by some establishments last weekend to coincide with a number of concerts in Dublin.

I also raised the issue of rates last week. I ask the Minister to outline the Government's proposals in respect of the rates charged to small businesses. If a business goes under and only one person joins the dole queue, the cost to the taxpayer will be €21,000 per annum. This does not make sense if the company's rates bill is €5,000 per annum. As I have noted previously, for every negative action there will be a reaction.

All of the issues I raise create costs for the Department of Social Protection. Only one small pot of money is available to this country. It is wrong to think of various Ministers having different budgets because we only have one budget. As such, we must formulate ways of ensuring we do not create costs for the taxpayer. Adopting my proposals would reduce the social welfare bill.

Senator Averil Power: I am pleased the Minister of State with responsibility for small business is present and welcome him to the Chamber. Small businesses have a significant value to the economy. Most companies employ fewer than 50 people and smaller businesses are better embedded in the local economy. While we have had major success in attracting large manufacturing companies to locate in this country and create upwards of 1,000 jobs overnight, some of these companies close within a few years leaving a massive employment gap in the local area. Small businesses, on the other hand, are spread out and more embedded in the local economy.

Our economic future lies in trying to encourage higher levels of entrepreneurship. It is noteworthy that the vast majority of small businesses are Irish owned whereas at least 40% of larger companies are foreign owned. Several key reports on industry have concluded that the future of the Irish and European economies lies in the services sector. Small companies account for 50% of the total turnover in this sector which has significant potential for growth.

Smaller enterprises face many problems. As Senators are aware, many have gone out of business in recent years, while many others are struggling. A large number of business owners worry that they will not be in business next week. Given the pressure the sector is under, I hope the small business advisory group, the first meeting of which the Minister of State chaired the other day, will quickly produce results.

Senator Kelly referred to local authority rates. While I welcome the positive measure in the jobs initiative to reduce VAT for the tourism sector, the level of rates is crippling local businesses and making it difficult for them to make a profit. As has been noted, when a company goes out of business the relevant local authority no longer receives rates from it. Energy costs also need to be addressed.

On the issue of access to credit, the previous Government established the Credit Review Office. The Irish Small and Medium Enterprises Association, ISME, has expressed concerns in recent weeks about whether credit is making its way through the system to small businesses. The position in this regard needs to be monitored to ensure credit is being released.

Senator Norris referred to bankruptcy legislation. The future of the economy lies in entrepreneurship and encouraging people with good ideas to take a risk. Ireland is one of the worst places in the world to take a business risk. International evidence shows that a large proportion of new business start-ups fail. Many entrepreneurs do not achieve success until they realise their third or fourth business idea. We must ensure people can make a mistake without being made bankrupt and prevented from starting up another company. This requires a review of the bankruptcy laws.

The enterprise agencies must become more proactive in their approach to incubation centres. While a procedure is in place to establish community enterprise centres around the country, the focus is on having local groups make the running in this regard. I hope Enterprise Ireland and the county enterprise boards, the role of which is under examination, will take a more proactive approach by identifying gaps and making it easier for local groups to establish new incubation centres. We need to find a means of supporting start-up companies. Incubation centres are a proven means of doing so.

The Tús scheme is an excellent initiative in the area of activation. Tús commenced at the start of 2011 and allows local sports and community groups to avail of the services of people who are unemployed. It gives the unemployed person skills and provides major benefits to sports clubs and other bodies which are able to take on coaches and so forth. I gather, however, that the number availing of the scheme has been low. Has the Government analysed the reasons for the low take-up and identified what steps could be taken to boost participation rates? The scheme has the potential to make a positive contribution.

Tourism is our largest domestic industry. Spread around the country it extends from bed and breakfast providers employing two people to hotels employing 500 people to the convention centre which employs more than 1,000 people. The sector has major potential to develop, especially in the area of marine tourism, which is underdeveloped. We are an island economy with beautiful natural resources but it is not something we are good at doing.

I represent the area of Dublin North-East where we have a fantastic coastline along Howth and Portmarnock but it is under-utilised. If one travels to Greece or countries with such harbours they do tours in and out every ten minutes and make a great deal of money from marine tourism. It is something on which we should have a more specific strategy.

I echo Senator Kathryn Reilly's sentiments about youth unemployment. One of this country's major advantages is that our young people are among the best educated in the world. It is a great loss to us that many of them are having to go abroad but there are provisions in the jobs initiative for internship programmes and training. The Government is building on the work the

[Senator Averil Power.]

previous Government did in that area and I hope there will be a major impetus in that regard because if we can keep people at home when they finish their degree and enable them to build up the work experience they need, it will help them to build a future here. If we lose them to emigration and they start to build their lives elsewhere because they do not see any opportunities here it will be a great loss for the investment that has been made in their education both by themselves and the State.

Senator Pat O'Neill: The Minister is very welcome to the House. I am delighted to welcome the Government's jobs initiative. I remind Senator Reilly that we are giving hope through this jobs initiative. It must be remembered that out of the little acorn grows the mighty oak, and this is only the start of getting this country back to work.

Senator Power spoke about rates. During my time on Kilkenny County Council we did a survey on rates. Rates is an issue with small businesses but 80% of businesses in Kilkenny were paying rates of less than €3,000 per year. If that was reduced by even 10% it is only €300 per year.

The biggest charge facing small businesses, and I hope the Minister will examine it, is water in and water out charges. With the rollout of water metering to every house within the next two years we may be able to bring down the price of water because water is a finite resource. It costs money to treat it but if every house is paying, business may be charged less.

This initiative is the central plank of the Government programme and it has delivered on its promise despite the huge challenges and pressures it is facing. I commend the Government, in particular the Minister centrally involved in this important programme.

Leaving aside the excellent content of the jobs initiative, the fact that this Government has hit the ground running and prioritised creating employment opportunities will help to restore confidence. What we were used to in this country prior to the election was a Government looking bewildered as the economy spiralled downwards. What the Taoiseach, Deputy Enda Kenny, and his team of Ministers have delivered since taking office is a competence and sense of purpose that was tellingly lacking in the past.

The jobs initiative is multifaceted. For example, in providing €30 million for school works this summer the Government is not only addressing the need to provide work for those involved in the construction sector and related areas, including traders and suppliers, but also recognising that during the boom the previous Government failed to address the infrastructure and repair of many schools. That is an example of joined-up thinking that was sadly lacking under the previous Fianna Fáil led Administrations.

The Government has estimated that the capital works scheme for schools that is part of this jobs initiative will create approximately 2,400 jobs and 480 indirect jobs. We can all recognise that it is rare for a Government measure to have the capacity to create such a volume of jobs directly, and I very much welcome that measure.

The jobs initiative will provide €60 million for regional roads. Like many of my colleagues here, I spent the weeks before the Seanad election travelling the highways and byways of Ireland. In total I travelled approximately 10,000 kilometres and therefore it is with a degree of knowledge when I say that the Government is being far-sighted in providing an additional €60 million for regional roads. The roads scheme is expected to create 1,000 badly needed jobs which will play a vital role in stemming the tide of emigration as well as helping to restore confidence in communities, thereby kick-starting local economies. That is joined-up thinking in government in choosing those areas to target.

I welcome the decision to reduce the air travel tax to zero. The introduction of the travel tax was short sighted. It did more harm than good and failed to deliver on its intended purpose. Again, in choosing to reduce the travel tax to zero rather than removing it from the Statute Book, the Government is showing a foresight that previous Governments lacked. The Minister, Deputy Noonan, has stated that the reduction of the travel tax to zero is aimed at incentivising airlines to open new routes and boost passenger numbers. If airlines fail to do that, the tax will be reinstated following a review at the end of 2012. The Minister, Deputy Noonan, is showing clearly his expertise and competence in this regard in the way he is choosing to deal with the travel tax.

Similarly, the decision to cut the lower rate of VAT from 13.5% to 9% on a range of tourism related goods and services until the end of 2013 is a clearly thought out and targeted measure. This VAT cut will apply to restaurants, catering services, hotel and holiday accommodation and various entertainment services such as admission to cinemas, theatres, museums, fairgrounds, amusement parks and the use of sporting facilities. In addition, hairdressing and printed matter such as brochures, maps, programmes and newspapers will apply at this new rate.

We are all familiar with the plight of restaurants and hotels in particular which are struggling to cope with the changed economic environment. This new VAT measure will not only entice foreign tourists into the country but also encourage Irish people to make the best of the many fine hotels this country can offer. Encouraging people to holiday at home is important in the context of keeping money in the country and the VAT reduction will contribute towards those efforts. I am aware that the Minister for Transport, Tourism and Sport has been vocal in pointing out the advantages for Irish people of holidaying in Ireland. It is a pity the Government cannot control the weather.

Coming from Kilkenny I am aware that a reduction in the travel tax will benefit my native county which, although it is popular with tourists, still does not receive the recognition it deserves. County Kilkenny has many important historical monuments and buildings, particularly from the Norman period. Our most recent discovery of a hidden gem is the fact that Barack Obama's uncle five times removed is buried in St. Canice's Cathedral. John Kearney is a former Bishop of Ossory, and I am hopeful that the President's recent visit may entice American tourists to Kilkenny.

It is not just the Americans who may be interested in tracing President Obama's roots. It is hoped that a new short-term visa waiver programme will encourage tourists who may not have traditionally visited Ireland to come here. The visa waiver programme applies to 14 nationalities who ordinarily require a visa to enter the State.

Coming from a small village in County Kilkenny I have been struck by the plight of young people, many of whom cannot find work and believe they have no option but to emigrate. Accordingly, I am very pleased to welcome the 20,900 places the Government is making available for training, education and upskilling under a range of schemes. There will be a national internship, with 5,000 places, which will create work placement for a six to nine months period and provide €50 per week in addition to social welfare entitlement. Significantly, this scheme will operate in private, public and voluntary sectors. Almost 6,000 places are to be created at level 6 of the national framework for qualifications. This measure will target sectors with significant unemployment and will begin this autumn. It is clear that much thought has gone into all these measures. The back to education initiative mentioned by the Leader will be extended to provide 3,000 places targeted at adults who did not have a second level education.

Credit facilities were mentioned. One of the industries helping this country to fight back is agriculture, and we must make sure that the credit facilities are passed on to the agricultural sector as well.

Senator David Cullinane: Like the previous speaker, I will be laying down roots of my own in Kilkenny shortly as my wife is in Kilkenny General Hospital expecting our second child.

Senator Pat O'Neill: It will be good to see the child wearing the black and amber.

Senator David Cullinane: We will see about that. I want to put my remarks into context. I cannot agree with previous speakers who stated that this jobs initiative amounts to ambition on behalf of the Government. It has been said on numerous occasions that this initiative is revenue neutral but I believe it is jobs neutral as well. I fail to see where the real jobs will come from and in that regard the context has been clearly set out for us again with the latest CSO and live register figures. A total of 440,000 people across this State are out of work, and 14,500 of those are in my county of Waterford. Well over 100,000 young people have emigrated and potentially more will emigrate in the coming months. They do not see any real hope in what was delivered in this jobs initiative.

The measure of success of this jobs initiative or any initiative the Government will take is whether it will eat into the live register figures, so to speak. I am not happy saying this but I have no doubt that given the initiative and the fact that it failed in so many areas, we could be back here 12 months from now discussing similar live register figures, which would be an indictment of this Government. Many promises were made during the course of the election campaign about 100,000 jobs here and 50,000 jobs there but I do not believe those jobs will materialise.

The Government must avoid making the mistakes of the previous Government. One of its biggest mistakes was to believe that cuts provided the way out of recession, such as cutting people's pay and welfare benefits. A previous speaker spoke about some of the secondary benefits people on social welfare receive. The reason they receive those benefits is because they need them. When the low income and middle income families see their wages cut, that has the opposite effect and we have seen that. We have had all these cuts over the last number of years, and we have seen a reduction in retail sales. The reason small businesses across the State are suffering is that footfall is down and people have less money to spend. They are fearful and are tightening up their spending. That is why I have called several times for a proper discussion on the future of the JLCs. It is very important to me because if we continue to cut the pay of low income families, which it seems the Minister is about to do, this means that the industries where those people work, such as the retail sector, hairdressing or whatever, will be punished again because people will have less money to spend in restaurants, grocery stores and so on. Every euro taken from the pocket of a low income family is taken from the tills of local retailers. That has happened over the last number of years and will happen again if this Government continues on its course.

There is some good news on the jobs front in Waterford. A serious regeneration programme is being opened up in Waterford, with three museums known as the Viking Triangle located on the Mall in the city. It is a fantastic initiative and was supported by the city manager, all the political parties and the previous and current Governments. It will create jobs and bring tourists to the area, and it complements the House of Waterford Crystal. I commend all of those who were involved in that initiative.

The county and the region I come from has been operating with one hand tied behind its back for many years due to the failure of the previous Government to designate Waterford IT as a university of the south east. We hear much about funding and money being made available for certain projects, yet this could be done by the Government and would lift the entire region. The reason we need a university is for funding, autonomy, and branding, but also because many young people have to leave Waterford and go to Dublin, Cork and Limerick for fourth

level education. They should be able to stay in the city and the region and get the education they need. This is the kind of initiative that the Government could be examining. It is not all about finance, and it is one act the current Government could do that would lift the lives of so many people in Waterford and the south east.

I am very conscious of the mistakes that have been made by the previous Government. We all went through a tough election campaign and we know many people out there are suffering and are looking for hope and something different. However, I have to say that I do not believe this jobs initiative steps up to the mark at all. It does not offer hope to those people who are out of work, and the Government has shown a lack of ambition in terms of stimulus, getting people back to work, supporting entrepreneurs and dealing with the real issues that affect business people, such as rates, service charges, rents and so on. These are the issues that we need to tackle. We must support those entrepreneurs and make sure that those people who want to create jobs are given the time and space to do so. The way to do that is not to cut the pay of low income families. That will have the opposite effect. What happened over the last few years clearly has not worked. It has brought us to a situation where 460,000 people are out of work. Let us reverse that trend, make better decisions and get some of those people back to work.

Senator Colm Burke: I thank the Minister for giving us the time here today to debate this jobs initiative. It is very important that we provide hope. Listening to other speakers, there seems to be a negative view out there, so I should open by talking about events last weekend, when one of our international golfers, Rory McIlroy, won a major international event. I know of one bus company in Killarney that travels to the US every year, without any help from Fáilte Ireland or anyone else, and it organises groups to come to Ireland and play in some 12 or 14 different golf courses around Ireland. That bus company is undertaking this initiative every year without any State support and is bringing people into this country as a result. At a time when we have so many successful international golf players, we can now cash in on initiatives such as these.

I served as a board director on the Port of Cork company between 1997 and 2007. About 14 years ago, an employee at the company identified the potential of cruise liners. He went to Philadelphia every year to the major cruise liner conferences. Many people think that some of these trips are junkets, but three people from the company went out there every year, one of which was a board member and two of which were employees. In the past 14 years, the number of cruise ships coming into Cobh has increased every year, and there will be 50 cruise liners coming into the harbour this year. When we started that off, there was not much benefit to the Port of Cork company in terms of port fees but there was a major benefit to the local economy. UCC carried out a study and found that when 23 or 24 cruise liners were coming into Cobh, it was worth €27 million to the local economy. With over 50 such liners coming in, it must be worth well over €60 million to the local economy. It is that kind of initiative that we need to encourage when creating jobs.

These stories are just two positive notes to begin my contribution. On the negative side, and coming from someone who is self-employed for over 25 years as a solicitor and dealing with small businesses on a day to day basis, the lack of honesty in the banking sector at the moment is disgraceful. People are looking for finance or to increase their facilities, the banks look for information which is provided, and then three or four weeks later the banks come back looking for further information. I had a business that was to draw down a mortgage of €200,000. We got a loan sanction without any problem. We went to draw down the loan cheque, and for four months the bank kept looking for new information. It looked for every bank statement in every account of the business for the previous four years, yet it was still not happy. It wanted to

[Senator Colm Burke.]

know where every lodgement into that bank account came from. The amount of paperwork required to draw down one loan was disgraceful. The simple reason the bank could not provide that loan cheque was because it did not physically have the money. Banks need to be honest. If they do not have the finance available, they should stop stringing people along. When we eventually got that loan cheque, we could not proceed with the transaction because the company from which we were trying to buy had gone into receivership, and we had to start the whole process again with the receiver. We need clarification in this area.

Another issue, which may not affect a great number of people, is the situation where builders had planning permission with Part V compliance. A builder may be providing land, in order to comply with Part V, which is mortgaged to a different bank from that of the main development. They cannot comply with the Part V requirements because the second bank is saying the land is no longer available. As a result, transactions cannot be completed because the builders are unable to comply with Part V requirements. Local authorities are digging in their heels. The issue must be resolved because there is a major delay. These are two simple examples where we are dealing with the banking sector but the banking sector is not responding to the changes.

I know many people who are self-employed or working in small businesses and they are not taking an income in order to keep on the employees who served them well through the years. They are not getting the support they should be getting from financial institutions. They are certainly not getting the honesty they require. I ask the Minister of State to address this issue.

Senator Paul Coghlan: I join others in welcoming the Minister of State to the House. In regard to this subject, we know that the heart of the Minister of State is in the right place. His appointment by the Taoiseach was one with which everyone heartily concurred.

We are in difficult times. My colleague referred to banks, an area where there is genuine difficulty and some confusion about what is available. The Government put in place a plan that banks had to have €30 billion available over the coming three years. There is not much evidence of this money flowing to small businesses. I have great time for Mr. John Trethowan, the credit controller, but the limit on sums that can be referred to him, €250,000, should be increased immediately to €500,000. I believe a request has been made to this effect. I have no doubt Mr. Trethowan is prepared to take this on. He is a fair and reasonable practitioner in the prudent sense. Many cowboys invaded banking in recent times but he is not one of them. I will not say he is a strict northerner but he will not allow banks to incur bad debts. There must be great prudence in weighing up matters but businesses that have existed for years are being pressured by the lack of availability of credit. We have all heard of instances where banks cut back on an existing facility that has been in place for years. It was a normal seasonal matter for one business that I have in mind. That is unreasonable and it must be halted.

There are serious difficulties with rent reviews for small businesses. Initially, there were great difficulties in that regard but the landlords, particularly in provincial town Ireland, saw sense quickly. There are so many units lying idle in the streets of our towns that the landlords reduced rents after dialogue and negotiation. They were correct to do so. Who wants an empty house? Holding onto the tenant or the shopkeeper at a reduced rent is worthwhile. A year or so ago the opposite was happening but I do not think it is happening now. People are anxious to hold on to businesses.

One of the greatest causes of damage to small businesses in Ireland, particularly retail businesses in provincial towns, was bad planning. As a result of out-of-town developments, planners and developers are responsible for the empty shops in main streets and side streets of any town in Ireland. This is because of what was allowed to go out of town and this has caused job losses

and untold damage in towns. I appeal to the Minister of State to use his good offices to have the situation addressed.

Minister of State at the Department of Jobs, Enterprise and Innovation (Deputy John Perry):

I thank Senators for their contribution to this debate and for their encouraging words of support for the measures in the jobs initiative. I am also grateful for the expressions of personal support on my appointment. I also congratulate the Leader on his appointment. As Minister of State with responsibility for small business, I fully recognise the critical role of 250,000 companies employing in excess of 750,000 people. There is broad agreement across the House on the importance of small business in generating growth and employment in our economy to assist with our recovery. There is a need to recognise the importance of this sector, to provide support to it and to encourage entrepreneurial effort and business development. Integral to this is the need to promote confidence among businesses and consumers alike.

Senator Burke referred to confidence and credit. There have been notable successes in recent months, including the massive jobs potential of the IDA investment in Ireland. Enterprise Ireland has been very successful and the real challenge of Government is the domestic economy. The programme for Government, the jobs initiative and my appointment as Minister of State with responsibility for small business, all confirm the commitment of the Government to small businesses. Our record over the first 100 days in office shows the seriousness of our intent. Senator Norris made a point about the bankruptcy laws and it is important that they are reviewed. They apply for 12 years in Ireland while the period is one year in the UK and that law will be examined. The challenge for Government is the speedy delivery of the jobs initiative, which should give confidence to businesses that their contribution is acknowledged and supported. Supporting businesses in the domestic economy is critical. I want to assure this House that I intend to continue to ensure there is a clear focus on the small business sector and that through my dedicated office I will reflect to Government the key issues that are having an impact on the sector.

I welcome the opportunity provided in this Seanad debate on the jobs initiative and competitiveness to hear Senators' views on the importance of small business and the contribution the jobs initiative will make to our economic recovery. Since the commencement of this debate, along with the Taoiseach, I launched and held the first meeting of the small business advisory group on Thursday, 16 June, the Government's 100th day in office. It is vital that the voice of small business is heard and reflected in our policies to grow jobs and rebuild the economy. I intend to drive this consultative process in my role as chairman of the small business advisory group. In endorsing my initiative in establishing the group, the Taoiseach emphasised that small business can be one of the key drivers in restoring our economic growth and in increasing our levels of employment.

I recognise that the small business advisory group will be working against the backdrop of the most difficult challenge ever confronted by this State in regard to public finances. It is essential that as a Government we communicate what we are doing and that we hear at close hand the issues that need to be addressed more urgently. I have listened to the many issues raised in this debate, including confidence and the sum of €20 billion ring-fenced over the next three years. It is important that this is transparent and evident. We must consider the measures that can be considered to further support small business. I have been encouraged by the robust and positive engagement by the members of the group and by their desire to bring forward practical suggestions to assist the sector. This will not be driven by the idea of another consultant but by straight talking, action and results. This Government does not need another consultant to produce another report. What needs to be done is evident.

[Deputy John Perry.]

Membership of the small business advisory group includes entrepreneurs and representatives from the main small business representative bodies, the Credit Review Office, the State enterprise support agencies, Forfás, Enterprise Ireland and the county and city enterprise boards, as well as officials from my own Department. Senator Coghlan referred to the involvement of Mr. Trethowan and I hope to raise the limit for his office's involvement from €250,000 to €500,000. Next October, it is the Government's intention to hold a forum on mobilising SMEs for the future of Ireland. This will be a national debate and I hope to launch it with the European Commission. In mobilising SMEs we hope to address the issues of regulation, credit access, procurement contracts, the think small first principle and opening new markets. The potential for growth in small companies is clear but many of them are being excluded from tendering for €15 billion in State contracts. Access to credit is paramount. The 2009 code for banking obliges the banks to respond to loan applications within a timeframe of 28 days. They cannot string clients out for four months.

A number of Senators spoke about the difficulties experienced by small businesses in accessing credit. This issue is at the core of Government action and is the centre of the jobs initiative. There are three principles in business. The taxpayer has put billions of euro into the banks and I expect them to invest that money in viable companies which can create jobs. It is a three-way combination. The taxpayer and the Government have delivered but the jury is out with respect to the banks. The small business people will create the extra jobs unless they are restricted from doing so by their banks. The Government is taking measures to restructure and recapitalise the banking system to ensure it provides substantial new lending into the economy. The financial authorities will be rigorously monitoring the banks' activities to ensure credit is available to borrowers who meet reasonable credit standard requirements. Banks have changed the definition of "viability" considerably but I intend to engage further with the Irish Bankers Federation, the two main banks and the other institutions in this regard. The Minister for Finance will be setting lending targets for the pillar banks and performance against these targets will be measured. I have the height of confidence in Mr. Trethowan's office. I have heard many stories about the difficulties that small companies are experiencing. People want support rather than grants. They want encouragement to retain their businesses. There is a great sense of pride in owning a family business. Nobody wants to close down a company because it has a huge impact on the family and everyone else.

Following the recapitalisation of the banks, there is sufficient capacity to provide credit to viable businesses. Such businesses should not be afraid to approach their banks or slow to appeal refusals of credit to the internal structures of the banks or the Credit Review Office. I urge businesses to make more use of these appeals mechanisms and ask Senators and other politicians, along with business representative bodies, to encourage businesses to follow formal appeals procedures. It is also important that examples of refusals are brought to our attention. Mr. John Trethowan has the capacity to pursue cases with the banks and has an open door to assist any small businesses being refused credit.

Several Senators welcomed the proposed temporary partial credit guarantee scheme announced as part of the jobs initiative. I am pleased to confirm there has been further action in this matter since our last discussions. A call for competition for the design of a scheme was published by my Department on the e-tenders website on 15 June. This will be a targeted scheme aimed at commercially viable businesses that can demonstrate repayment capacity for additional credit facilities but which cannot secure credit due to insufficient collateral for the additional facilities or because they are growth or expansionary companies which, due to their sectors, markets or business model are failing to get support under the banks current commercial lending.

It is important that we deal with vital emerging markets, such as tourism, creative arts, green energy, medicine and modern agriculture. The design of this scheme will draw on international experience to support new lending that would not otherwise have been extended by the banks. In this way, the scheme will complement rather than substitute existing lending activities by the main financial institutions. It will be designed to encourage banks to lend to new or expanding commercially viable SMEs to allow them to grow, develop new products and expand into new markets. The Government's commitment will be for an initial period of one year. Specific performance criteria will be set down to allow for review and revision of the scheme at the end of that initial period before committing to a roll-over for subsequent years. There will be a modest level of exposure to the taxpayer when the scheme is launched, but there will also be a significant positive knock-on benefit to the economy in terms of job creation, welfare savings and returns to the Exchequer by way of tax revenue generated. It is intended to have a targeted scheme in place by the autumn. Of itself, the temporary partial credit guarantee scheme will not solve all the issues around access to credit but it will form a key component in the suite of initiatives aimed at ensuring the flow of credit.

The micro-finance start-up initiative is another key component. The Government acknowledges the difficulties which can be experienced by micro-enterprises in getting access to finance at an early stage of business development. Getting working capital is critical for start-up businesses. The Government is committed, therefore, to developing a suitable micro-finance fund for the micro-enterprise sector. Arrangements for the establishment and operation of such a fund will be developed in consultation with the relevant stakeholders, with a view to formalising proposals for this year's budget. This commitment represents the Government's contribution to filling this gap in the area of financing enterprise.

To improve the cash flow of businesses and particularly small businesses trading domestically, the Government is now requiring the Health Service Executive, local authorities and all other public sector bodies, excluding commercial semi-State bodies, to pay their suppliers within 15 days of receipt of a valid invoice. This measure is applicable from 1 July 2011. We hope to put in place a code of conduct for commercial companies whereby they pay smaller companies within 30 days because they can take up to 90 days at present. The initiative is an extension of the arrangement that currently applies to payments made to suppliers by Departments. I have already written to my colleagues asking them to take a direct interest in how the agencies under their aegis comply with the requirement. State agencies are also required to publish quarterly reports on their websites outlining their performance in meeting the new requirements. In addition, Ministers will be responsible for publishing reports on the performance of all bodies for which they have responsibility.

I note the concerns expressed by a number of Senators on the application of the pension fund levy designed to raise funding for the jobs initiative. The levy will apply at a rate of 0.6% to the capital value of assets under management in pension schemes approved by the Revenue Commissioners under Irish tax legislation. The schemes affected are retirement benefit schemes, that is, occupational pension schemes, retirement annuity contracts and personal retirement savings accounts, other than what are known as vested PRSAs. While the primary responsibility for policy in this area rests with the Minister for Finance, I can confirm that the pension fund levy provisions of Finance (No. 2) Bill 2011 were amended on Committee Stage to ensure that pension fund trustees will not be allowed to reduce disproportionately the benefits of any member or class of member of a pension scheme.

The pension fund levy is a temporary measure at a relatively low rate and will fund initiatives targeted to assist those most in need in the economy, namely, the unemployed. Much of the value of pension funds is attributable to the rolled-up value of generous tax reliefs that pension savings have historically been granted and continue to receive. The temporary levy on pension

[Deputy John Perry.]

funds will allow recipients of past generous tax relief to make a contribution to assist those who are looking for jobs.

We touched on many other issues during this debate. Several Members, including the Leader, Senator Cummins, displayed an understanding, concern and respect for small companies, which is very important. Senator Cullinane made a point about the IT in Waterford. The criteria for the technological university of the south east is under review at present. The programme for Government is committed to exploring the creation of a university in the south east. The Leader has been actively pursuing that issue. It is important to put that on the record.

Given that he is present I will refer to Senator Colm Burke's points. The banking situation is critically important. It is at the heart of the difficulties in the domestic economy. It is critically important that we support enterprise. On Senator Cullinane's point on the jobs initiative, this is the first step. We are going to encourage the 250,000 companies to create jobs. Job creation is a core aim of the Government. We will encourage employers to create jobs. They will work closely with the Minister for Social Protection, Deputy Burton, on the transfer of welfare benefits to people taking up employment.

Reference has been made to many issues. The jobs initiative is just a start. A youth employment internship programme has commenced. A major announcement will take place on enterprise boards which will be effective in all regions. The Government is pro-business. We wish to encourage employment and get 500,000 people back to work. I accept that more needs to be done. There is much expertise within this House. I thank Senators for their contributions. I look forward to returning to the House to discuss many other issues. It is important that debate is generated on employment. We must engage with every elected Member, especially Senators. The many good contributions that were made will be taken on board by my senior civil servants in the formulation of a policy that will be focused on the recognition, respect and concern the Government has for business.

We are actively listening to those involved in the domestic economy. Foreign direct investment is doing exceptionally well. The Minister for Jobs, Enterprise and Innovation, Deputy Bruton, was in America last week where he received an extraordinary reaction. American and European companies are still investing in this country. Enterprise Ireland companies are doing exceptionally well. Our job at the moment is to kick-start the domestic economy. Small companies are the backbone of the domestic economy. That is why I very much value the extensive debate in the Seanad and the ideas that have been presented.

The Government is listening actively. Our job is to ensure that the ideas expressed in the debate will be taken on board in the coming months. The aim of the Government is to get this country back working again. I look forward to travelling around the country to all the constituencies in the coming months to clearly outline what the Government will do, which is to mobilise SMEs for the future of Ireland. We will travel to every county to mobilise SMEs and bring in the key people and the bankers to inform us about what they are doing in their region to help SMEs. Successful entrepreneurs exist and the Government's job is to create an environment that is conducive to employment. I am delighted to work in this area. I would appreciate it immensely if people would put forward their ideas to ensure that we are listening to people on the ground and that we are not like the previous Government which was intoxicated with power. Our job is to ensure we represent people, listen to the issues that arise and encourage enterprise.

Sitting suspended at 1.15 p.m. and resumed at 2.30 p.m.

European Affairs: Statements

Minister of State at the Department of the Taoiseach (Deputy Lucinda Creighton): Comhghairdeas. I congratulate the Cathaoirleach on his recent appointment. I am delighted to be back in the Seanad. I was asked by the Leader to introduce a debate on European affairs and I jumped at the opportunity. Over a long period we have urged that the Seanad would assume a more relevant and proactive role in European affairs. I hope this opportunity for an exchange will be the first of many during the lifetime of this Seanad. Who knows, it might revitalise the Seanad and give a particular role to it for the future.

The topic I wish to address is the role of the European Union in enterprise, innovation and job creation. One could argue that is a broad topic but in the current context it is important to provide a focus in that regard. From my perspective it is important to explore some of the positive opportunities for the European Union to feed into not just this country's economic progress, although that is our primary interest in the Chamber, but also the economic progress of the European Union as a whole.

In the years and months since the global economic downturn there has been much talk about not wasting a good crisis and not turning away from a crisis. However, we have no choice but to face both the economic crisis we have been living with in this State and the crisis that has gripped the European Union.

Our economic future is inextricably tied to the European Union. It has to be. As a member of the Union we, and the companies that invest here, have access to a market of approximately 500 million people. That benefits us in the same way it benefits the other member states of the Union. Together, the 27 member states are a significant economic force. On our own we are rather insignificant, especially in the face of rising powers in Asia and South America, the so-called BRIC countries.

Ireland's future economic growth can only occur by creating an environment that allows the fostering of enterprise and innovation and, in turn, the creation of jobs. It is delusional to think that we can achieve any substantial level of growth or job creation while not part of a large market such as the European Union.

The Single Market is the most successful transnational economic project in global history. The point is worth repeating. At a recent ASEM conference which I attended on behalf of the Tánaiste in Budapest last week, the Australian Foreign Minister gave me some perspective on our current challenges in the European Union. As an outside observer of EU Finance Ministers, leaders and institutional representatives he was conscious of them constantly criticising themselves and saying they were not doing things well enough or achieving all they had set out to do. From his perspective as part of the broader Asian bloc, he said they would be doing extremely well if they could aspire to a fraction of the political and economic integration achieved by the European Union. They are envious of what we have achieved in the European Union. It is important to note that. The Single Market is the most significant, successful economic project in global history. It opened up an enormous European market, minimised internal trade barriers and led to growth, job creation and prosperity on the continent of Europe, not least in this country. Equally, it has provided exceptional choice and value for consumers — the citizens.

European Governments must refocus their energies on this simple but invaluable process. The deepening and strengthening of the Single Market is the only logical way the eurozone can be reignited. The continued expansion of the Single Market to services makes sense as we export far more services than goods in the European Union. The Single Market currently falls short in this regard and there is immense potential to grow it. We need the political will to make it happen. The European Union must start acting collectively to make the knowledge

[Deputy Lucinda Creighton.]

economy a reality. There has been much rhetoric about the knowledge economy. We must make it a reality.

The Lisbon strategy for growth and innovation was a failure. The EU 2020 strategy, championed by Commissioner Geoghegan Quinn presents another opportunity, in effect, a second chance. We have the workforce and innovative skills to become world leaders in research and development. We must set realistic targets to achieve that goal. Public investment must happen by general agreement and targets must be adhered to, with sanctions for those who break commitments. That has been one of the failings in the Union, that we do not challenge each other and take each other on when we break the commitments to which we sign up. We in this country have been guilty of that on occasion no more than any other country.

Private investment should be incentivised by fulfilling foreign direct investment potential and creating market conditions for inward investment. That can happen through clever and competitive taxation mechanisms, which is important from our point of view, and keeping our cost base competitive. We can see how this country is gaining an advantage over our European partners at the moment by reducing our cost base. Initiatives such as the Single Market Act must act as a lever for more open trade and investment in Europe. Openness to investment is also what makes the Internal Market attractive to investors. EU investment rules should maintain the EU's attractiveness to outside investors and create synergies between multinationals and our SMEs which will help to improve overall capacity for entrepreneurship in general.

The EU Competitiveness Council has endorsed a new European integrated industrial policy for the globalisation era which puts competitiveness and sustainability centre stage. This policy forms part of the seven flagship policies launched under the European Union's new strategy for jobs and growth, Europe 2020. This is the second chance I mentioned. For those who may not be aware, the seven flagship policies are as follows: the digital agenda for Europe, the innovation union, youth on the move, resource-efficient Europe, an industrial policy for the globalisation era, an agenda for new skills and jobs, and the European platform against poverty. The strategy does not deal only with fiscal and economic issues but also with the social objectives of the Union, which are of critical importance.

The Government fully supports the core elements of the Europe 2020 strategy and its objectives to stimulate growth based on knowledge and innovation and a more sustainable and greener economy with high employment and social inclusion. That essentially sums it up. These objectives are also very much consistent with the Government's own strategies as set out in the programme for Government.

The industrial policy flagship sets out a strategy that aims to boost growth and jobs by maintaining and supporting a strong, diversified and competitive industrial base in Europe. The new approach also means examining the value chain through the entire process, from infrastructure and raw materials to after-sales service. With the globalisation of markets and the changing nature of both the manufacturing and services sectors, continued economic progress and growth will be driven by companies' continued innovation to successfully add greater value at every point in their value chain. This is something we cannot afford to forget, particularly in view of increasing competition from other regions of the world. Promoting the creation and growth of small and medium-sized enterprises is at the core of EU industrial policy. Moreover, the transition to a sustainable economy is recognised as an opportunity to be seized as a means of strengthening competitiveness.

Yesterday at the General Affairs Council in Luxembourg I, on behalf of the Government, agreed on further moves to remove excessive regulation for SMEs, especially micro-enterprises, and to further develop the Single Market. I also welcomed the strong focus on the Internal

Market. The Council prepared specific draft economic conclusions to be presented to the Heads of State and Government at the European Council meeting later this week. This is a good news story. It has not always been possible to achieve agreement on focusing and prioritising a reduction in the regulation burden for SMEs. This is something, in fact, on which certain member states have an entirely different view from ours. There has been an added impetus because of the financial crisis, and this is something we can really embrace and welcome on behalf of Ireland.

For the EU to be able to compete globally, it must establish the best conditions for business. It must ensure its firms can engage in innovation and restructuring and can transform themselves quickly. It is important to facilitate timely and appropriate industrial restructuring and upgrading, thus ensuring the renewal of EU industrial sectors and the necessary upgrading of worker skills and opportunities. Supports such as the two Structural Funds, the European Regional Development Fund and the European Social Fund, as well as the Cohesion Fund, have contributed to regional competitiveness and employment objectives. The cohesion policy for 2007-2013 is explicitly linked to goals in Ireland's national reform programme under Europe 2020. This is something in which the Government is already actively engaged.

In addition to EU Structural Funds, Ireland receives significant funding from the European Agricultural Fund for Rural Development, the European Fisheries Fund and the seventh framework research and development programme, FP7. The Government has also secured funding from the European Globalisation Adjustment Fund for a package of measures to retrain and offer further entrepreneurial and educational opportunities to workers affected by, for example, the closures of Dell, Waterford Crystal and SR Technics. One of our number, Senator Colm Burke, who is formerly a Member of the European Parliament, was very active in that process, and he deserves great credit for lobbying on behalf of Ireland to secure some of that funding. A number of relevant State agencies such as FÁS, Enterprise Ireland and the county enterprise boards are involved in the distribution of these funds. These funds are a critical part of the lifeblood of our economy, especially at this difficult economic juncture, and they should not be ignored.

Ireland's ambition is to become a leader in innovation. Our goal is to develop an innovation-driven economy that maintains a competitive advantage and increases productivity. We have seen during this recession that companies that invested in research, development and innovation have held or increased market share and employment. That is an interesting statistic and one on which we have not really focused. It is clear that innovation is also a key issue for the future prosperity of the entire European Union. As we seek to continuously improve the effectiveness of our research and innovation systems, we need to learn from each other.

The European Commission, under the Europe 2020 flagship initiative known as the innovation union, has put entrepreneurs and SMEs at the heart of its innovation and research policy. Its aim is to remove the remaining barriers to bringing ideas to the market and promoting entrepreneurial mindsets among students and researchers. The task of Commissioner Geoghegan-Quinn's directorate-general is the achievement of a European research area and the creation of a genuine single market for knowledge, research and innovation. In my brief period in office, I have been extremely impressed with Commissioner Geoghegan-Quinn, who is extremely hard-working and has done a large amount to rebuild and repair our damaged reputation in the European Commission. She has brought energy and enthusiasm to her portfolio and I am proud that she is an Irish woman in such a significant position.

The Government attaches great importance to the completion of the European research area — that is, the single market for researchers — by 2014 and the creation of a genuine single market for knowledge, research and innovation, which is an integral part of the innovation

[Deputy Lucinda Creighton.]

union flagship initiative of the Europe 2020 strategy. All of this is under the remit of Commissioner Geoghegan-Quinn and she is working hard to make it happen by 2014.

The EU framework programme for research has always been an important element of the internationalisation of Irish research. FP7 offers Ireland's SMEs, multinationals and research institutions valuable opportunities to participate in high-calibre research collaborations with our European counterparts. With a budget of approximately €50 billion over the seven years from 2007 to 2013, FP7 is the most ambitious European research-funding programme to date in terms of scale and scope. Moreover, as economic conditions have deteriorated nationally and internationally, FP7 comes into its own as a non-Exchequer funding source.

Based on national investment in research, Ireland is participating in the framework programme from a far stronger position than ever before. To put in context how important FP7 is to the research community in Ireland, in the period from the commencement of FP7 in January 2007 to the end of 2010, more than 3,500 applicants from Irish-based organisations took part in proposal submissions requesting European funding. Of these proposals, 847 applicants were successful, receiving a total of €269 million. This represents an overall Irish success rate of 24.04%, which is greater than the European member state average of 22.47%. This is one small example of how Ireland has punched above its weight in securing funding from the European Union.

The competitive advantage created through research, development and innovation will be a key driver in our economic recovery. Companies that undertake research and development, for example, have shown a level of growth in trade and exports during the downturn that demonstrates the value of productive, high calibre research and innovation activity. Every day, these companies are winning and servicing global sales contracts across a range of modern growth industries.

The programme for Government has placed particular emphasis on developing applied research centres. The new Government has moved swiftly to announce the establishment of centres in cloud computing, manufacturing research and energy efficiency research. These centres will tap into that science base and ensure ideas are progressed into workable businesses so as to create the jobs of the future and get the economy growing again. The extent to which Ireland's enterprise base has retained its commitment to research, development and innovation investments in the face of the downturn is both welcome and bodes well for the future.

The importance of the small and medium-sized sector is well recognised by the Government. Small businesses are the backbone of the economy with some 250,000 such small businesses employing approximately 700,000 workers. It is important the Government creates the right environment for businesses to expand so that we will see job creation and retention. The jobs initiative, very much in line with measures contained in the European Commission's programme, small business act for Europe, is designed to create and sustain jobs. Governments cannot and do not create jobs but they can create the conditions for business to thrive.

As a result, the Government has appointed a Minister of State with responsibility for small business, Deputy John Perry, who will be the voice of small business to the Government to reflect concerns and bring forward proposals to assist businesses. He has also been appointed as Ireland's SME envoy under the review of the small business act for Europe and will play a constructive role with similarly appointed envoys from other member states. He recently attended the first meeting of SME envoys in Budapest under the auspices of the Hungarian EU Presidency.

European SMEs derive a much smaller percentage of their turnover from exports than competing economies such as the USA and China. Therefore, there needs to be a much a stronger

international orientation of European SMEs for them to compete globally. Ireland is performing better than most with major growth in exports. The largest increases have been to EU member states. For example, Irish exports to Germany increased by 47% last year. The internal EU market is much more accessible to our exporters than many of the countries we seem to be obsessed with focusing on such as China and those in Eurasia and South America.

In order for this necessary expansion in EU exports to occur, we will need a greater opening and deepening of the Internal Market, which has to become the natural reference point and basis for a wider global growth. Some issues impacting on SMEs which are also addressed in the small business act for Europe were already announced on 10 May as part of the Government's job initiative. These include better access to credit with the design of a temporary, partial credit guarantee scheme. A targeted scheme will be in place by the autumn and will operate for one year. An initiative for a €100 million microfinance start-up fund will be introduced. The 15-day prompt payment arrangements across the wider public sector in Ireland for invoices received after 1 July 2011 will be extended. Departments have been paying within 15 days since June 2009. There will be a greater emphasis in making public procurement more accessible to small businesses. Changes will be made to PRSI to encourage employers to recruit new employees and sectorial wage agreements will be reviewed to improve competitiveness.

Access to finance for SMEs, especially in the light of the credit squeeze caused by the banking crisis, is very problematic. It is very important, therefore, in addition to measures in the jobs initiative, that we keep working on the construction of a Single Market for venture capital and that we continue to broaden access to other European financial instruments such as guarantee schemes.

In accordance with the Europe 2020 policies under the industrial policy flagship and the innovation union flagship, it is important to continue to develop strong areas such as standardisation. For that reason, I welcome the Commission's proposals to strengthen the system of standard-setting in Europe. I hope our businesses and business organisations can assist in this process.

It is also important to continue to develop at EU level public procurement initiatives for small business, an integrated EU venture capital market and the development of more competitive solutions, better regulation and tackling red tape and duplication. It would appear from the draft conclusions for this week's European Council that all member states are now committed to this agenda.

Following the launch of the jobs initiative, the Government's message is that Ireland is open for business like never before and this means being open to the world. This is the message being brought to our European partners and beyond by every Minister. It will also be the role of the several trade delegations representing the Government in the autumn under the auspices of the proposed new trade council.

Ireland's transformation from a poor to a wealthy country, with a high standard of living, has been largely down to the opportunities opened up to us through EU membership and particularly the Single Market. For Ireland to emerge from its current challenges, deeper co-operation and co-ordination with our European partners in the European Union and the eurozone is not simply in Ireland's best interests, it is the only sane and logical direction on our path to recovery.

Senator Thomas Byrne: I welcome the Minister of State to the House and wish her well in her role covering European affairs. Only two ministries of State are worth having and hers is one of them, along with that held by Deputy Brian Hayes. No one would probably notice if the other ministries were not there.

Senator Ivana Bacik: That is not really the case.

Senator Thomas Byrne: It is a fair point. The Minister of State with responsibility for European affairs has an important role and there is an argument for it to be elevated to a Cabinet position. Fianna Fáil attempted this, albeit unsuccessfully, in 1997.

It is also important the incumbent has a deep commitment to European issues. Deputy Lucinda Creighton follows on from the former Minister of State, Dick Roche, who had a deep commitment to European affairs both at national and party level. Another important aspect of the position is to promote the country abroad among our political groupings on the wider European stage.

The European Union, with its various institutions and agencies, has a huge capacity to aid Ireland in supporting enterprise, instilling innovative attitude and ultimately creating new jobs for our citizens. This often seems to be in grand strategies for the future rather than in dealing with the serious problems we face now.

We are lucky that Máire Geoghegan-Quinn was appointed to the position of Commissioner for Research, Innovation and Science. The Commissioner has a great deal of money to disburse at present. The Minister of State — as has been the case with other Ministers at different fora — referred to repairing Ireland's damaged reputation. She then stated that Ireland is punching above its weight in the context of the grants being allocated. That is a tribute not particularly to Commissioner Geoghegan-Quinn — who cannot favour one country above others — but rather to the reputation of this country and to that of the individual entrepreneurs and innovators who operate here. We have an ally in Europe with the Commissioner and I hope the Government will work with her in order to ensure that the country benefits from this link. Judging by the Minister of State's comments, that is already happening.

Commissioner Geoghegan-Quinn launched the flagship initiative "Innovation Union", which forms part of the EU's 2020 strategy. I have a difficulty with such strategies. The Lisbon strategy was not entirely successful and we have now been presented with the 2020 strategy, which relates to smart, sustainable and inclusive growth. Does the latter strategy contain an answer to our current unemployment strategy? I accept that we want to make Europe more competitive and base its future development on knowledge and innovation. We also want to promote sustainable growth and thereby encouraging the development of an efficient, greener and more competitive economy. Furthermore, we are seeking to achieve social cohesion.

The European Union has a number of initiatives to facilitate these developments. However, a senior economist suggested to me last week that the officials of the Commission and those of European institutions in general would be far better to down tools in respect of these strategies and concentrate instead on the crisis in hand. The headline targets relating to the Europe 2020 strategy include items such as raising the employment rate of the working population from 69% to 75% and achieving the GDP targets in respect of research and development. The European Union has dropped back with regard to the percentage of GDP invested in research and development in recent years. It will be important to ensure that this will be reversed.

There have been a number of developments on the pharmaceutical front in this country in the past week or so. While these will primarily be of benefit to those who require particular medicines, they also have a secondary and major role to play in respect of the creation of employment in the pharmaceutical industry.

When discussing jobs, innovation, competitiveness and economic growth, it is important not to lose sight of the fact that we are not just concerned with creating wealth. We must also

reduce poverty and improve levels of social cohesion. The latter is an important part of the strategy and it is vital that we should not lose sight of this.

The Minister referred to Irish companies drawing down €270 million from the innovation fund. That is excellent because it shows these companies are able to mix it with the multi-nationals. I understand the Commissioner reckons that we are well on target to draw down €600 million by the end of 2013. Irish companies are proportionately more successful than their European counterparts. That should give the country in general and consumers in particular a degree of confidence. We must get the message across that Irish companies are punching above their weight and doing well.

While I would be the first to acknowledge that the country's reputation has taken a battering, I do not subscribe to the notion that it has been badly damaged, destroyed or ruined. It was pointed out to me last week that there is record demand for popular Irish stocks and shares such as those of Kerry Group, etc. This is reflective of the fact that there are some very good companies in this country which are assisting in restoring its good reputation. It is important the Government and the European Union should do everything possible to cultivate that. Dublin has been selected as European city of enterprise. Dublin-based enterprises and small and medium-sized businesses throughout the country should use this as a basis to expand their research and innovation in order to capitalise on any opportunities which might arise.

The "Innovation Union" flagship initiative and the Europe 2020 strategy of which it is part provide a good basis on which to build our innovation and research capabilities. The flagship initiative contains lofty and ambitious goals which all of us support. However, this is not the first occasion on which the European Union has drawn up strategies of this nature. The Lisbon growth and jobs strategy, which was launched in 2005, contained many of the same goals as the Europe 2020 strategy and it did not work as envisaged. The proportion of GDP we spend on research and innovation dropped below 2%, well below the EU's 3% target. Forward thinking and strategic planning for the future are essential. However, we can sometimes think too much about the future and forget the challenges we face today.

The EU should take a step back and consider what it can do now to encourage job creation on a pan-European basis. It should then invest the requisite resources accordingly. That is already happening to an extent, particularly in the context of Commissioner Geoghegan-Quinn's portfolio. I am of the view that the taxpayers of Europe will warmly welcome this. I am also of the view that it will enhance the reputation of Europe among its citizens in general to a greater extent than would lofty strategies, which are important but which do not always work out or present answers.

I hope the Europe 2020 strategy works. As a country with an open economy, Ireland badly needs it to work. Our future, in economic terms, is focused on exports. The Minister of State indicated that exports to Germany increased by 47% in the past year. Again, this is reflective of the good reputation enjoyed by Irish companies and their staff. It also reflects the fact that the country has a reputation as a place which can attract outside companies which can then export goods from here. The notion that our reputation has been terminally damaged or that massive work must be done to restore it is not entirely accurate.

Exports are driving our economy. We do not export shoes or many other basic products. We do, however, export products that are derived from innovation or in respect of which innovation is an essential aspect. We need to produce high-end goods and add value to them and to the economy by being competitive and customer-focused. We must also always strive for further innovation. An innovative approach underpinned by higher levels of competitiveness is one of the surest ways of distinguishing Ireland from its competitors and of ensuring that this country will be at the forefront when it comes to job creation.

[Senator Thomas Byrne.]

I again thank the Minister of State and I look forward to her responses. I wish her well in her role, which is crucially important. I know she will do a good job.

Senator Michael Mullins: I welcome the Minister of State, Deputy Creighton, and congratulate her on her appointment. As Senator Byrne stated, she is doing an outstanding job. Hers was an inspired appointment. I have no doubt that she will continue to represent us with great distinction on the European scene.

It is apt that we are engaging in this debate against the backdrop of the economic and financial crisis that has brought our country to its knees. There are 450,000 unemployed, our brightest and best emigrating, many people losing their homes, the public service is under pressure and large numbers of small businesses are struggling to survive. While most of our economic ills can be attributed to the disastrous economic policies pursued during the past decade, our recovery will be dependent on many decisions taken and measures implemented at European level.

I welcome the decision taken by European leaders at the end of March to put in place a comprehensive package of measures designed to strengthen economic governance, safeguard the stability of our common currency, the euro, and improve Europe's competitiveness. I understand that EU Heads of State or Government will meet again later this week at the European Council in order to address the economic challenges we all face.

In its first 100 days in office and since it took on the daunting task of turning our economy around, the Government has taken many significant decisions. These decisions have been supported by our European and international partners and they include the restructuring of our domestic banking system. Under this restructuring, two new pillar banks will be created and the banking sector will be smaller and will focus more on the needs of the Irish economy and Irish society in general. Funds must now flow to small businesses. Many Senators referred in recent days to small businesses being choked as a result of a lack of funds being made available by the banking sector.

Other significant decisions taken by the Government include the launching of the jobs initiative, which included a restoration of the minimum wage to its previous level, and the announcement of a comprehensive spending review that will engage in a forensic examination of spending across all aspects of Government. We all accept the need to secure value for money from the scarce resources available to us. Budget 2012 will make adjustments which will without doubt impose further pain and sacrifices on all sections of society. I hope these steps will not be in vain and we will soon begin to see the start of economic recovery.

Many Senators will agree that three key issues must be addressed if we are serious about economic recovery. The Minister of State spoke extensively about the issue of competitiveness, investment in innovation and research and development and the development of the small and medium enterprise sector. I welcome the endorsement by the European Union Competitiveness Council of a new, integrated European industrial policy which places competitiveness and sustainability centre stage. Sadly, we are all too aware of the large number of jobs this country has lost to lower cost economies over the past decade as a result of our lack of competitiveness. Ballinasloe has lost more than 1,000 industrial jobs, including at the plant in which I worked for 25 years, because we are no longer competitive.

As the Minister of State noted, we must strive to become a leader in innovation and invest accordingly. Such investment is key to gaining competitive advantage and increasing productivity. The many success stories of companies which invested heavily in innovation and research and development have continued to thrive despite the economic downturn. This makes

the argument for investment in these areas. I join others in complimenting Commissioner Geoghegan-Quinn, who also hails from Galway, on the role she is playing. I have no doubt she will be a friend to Ireland in disbursing funds.

I am pleased the Government recognises the importance of the small and medium enterprise sector which employs almost 700,000 in 240,000 businesses. While Governments cannot create jobs, they can create an environment which facilitates job creation and retention. As the Taoiseach noted on the introduction of the jobs initiative, these measures are but a small start and a move in the right direction. I have had some positive feedback about the initiative from employers in small businesses in the west. The recently announced measures will have a significant impact and are already having a small impact.

The review of the sectoral wage agreements in the coming weeks will have a further impact on job creation and, I hope, enable small businesses to recruit an additional one or two employees, which would make a significant difference in reducing the awful figure of 450,000 people on the live register.

The Government's decision to appoint a Minister of State with responsibility for small business shows its commitment to this important segment of the economy. The Minister of State, Deputy John Perry, who was present for the debate on employment issues this morning, is taking his role seriously. Access to finance is an important issue for small and medium enterprises. I urge the Minister of State to continue to work on the construction of a single market in Europe for venture capital and broaden access to other European financial instruments such as guarantee schemes. The Government acknowledges that our European partners are crucial to enabling Ireland to overcome its economic difficulty. However, they must also divert their gaze from our corporate tax rate of 12.5%. We must ensure we maintain this tax rate as it is critical to the economic recovery.

The modest growth beginning to emerge in the economy is primarily being driven by exports and the international sector. It is in the interests of Ireland and the European Union that these prospects for growth are not damaged by uncertainty about our corporation tax regime. This is particularly important to a small, open economy on the periphery of Europe. As the Minister of State noted, the message the House wishes to send out today is that Ireland is open for business. We are meeting our targets and have, I hope, drawn a line under our banking problems. The fundamentals of the economy are strong. We will see a record balance of payments surplus this year and the country is beginning to return to modest growth, having recorded the second highest trade surplus in the European Union, after Germany, last year. It is also in the top 20 nations for quality of scientific research. These are all positive indicators and if we continue to work closely with our friends in Europe, the economy will achieve modest growth in 2012-13 and, I hope, significant recovery during the lifetime of the Government.

Senator Jillian van Turnhout: I am pleased the Minister of State with responsibility for European affairs is present for this discussion on enterprise, innovation and job creation. She referred to reputation. Colleagues in other member states have told me how impressed they are with our new Minister of State following her visits to the Continent. I am delighted she is helping to rebuild our reputation.

I echo the Minister of State's words about Commissioner Geoghegan-Quinn who has taken an active role since taking up her job. The Commissioner's portfolio is critical for Ireland. It is good for us to be seen in this light.

As Senators will be aware, I have been a member of the European Economic and Social Committee for 12 years and vice chair of the European Movement Ireland. Clearly, therefore, issues of a European nature are crucially important to me. Part of our success will be working

[Senator Jillian van Turnhout.]

together with our European counterparts and other member states. However, if I may make a slightly negative point, in working on European semesters we have a missed opportunity to target smart, sustainable and inclusive growth. All too often, the focus has been fiscal consolidation and labour market and pension reforms without consideration being given to how we can achieve inclusive growth or putting in place growth drivers to enable the fiscal consolidation to take place. I am concerned, therefore, by certain elements of the course we are pursuing.

I propose to focus on two of the flagship initiatives under the 2020 strategy, namely, the new agenda for skills and jobs and the Youth on the Move initiative. The latter tackles the high levels of youth unemployment across the European Union. When one considers the variation in youth unemployment rates — in the Netherlands, my husband's home country, it stands at 4.3% whereas in Spain it is currently 20.5% — one sees the challenge facing us. While each member state faces individual challenges, the European Union must meet collective challenges in countering youth unemployment. As a flagship initiative, I am pleased Youth on the Move has been given its own space. All too often, when the subject of youth is discussed, it is done purely in the employment sphere and associated matters such as entrepreneurship, training and education are overlooked. Youth on the Move claims it will unleash the potential of all young people. To achieve this objective we must give young people a solid basis in life.

The Minister of State referred to sanctions. All too often member states are willing to agree to lofty ideals but unwilling to set clear and measurable targets. As I indicated, unemployment rates vary considerably across member states although many of the challenges facing them are the same. We could set clear and measurable targets and indicators for each of the member states. If they were not met, some form of sanctions should be imposed. The rewards would clearly speak for themselves. With regard to young people, I have concerns that in dealing with our economic crisis focusing on reducing sovereign debt, we are reducing public investment in education and training, the very areas we will need to develop in the future. The teaching of languages is very important as are what are often called the STEM subjects — science, technology, engineering and mathematics. We need to focus on attracting more young people to take up those subjects. The early study and career guidance looking at the labour market needs and the skills of young people and providing entrepreneurship at all levels of education are also important. The Erasmus for Young Entrepreneurs programme was launched a few years ago and we could encourage more young Irish people to get involved. This Erasmus programme will give a young person the opportunity to go to another member state and look at opportunities of entrepreneurship there and bring them back. The Minister referred to the growth in the German market and we need to be thinking in this way.

I was in China recently with the Chinese economic and social committee. We were looking at areas such as inclusive regional development and the green economy. We often talk about our young people leaving Ireland and we see them as being gone forever. I was impressed that China is encouraging its young people to leave, but come back after a year or two and bring that knowledge back. That is a message we should be giving to our young people. While the jobs are not here, that will not necessarily be the case for life. We should be looking at training opportunities and upskilling. We should be exposing them to innovative and creative markets, and entrepreneurship. I recognise the Every Job Counts: Youth Solutions initiative to encourage entrepreneurship launched recently by the Minister for Children and Youth Affairs.

We can learn from some of our counterparts in other states about additional training opportunities for early school leavers and low-skilled workers. We have an issue of access to apprenticeships. We are often told that the best way a young boy can get an apprenticeship is to join the Army, which offers some of the best apprenticeships in the State. We should draw on some of that knowledge that it does so well and create apprenticeships to develop those skills.

The validation and certification of skills across educational settings is very important. This is true not just of the formal education setting but also in the informal education setting — looking at us buying into European skills passports, etc., so that when our young people go to other countries they are able to transfer that accreditation and qualification.

The big questions are on the spending programmes of the Europe 2020 strategy, such as research and development, and education. I am very conscious that we are lining up in Europe for a battle *royale*. They are likely to be reducing funding across all our multi-funding spending lines. I know that next week Commissioner Barroso will announce the financial framework beyond 2012 and I know the battle lines are being drawn up on this debate. It is a crucial time for the future of Europe and for Ireland. This is funding that has benefited Ireland greatly but how do we ensure we can maximise it? I am concerned as to how we, as Senators and others, can support Ireland's role in tackling the funding crisis that will potentially loom as the funding reduces at a time when we should be investing more.

I am organising an event in September with representatives from several member states. I will contact the Minister of State in that regard. We are trying to bring experiences from different countries to try to use that knowledge and hopefully come up with some creative solutions and ideas that can be used in several member states.

Senator Ivana Bacik: I welcome the Minister of State and congratulate her on her new role — I may have already done so in person, but I now do so formally. I am delighted to have the opportunity to speak on the topic of the EU's role in enterprise, innovation and job creation. It is a timely topic, particularly for somebody with a connection to Trinity College — the Minister of State also has a connection. Last Friday the new biomedical sciences institute was opened in Trinity College. I was privileged to attend the opening at which Commissioner Geoghegan-Quinn was the keynote speaker. The institute, which is the biggest capital project undertaken by the university to date, cost €131 million of which €80 million was invested by the State. Of the rest of the investment, some funding came from private benefactions but some came as a loan from the European Development Bank.

The EU is playing a very key role in this institute. The institute represents what we should be doing in terms of innovation and job creation strategies. Commissioner Geoghegan-Quinn emphasised this in her keynote address in saying that the European Commission has put research and innovation at the top of the European agenda and she put the new Trinity institute in that context. She pointed out that the work to be done in the biomedical sciences institute will deliver jobs in health and help improve public health and quality of life. It has a number of different focuses. It will provide very impressive accommodation for 700 researchers and 900 students. It will be a driver in innovation and research in biomedical sciences.

Of course it is expected that it will also have a large role to play in job creation. Earlier Senator Crown spoke about the enormous potential of the biomedical sector for job creation and it is already a major part of our economy. Nine out of the ten biggest life sciences and pharmaceutical companies have a significant presence in Ireland. The sector, encompassing pharmaceutical, biotechnology, medical devices and diagnostics, employs more than 47,000 people in Ireland and is clearly an enormous growth area. It is also very much an area of added value where research and development jobs play a large part in the companies located here.

The Trinity institute is a collaborative institute with other universities and institutes of technology across Ireland. It not only seeks to train people to work for the big companies located here, but also clearly seeks to develop innovation and create companies here. I know the Minister of State is very aware of the campus company innovation and the sort of innovations that have come out of that, where academic research has spawned discoveries which in turn

[Senator Ivana Bacik.]

have become commercialised. There are a number of well known examples of this, including Opsona, a biomedical spin-off, and Solvotrin, a pharmaceutical spin-off.

We can see how investment in the third level sector can directly stimulate innovation. It is not just about training people to go and work in big companies or to go and work abroad — although that is a very important role for the third level sector — it is also about fostering and stimulating entrepreneurship and innovation. In all of that it is critical to have support from the EU on a number of levels. The Minister of State referred to some of the different programmes, including FP7, and the strong success rate of Irish applicants in securing funding under that framework programme. That programme has specific Marie Curie actions for commercial enterprises. A great deal of SP7 is of direct relevance to initiatives in Ireland in the biomedical and pharmaceutical sector. It is worth emphasising our 24% success rate in securing funding from those EU funds.

There are also other EU funds and other ways in which the EU can support small businesses. The Minister of State and others have referred to some of the other initiatives for small and medium-sized enterprises that have been taken at EU level, including the Small Business Act for Europe introduced in 2008 and aimed at cutting red tape. I suppose the EU has tended to get a bad press in terms of imposing quite onerous obligations on small companies — it can be very difficult for small companies to comply with those. However, there is a growing recognition at EU level of the need to be somewhat more rational in the imposition of administrative requirements. It is just a feature of EU life. I speak as somebody who in the past was part of a consortium that recently got EU funding for research in Trinity into fundamental rights protections across the Union, and also in the past got EU funding for other research programmes into criminal justice systems across the Union.

I am aware of the amount of red tape that must be gone through to justify and secure funding at EU level. It is worth going through it, however. While it is difficult to comply with the obligations, particularly with regard to research funds, many obligations imposed by the European Union and the conditions pertaining to funding are for the purpose of ensuring transparency in how those funds are spent. This is critical.

Let me refer to a recent case I raised on the Order of Business last week although it may not be directly relevant to this topic. It was a case taken to the European Court of Justice by Irish barrister Mr. Ciarán Toland, who was represented by former Senator, Mr. Eugene Regan. The case, won by Mr. Toland, was to gain access to a report on expenditure of allowances by Members of the European Parliament. It is an interesting case because the report has been more or less fully leaked into the public domain. While it was in the public domain, it had never been officially published. Until I read the account of the case, I was not aware that the European Parliament had refused to release the report. Mr. Toland could successfully argue that it was irrational to withhold publication and that, in the interest of transparency and accountability, the Parliament should be publishing such reports. We would agree with that. When talking about red tape and the need for the European Union to be more rational about the administrative requirements it imposes, we should realise those requirements are imposed to ensure accountability and transparency. In spite of this, there is a lack of transparency and accountability regarding the reports of some EU institutions.

Other initiatives taken at EU level to support enterprise include focusing on groups that are under-represented. Senator van Turnhout referred to the need to support young people in respect of entrepreneurship. While this is essential, it is worth mentioning initiatives at EU level to encourage women entrepreneurs. Women tend to comprise a smaller proportion of entrepreneurs than men. As part of the Small Business Act initiative, a varied range of supports has been set up to promote entrepreneurship among women, particularly women graduates.

There is a European network of mentors for women entrepreneurs, and a network of female entrepreneurship ambassadors. What is Ireland's participation on those networks and at what stage of advancement are they? I was not significantly aware of them heretofore. It is worth engaging in promotion at national level as well as EU level. Having seen figures on women in industry and business, and on entrepreneurship in Ireland, I noted that while there are some very high-profile women who are very strong role models, women in general do not comprise as large a proportion of entrepreneurs as men.

My colleague Senator Heffernan will be talking more about the European Union's role in job creation in the agriculture sector. There used to be a perception that the Common Agricultural Policy rewarded the opposite of entrepreneurship and tended to stifle the development of agriculture. It is important to welcome changes to ensure greater sustainability in agriculture, both in Ireland and other member states.

A debate such as this could not really make sense unless we are also critical of the European Union and its structures. Other Members have referred to the Union hampering job creation in Ireland. We are speaking at a time when the French President is suggesting we should change our corporation tax rate in order to obtain room for manoeuvre on the IMF-ECB deal. I am glad the Government is taking a very strong line of resistance to the suggestion by President Sarkozy because the 12.5% corporation tax rate is clearly a vital component of our job creation and retention strategies. It must be maintained. Although the European Union is supplying supports through programmes such as FP7 and the initiatives to encourage women entrepreneurs, the current bailout package, of which we are all too aware, is not sufficiently supportive of enterprise and entrepreneurship in Ireland. In many cases, it is serving to stifle it. We are all aware that the European Central Bank has played a very tough role in negotiations involving both the previous and current Governments. It is fair to say, therefore, that the European Union does not have a consistently good role in supporting job creation in member states, particularly this one. Any debate must acknowledge that.

We need to look to our colleagues in other member states to support us this week in an attempt to reduce the interest rate and oppose President Sarkozy's position. I remember the former Minister for Finance and I arguing during the general election campaign in January and early February 2011. I argued strongly about our sense that there was goodwill directed towards us by other EU member states. Since the change of Government, we have been aware that this good-will was severely tested and that other EU member states, notably France and Germany, are taking a very hard line against us. We must emphasise in any debate we have on the role of the European Union that we must not separate the Union's promotion of small business and its support for small to medium enterprises from its role in bailouts and in giving loans to countries whose conditions are so difficult that they are stifling enterprise and job creation therein. This is not only a factor for us in Ireland but also one for other countries in similar positions, such as Portugal.

We talk about boosting job creation through start-up funds, etc. There are some excellent indigenous examples. On the radio this morning, we heard about the Longford Business Angel model whereby a group of local businesspeople in Longford has invested money to set up a start-up fund for small businesses in its area. This is the type of bottom-up strategy for fostering small business that can really work. There are similar models at EU level also and Irish companies have been relatively successful at drawing down funding. This, however, is at the micro-level. When we examine the macro-level and EU policy towards this State, we see a very different picture in terms of support for small business and job creation.

Members have referred to other steps we can take. They stated the Union can offer support in terms of job creation. We are all aware that, under the last Government, one quarter of men

[Senator Ivana Bacik.]

employed in the country were in the construction sector. Perhaps the biggest challenge in job creation is the reskilling, re-education and retraining of young men, many of whom left school because the opportunities in construction were so lucrative and are now finding it very difficult to find employment. Measures aimed at supporting training and re-skilling and the rebranding and re-creation of FÁS are all vital Government measures in respect of which I believe the EU will and should be supportive.

Some of this debate reminds me of a famous scene in “The Life of Brian” in that I am prompted to ask: “What has the EU ever done for us?” It really is a very mixed bag. On the one hand, we have great initiatives such as the Small Business Act and FP7, but on the other hand there is a big-stick approach at macro-level when we seek funding, despite the fact that the European Central Bank was very remiss for a long time in allowing excessive lending.

Senator Feargal Quinn: I welcome the Minister of State. Having listened very carefully to what he said today, I am delighted by his appointment and his enthusiasm and effort.

I am sure I am older than every other Member here. I left university in the 1950s. The day after I finished my last exam, I travelled to the Continent and spent the winter there. I believed I was a republican and a Nationalist but when I returned I suddenly realised I had to wear two hats; for the first time, I discovered other teenagers were European. I look back now at those years and note the changes that have taken place and how they have influenced us. We have five children and sent them all to school in France for one term before they were 14. Somebody said that if one learns a language before one is 14, one will be able to speak it without an accent. At that age, the two girls fell in love with Frenchmen and are now married to them. Half of our grandchildren spoke French before they spoke English. It has been a wonderful success.

I am an enthusiastic European. It was interesting to listen to Senator Bacik speak about “The Life of Brian” and ask what the EU has ever done for us. I think of the comparison between the 1950s and now. Yesterday, I was in Brussels and I thought about the fact that we no longer have customs. There was a time when one returned to Dublin one was worried about whether one had bought something and whether one would be examined. We hardly need passports any more; we still need them because of not having signed up to the Schengen accord but I hope we get through this. We can travel by rail, and one ticket will take us throughout Europe. It is so impressive to see this and to see the currency we have in 17 nations.

When considering what the EU has done for us, by far the biggest change is peace. In Ireland, we did not really experience the problems but two world wars occurred in the previous century and we have now had 70 years of peace. We must make this European dream work and we must find a way of doing so. It has been very threatened in recent times. It will not work if we allow the EU to fall apart in various ways. I am particularly worried about the danger of a two-speed Europe. Nationalism is great for sport and I want to support Ireland. However, we must put this aside in economics and avoid the dangers of a two-speed Europe.

I was delighted to hear the Minister of State say it is the Government’s job to create the conditions for entrepreneurs and SMEs to succeed. The meeting I attended yesterday in Brussels was to do with SMEs and we spoke about the problems and challenges they face and the success they have. The major challenge SMEs have is in establishing new businesses with the amount of legislation and legal and administrative conditions that exist. We must find a way whereby entrepreneurs and those establishing SMEs do not consider moving to China or California. We must ensure they do it in Ireland.

Several years ago I was in Panama, and that country had considered how to attract entrepreneurs and SMEs. The first thing it did was to make it easier to establish a new business and sought to be better than other countries which had reduced the administrative burdens for

establishing new businesses. It set a target and exceeded it. It takes seven hours to establish a new business in Panama. This gives us some idea of what one is able to do.

Yesterday, I met the MEP, Anna Maria Corazza Bildt.

Deputy Lucinda Creighton: I met her.

Senator Feargal Quinn: I am very impressed with her and I listened to what she had to say. She directed me to Mario Monti's article in yesterday's edition of the *Financial Times* which is worthwhile reading for anyone who has not read it. It is a reminder that the 2020 strategy will not work unless we work very hard at it. We need discipline to ensure these measures succeed. We can make it work but we must be very committed to it.

I will now discuss some of the figures drawn to my attention yesterday. The economic world order is changing fast. My eldest granddaughter, Emily, was born in 1990 and at that time four European countries were in the top ten world economies, by 2020 only two will remain. Since 1990, European GDP has increased by 50%, and I thought that was great until I learned that China's GDP has increased by 500%, and by 2016 China will be the world's strongest economy. Where will a divided Europe be then? We will shout for Ireland on the football field but we must work together to ensure we find a way to sacrifice the differences we have.

Already, China decides the worldwide price of commodities. It owns more than 95% of almost all strategic commodities as well as strategic assets on five continents. I could not get over the amount it invests and buys in Africa. China will soon dictate the exchange rates of the euro and the dollar and decide which country it rescues and under what conditions it would allow such a rescue to take place. Europe must wake up to these facts and do so very quickly. We must clean up our financial back yard and at present we are part of that financial back yard. We must do so if we are to compete on a newly configured world stage. We are making an effort in Ireland and we are doing better than some other countries.

Can one picture how difficult it must have been in Greece last night when the confidence motion was passed by the skin of its teeth? It was done in almost darkness because the electricity workers were striking because they disagreed with some of the steps being taken. Talk about economic suicide. This is a time when we in Ireland need to focus our attention on what we need to achieve. We must urgently address the public deficits in some member states which have been known but ignored for years. They are now threatening the very survival of a united Europe and the survival of the euro. We must muster all our political courage to act, and the time in which to act is rapidly becoming a resource scarcer than oil, water or air. I am quoting someone with whom I spoke last night who also said we have only borrowed the world from our children and grandchildren and therefore we do not own it ourselves.

The changes that need to take place are severely altering the way the world trades. If Europe is to compete we must act as one and we must act very quickly. A typical example of where Europe cannot get its act together is the European patent. Has anyone counted the number of SMEs prevented from obtaining a European patent in the past ten years because for logistical reasons the cost has remained prohibitively high. Given this fact, how can Europe at the same time claim it is committed to boosting SME development, particularly innovation?

The Lisbon strategy was a very brave document. It promised to make Europe the most competitive knowledge-based economy in the world by 2010, which was last year. It did not succeed. Now we have a strategy for 2020. It is a lovely new strategy but do we have a similarly new political will? Our children will tell us that having a nice strategy in a glossy brochure is not good enough. It is not enough to tick a box and then relax. We need to deliver on the details which make a difference. Where is the 3% target for increased budgets for innovation?

[Senator Feargal Quinn.]

Fewer and simpler administrative rules to boost SMEs and a single market for the processing of payments are some of the measures we must take.

I speak about the single market for the processing of payments because the organisation in Brussels with which I am involved achieved success in this area. The outrageous charges that we, the public and citizens of Europe and retailers because we were representing retailers at the time, have to pay to pay to credit card companies is in the hands of each individual nation. However, the organisation, EuroCommerce, achieved a breakthrough in cross-border charges because the multilateral exchange is an outrageous burden. It is being changed in the United States and we can change it in Europe. There are things we can do but, as Senator Mullins and others said earlier, we must become more competitive and it is in our own hands to do so. The Minister of State can make huge changes. I am delighted to hear the words she used today and I encourage her to continue with the same enthusiasm.

Senator Catherine Noone: I welcome the Minister of State, who is my constituency colleague. We all agree she has an in-depth knowledge of her brief and is ideally suited to the portfolio.

The EU has been a great friend to Ireland over the past two decades. Ireland and the EU face challenging times and this should be acknowledged when speaking about the EU's role in enterprise, innovation and job creation. To date the EU has contributed greatly to allow us create employment and its investment in our infrastructure, education and employment has contributed to the direct creation of more than 50,000 jobs in the past decade. The EU gives all its member states great resources to create jobs and at present Ireland is working to use these opportunities and resources to the greatest effect possible given our challenges.

It should be noted that Ireland is the second fastest spender of the European social fund and is on target to draw down €375 million for measures supporting labour activation and getting people into the labour market. Meanwhile, in the past two years Ireland has submitted six applications for the European globalisation adjustment fund for more than €60 million for training and job search assistance. That has assisted nearly 10,000 workers in training and retraining for a challenging economy. The European Union has been of great assistance in job creation.

To help member states reform their labour markets, improve education systems and support social inclusion the EU has a financial mechanism, the European social fund. In Ireland, over €900 million is being invested through the human capital investment programme to which the European social fund contributes €375 million. That money has gone towards a great many training and education programmes. It is clear the EU continues to help us create jobs in a challenging environment and, moreover, help us prepare for future changes in the labour market and further challenges ahead through its extensive funding for retraining programmes and education.

With regard to innovation, in the past decade through the European social fund, Europe has helped Ireland by creating specific goals and targets, goals which Ireland has responded to admirably and worked hard to reach. For instance, an EU wide goal which has been mentioned often is the target of having 3% of GDP of each EU member state spent on research and development by 2020. When that goal was set in 2000, Ireland's spend on research and development was 1.12% of GDP and by 2009 that had increased to 1.7%. That may appear to be a small percentage but we should consider that in that period Ireland outperformed EU and United States growth in research and development. Moreover, that increase directly created 22,000 highly skilled jobs. The figure is expected to exceed 2% by 2013, which puts us on target to achieve that ambitious goal. I would agree with the Minister's comments with regard to enforcing those targets, which is very important.

Furthermore, the EU's focus on innovation and the supporting mechanism of the European social fund have encouraged us to invest in education and helped foster innovation from a young age. Last week I met with the head of a \$500 million Silicon Valley company at the launch of its Dublin office and he stated that he saw Ireland as the capital of innovation in Europe, which is a wonderful accolade and something we must continue to actively cultivate in spite of the challenges we face.

The EU has helped us innovate and by innovating we can begin to work our way out of the problems in which we find ourselves. If we always do what we have always done we will always get what we have always got. What worked previously may not work again. Using the resources that the EU give us to create a flexible, innovative, creative workforce is now one of the biggest challenges facing us.

In addition to all of that, the EU anticipates that 85% of jobs will be medium or high skilled by 2020 and, as such, the European social fund has allowed us to actively train and retrain our citizens. We currently have the highest percentage of third level graduates in the EU between 30 and 34 years of age — my own generation — and while we face many challenges we must continue to pursue these goals and take advantage of the resources at our disposal. The €370 million in the European social fund is precious. Moreover, we have also secured €213 million in funding for research and education from the seventh EU framework programme.

While we have been working our way through a terrible period, with the help of the EU and a continued focus on educating and training our citizens more will be prepared to take advantage of jobs in our digital, knowledge driven economy. Even now, without the continued assistance of the EU, our jobs position would be a degree worse than it is, something which is difficult to imagine and yet is rarely acknowledged. As we continue to invest and focus on rebuilding our economy it is important that we recognise the contribution the EU has made to innovation and job creation and actively work to make the most of the opportunities and funds available to us.

I thank the Minister for coming into the House. I welcome her comments and wish her the best of luck in her very important job.

Senator Kathryn Reilly: I welcome the Minister to the House and echo the sentiments of my colleagues on the importance of the ministry for European affairs. I hope that with the permission of the Leader we will have regular debates with the Minister on issues of importance, given the current flux in European affairs.

The European Union has an odd relationship with the concept of innovation. If points were awarded for all the talking we do about innovation we would surely rank as the most innovative and creative region in the world. However, the sad reality is that is not the case. The innovation union scoreboard based on innovation performance has the USA at 0.672, Japan at 0.641 and the EU 27 at 0.516.

There appears to be a paradox now at the heart of EU policy towards enterprise, innovation and job creation across Europe and specifically in its application in this State. The Europe 2020 document, the key strategic document to which the Minister referred, the framework for European economic growth, sets out a vision for Europe's social market economy over the next decade and rests on three interlocking and mutually reinforcing priority areas: smart growth — developing an economy based on knowledge and innovation; sustainable growth — promoting a low carbon, resource efficient and competitive economy; and inclusive growth — fostering a high employment economy delivering social and territorial cohesion.

The Europe 2020 strategy was launched as a new economic strategy to simulate sustainable growth and employment with the year 2020 in mind but that strategy will fail to succeed, much

[Senator Kathryn Reilly.]

like its predecessor, the Lisbon strategy, if it does not take into account the local and regional capacity for sustainable development, creativity and innovation with the well-being of citizens at heart.

The question of the well-being of citizens of Europe should be prioritised at all levels of the policy and decision making process but as we can see, the EU-IMF deal does not do that. The success of Europe 2020 and the innovation union cannot be divorced from the current EU-IMF deal, which undermines the ability to grow the economy and adds to the burden of unsustainable debt. The EU policy for dealing with the debt continues the failed cycle of cutbacks, austerity and unemployment. As the Nobel winning economist, Joseph Stiglitz, pointed out, the EU recipe for recovery is more of the same, namely, to meet the deficit reduction targets with more austerity, which in turn means still lower growth and higher unemployment. As we examine our own unemployment figures it undermines the priority of the Europe 2020 strategy.

The Government accepted the EU-IMF deal and as a result we cannot make investments to the scale we would like to create growth, make the economy more competitive or deliver the necessary employment. The deal demonstrates that the rhetoric of Europe 2020 has all the warmth and comfort of the emperor's new clothes. It would appear that this Government, which was elected with such a strong mandate and with so much promise, has allowed itself to be reduced to going along with the charade.

We must be clear that the EU-IMF deal does not contain targets for job creation, spending commitments to get people into employment or help for small and medium-sized companies to maintain or create jobs. In terms of the EU-IMF deal, there is no plan to reduce unemployment, create jobs or stimulate the economy and no amount of rhetoric can disguise that fact. It is important that we remember that job creation, growth and competitiveness is key to sustainable economic recovery and the objectives of Europe 2020 must be met at a national and European level. Those objectives must be supported not with rhetoric but with resources and a policy.

The World Economic Forum ranks the competitiveness of economies across the globe and Ireland is ranked at only 29th behind other European countries that offer higher levels of social protection such as Germany, the Netherlands, Norway, Denmark and France. The reason they identified us for a low rank was under-investment in education, research, infrastructure and broadband connectivity. There is a danger that we are tackling the issue of competitiveness by cutting back on investment in these areas. We must remember that our economy will not grow or be more competitive by reducing the wages of the lowest earners. Competitiveness is not a race to the bottom to attract low paid, low skilled, low value jobs. We must remember that we are not competing with the emerging economies such as China on those grounds. We are competing with them, and competitiveness can only be achieved through investment in education, infrastructure, technology, research and development and innovation.

Our competitiveness on a European level and particularly on a global level will continue to be undermined by partition. Barriers to trade remain between North and South. I listened to a speech by Dr. John Bradley, a former economist at the ESRI, who said that the two disjointed research and delivery strategies and two disjointed third level sectors on the island are not helping our competitiveness. We have a situation where complementary companies on the island are trading in splendid isolation.

The Minister of State mentioned that the EU has a role in growing our economy and in delivering competitiveness and employment. We want to play a full role with our European partners, but that will require a fundamental change in policy. We need to look at a radical

policy shift from austerity to stimulus that will deliver smart, sustainable and inclusive growth. Will the Minister of State or her counterparts in the Department of Enterprise, Jobs and Innovation co-operate with the relevant Minister from the North to see how Europe can support the greater integration of innovation and research and development on the island, including the take up of programmes such as the FP7? What percentage of FP7 projects are on a North-South basis and what exactly is the value of these projects?

It is critical to remember, among all this talk of enterprise, innovation and job creation, that Irish industrial policy, in spite of some shift towards the development of indigenous firms in response to many industrial development reports, remains over-dependent on low corporate taxes to attract MNCs. Our economic development policies focus to far too great an extent on high-tech and research and development, rather than on innovation at all levels. While I welcome any and all research and development spend, the focus on innovation solely at this high-tech level is not an accurate reflection of the make up of our economy. We need research, technology and innovation of industrial relevance across the whole spectrum of enterprise in this State. With all the talk of indigenous enterprises and export-led growth, we need to be looking at how to innovate in indigenous enterprises such as the agrifood sector. Central to all this are small and micro business start ups. In terms of developing small enterprises and getting communities back to work, what steps is the Minister taking to promote the €500 million EU Progress Microfinance Facility?

Unless we fundamentally rethink the policy direction of the austerity programmes at European level, our economic development and our capability to innovate will be crippled. As innovation starts at home, we need to look at the EU-IMF deal and its effect on our innovation.

Senator James Heffernan: I thank the Minister of State for coming before the House, and I wish her the best of luck in her important role.

Last Thursday, my club Blackrock played a championship hurling match against Dromin Athlaca. We lost that one unfortunately, but as I looked at the match programme, I started to wonder how many of these lads had full-time jobs or prospects of employment that will keep them in their home towns and parishes. Of the 15 that started on the team, over half were not working. Some were students and the others were drawing the dole. This situation is replicated in every town and village across the country. For example, my brother is in London earning a living. He returned from Australia to help me out during the general election, and he was by my side as we travelled around the country campaigning for the Seanad. That kept him busy for a while, but the reality was not long settling in. He is now across the Irish Sea and is hurling with the Brothers Pearse Club in Neasden, Kilburn, north London. There has never been so much competition for places on his team, and he tells me that the standard has improved greatly in London. Most of the lads on that particular team are Limerick men, and all of them are working there.

This is the crisis we are facing. We need to find jobs for our young people, or else we will lose them. We may not lose them forever, but we will certainly do so for a while. The Passport Office down the road from this House is struggling to deal with the increase in applications. Most of those applications are from young women and men like myself, and this is the legacy of the previous Government and is the challenge for the current Government.

One sector in which Ireland should be a global leader is tourism. We have a fantastic product, but it has been neglected for a number of years. According to a recent Fáilte Ireland conference, UK tourists no longer see Ireland as a unique destination, because when they come here they see the same high street shops that they see at home. I remember travelling in Peru a few years ago, a country in the developing world but whose economy is largely based on its tourist product. I travelled to Machu Picchu and talked about it to a friend from County Down,

[Senator James Heffernan.]

who seemed to be rather underwhelmed by the whole experience. He said that it was just a ruin, and that he could look out his back door at home and see ruins. I laughed at that but it made me think how underdeveloped our tourism industry is. Rural Ireland is a fantastic tourist product. The recent visits by President Obama and the Queen of England have helped to highlight this.

What is the EU doing for tourism in Ireland? What can the EU do for tourism here? We have got ambassadors in every country across the EU. What exactly are they doing to promote Ireland? What are our MEPs doing to promote Ireland as a tourist destination?

Senator Rónán Mullen: Ba bhreá liom i dtosach báire fáilte a chur roimh an Aire Stáit agus a rá léi go gcreidim go mór go bhfuil an cumas aici agus an mianach inti an dualgas seo a chomhlíonadh go paiteanta. I want to welcome the Minister of State to the House and wish her well. She is fit for the role, but she has become Minister of State for European Affairs at a particularly difficult time in Ireland's relationship with the European Union.

Over the past couple of years, we have heard calls to reflect on our relationship with our European partners. Things have changed quite dramatically since the debate on the Lisbon treaty. It was a very good thing that people in Ireland had the opportunity to vote in a referendum, however awkward that might have been seen by the political class at the time. It is worth remembering that during the second referendum campaign, the slogan about voting "Yes" for jobs was used to particular effect by the Minister of State's own party. If one was to ask Irish people today in a survey whether they felt that the EU was prioritising job creation and the recovery of Ireland's economy, I think many people, fairly or unfairly, would say "No". There is undoubtedly a perception right now that Europe is dominated by the interests of certain very large and powerful countries. That may or may not be true. There is a great degree of complexity about the decisions and choices that have to be made as we pursue our interests at European level. I do not want to make glib statements about the attitudes of certain other states in the EU or the attitudes of the EU institutions themselves.

I did not have the pleasure of hearing the Minister of State's speech because I was otherwise engaged. I apologise for that.

Deputy Lucinda Creighton: I can send a copy of my speech to the Senator.

Senator Rónán Mullen: I would be delighted to receive it. I hope she forgives me if I ask her about certain things that she may already have addressed in her speech, or certain things she is not in a position to address today for legitimate reasons, but which I feel I should take this opportunity to raise.

Many people are worried that we are prostrate before the agenda of private financial institutions. It seems that whatever is allowed, what must not be allowed is further loss of confidence by the markets when it comes to lending money. The worry that generates is whether sufficient attention is paid to the consequences for social solidarity and cohesion when taking a strict view on the insistence of paying back debts in full and the reluctance to contemplate default or putting new language on what might amount to default or restructuring of debt. Are we prostrate before the absolute value of maintaining confidence in the financial markets? When we see emerging discontent in countries such as Greece, are we reflecting enough on the more important value of maintaining social solidarity and cohesion? Are we reflecting enough on the consequences of turning the screw on countries to the point where their people may not be able to take any more? Is this something where there needs to be a radical rethink at European level?

The President of the European Parliament, Mr. Buzek, is due to come here on 11 and 12 July. He is expected to address the Dáil. On the previous occasion when the President of the European Parliament visited the Oireachtas, Mr. Pöttering addressed the Seanad. That was in the run-up to the second Lisbon referendum and was probably no accident. He was welcome nonetheless. In the past few days, we have been discussing the desirability of having distinguished visitors and representatives of different causes and viewpoints — eminent and otherwise — addressing the Seanad. Is it desirable for him to address the Seanad as well? Does anything in the protocol or the rules of these Houses prevent a joint sitting of the Houses addressed by Mr. Buzek? Many people would welcome that. We would also welcome the opportunity to ask him questions but I do not envisage that happening in the short term in the Dáil Chamber. I would be grateful for the response of the Minister of State on this point or via the Leader if she is not in a position to respond today.

Another issue concerns the potential of the Seanad as the scrutineer of European legislation. What is the position of the European scrutiny committee? Does a vacuum need to be filled in light of the reconfiguration of the Oireachtas joint committees? What is envisaged in terms of the capacity of these Houses to scrutinise the ever-growing body of proposed legislation from the EU?

I recently had interesting correspondence from people concerned about proposal by the European Council of presidents and prime ministers for the establishment of the European stabilisation mechanism from 2013. These draft laws are designed to give centralised control of two critical elements of national Government spending, namely, annual budgets and economic policy. According to the conclusions of the last EU summit, this permanent EU fund is expected to require a contribution from Ireland of some €10 billion. This is a large sum. Implementation of the European stabilisation mechanism would require amendment of Article 136 of the Treaty on the Functioning of the European Union. I imagine it would need to be ratified on a constitutional basis by each eurozone member state. Does that suggest there should be a referendum on this? I understand it is not the Government's intention to hold a referendum on the European stabilisation mechanism. Does such a stance not fly in the face of the stance of the Supreme Court judgment in the Crotty case, that any further ceding of sovereignty to the EU institutions by Ireland must be agreed to by the people in a referendum? However painful the experience of a referendum in the eyes of some, they are the only show in town when it comes to a serious national debate about our relationship in the EU. I would not want to put at risk the healing of our relationship with our European partners and our ability to get the best possible deal in our negotiations with them in respect of reducing the interest rate on the bailout fund. We must continue to value and prize our Constitution and we must be seen to do so. I welcome the view of the Minister of State on the European stabilisation mechanism. If there is not to be a referendum, perhaps the Minister of State can explain why not. *Leis sin, gabhaim buíochas leat, a Leas-Chathaoirligh, agus mo leithscéal dá mba rud é go ndeachaigh mé thar fóir ó thaobh an ama de.*

Senator Deirdre Clune: I welcome the Minister of State and the theme of her contribution is very important and provides an opportunity for us to explore jobs, enterprise and innovation across the EU and how it affects us. Recently we saw figures for exports and these are ensuring the recovery of economy. Exports are the strength of our economy and we have a large market of 500 million people in Europe. That was the theme of the debate on the Lisbon treaty. It concerned jobs created in serving that market. The exports of those employed in the industry have increased, although not as much as we would like, but the European market is important to us. Recent figures from the CSO show that exports in April increased by 6% on the equivalent period last year. That gives us confidence but we must focus on the area. We cannot be complacent.

[Senator Deirdre Clune.]

We must focus on competitiveness and ensure that those exporting to Europe and internationally are allowed to compete with other products. They must not bring excess baggage from doing business in this country. The climate in this country must allow them to reduce their costs. The cost of labour has decreased but we must improve the cost of doing public business, which is a major cost for those operating in this country. This includes the public services offered to businesses. Opening up the sheltered parts of the economy must be addressed.

JLCs and EROs were mentioned. We must introduce efficiencies in rates and costs. This includes the cost of water and waste. These need to be made more efficient. The cost of oil is outside our control but many costs are within our control. If we focus on exports to European and international markets, we must focus on cost.

A previous speaker referred to expenditure on research and development. We have a target of spending 3% of GDP on research and development by 2020. The figures for private business expenditure on research and development are increasing. Small businesses, with fewer than 50 employees, have not increased spending on research and development. They need to be facilitated in that.

I understand the Minister for Enterprise, Jobs and Innovation, Deputy Bruton, intends to bring proposals on this matter in December's budget, although it was hoped to include it in the jobs initiative. Small companies will be facilitated through tax incentives to increase expenditure on research and development. Innovation involves not only science and technology but also focusing on processes, services and efficiencies. That was the theme of the Minister of State's speech and across Europe there is a focus on helping entrepreneurs and small businesses to innovate and avail of services in the area of research and development.

Barriers to innovation include intellectual property and patent law, an area which is more expensive and cumbersome in the EU than in the United States or Japan. Venture capitalists need to be engaged to support businesses, particularly firms operating in the high technology sector. It has been noted on numerous occasions that our bankruptcy laws are archaic and not fit for purpose compared to the UK and other European countries. We will not be able to encourage entrepreneurs and business start-ups while our bankruptcy laws are so outdated. As I am conscious of the time, I will now conclude.

Minister of State at the Department of the Taoiseach (Deputy Lucinda Creighton): To clarify, I was not looking at the clock. I noticed that Senator Mullen was leaving the Chamber just as I am about to answer his questions after being absent for my opening statement.

I thank the Senators for their contributions. This was an interesting and useful debate and I take note of the many issues that have been raised by contributors. I will attempt to respond to as many as I can but it will probably not be possible to address all of them in the eight minutes available to me.

Senator Thomas Byrne and others noted that the EU is very good at introducing lofty and grandiose strategies but that perhaps we would be better served if it responded to the immediate crisis. I would exercise caution in that regard, although I understand their frustration. I have been critical of the Lisbon strategy and have already stated my belief that it has failed. However, it did not fail because it was trying to set out a path for the medium to long term but through a lack of political will. This State is as responsible as every other member state for that failure, reasons for which include breaches of the stability and growth pact and inadequate economic governance and bank regulation across the European Union. There was no political

will to put these structures in place. The Minister for Finance put it well when he stated that we built a currency without an architecture to support it.

To some extent, we need more rather than less of Europe. In any politics, be it domestic or European, setting out a path — Senator Mullen has returned — for progress, with benchmarks and a clear agenda for the economy and society is the right thing to do. Knee-jerk reactions to short-term problems is not the way we want to go. That is how this country was governed for the past 14 years and it is the reason we are in our current crisis. Arguably, one of the failings of the European Union was that it did not aggressively and energetically pursue a long-term strategy. While it had a strategy, this was largely ignored. That is not a reason to argue against a strategy for the future, however, because the EU needs strong political leadership if we are to find a way out of this crisis in the medium and long term. If anybody thinks the growth that China experienced in recent years happened by accident, he or she is sorely mistaken, because it has been assiduously pursued over many years.

I do not want to get into “he said, she said” party politics but questions have been raised about the idea that reputational damage has been done to this country. I have been involved in European affairs for more than ten years. In the last Dáil, I was a member of both of the Oireachtas committees dealing with European matters and I took my job seriously. I was also active in my party’s network in the EPP. However, I had no idea of the extent to which our reputation had been damaged until I met key representatives of the European institutions in my capacity as Minister of State. Most critically, Irish people who were actively participating in European institutions and Irish companies based in Brussels and Luxembourg have no doubt that Ireland’s reputation as a country with which to do business has been seriously damaged. I am not pointing fingers or apportioning blame, it is a fact and we need to get on with the job of restoring our reputation.

I acknowledge that Irish companies have excellent reputations. Senator Byrne alluded to the Kerry Group, which is one of our major exporters and success stories, and there are many other companies with similarly untarnished reputations but the reputation of Ireland Inc. — I dislike the term — and our Government has been severely damaged. Over the past three months we have already made progress in terms of undoing some of that damage.

Senator Mullen referred to the three priority areas of SMEs, competitiveness and innovation. I concur entirely with him in this regard. He also stated that our 12.5% corporate tax rate is vital to our industrial strategy and prospects for recovery. This is a point which Ministers have been making in all our bilateral and multilateral meetings in Brussels and elsewhere in Europe over the past three months. It is not fair to claim the EU is staging an assault on our corporate tax rate. The European Commission has been trenchant in its support and has been openly critical of the member state which, for domestic reasons, has focused its sights on the matter.

It is also not true to say that the vast majority of member states have any interest in changing our corporate tax rate or that the European institutions have their sights set on it. We are working hard to get out of the deadlock in this regard. The Minister, Deputy Noonan, and his officials have remained in constant contact with the French Ministry of the Economy, Finance and Industry, and I have been playing my part in the matter. The signals in recent days have been more encouraging but I do not want to pre-empt the outcome given the sensitive nature of the issues arising, which are, of course, informed by domestic politics and have more to do with national parliaments than the European institutions.

Senator van Turnhout made a thought-provoking intervention in regard to youth on the move. I acknowledge her deep interest and knowledge of this area and I am sure the debates on this subject in the Oireachtas and the Committee on European Union Affairs will benefit

[Deputy Lucinda Creighton.]

from her expertise. It also spills over into the portfolio of the Minister for Jobs, Enterprise and Innovation, Deputy Bruton.

Much of what was said is accurate. There is an expectation that we are lining up for a battle royal with the forthcoming multiannual financial framework. It is always a battle royal. It is usually a battle royal between the British and the French. We usually find ourselves on the same side as the French. It will be no different this time because our interest is in defending the Common Agricultural Policy.

I wish to add a note of caution. It is not in this country's interests to only focus on defending our national interests in a narrow sense. We are Europeans as much as the French, Germans or Spanish. We are all Europeans. We all have a stake in this project. It is in our interests to ensure that the common European agenda is a positive one without simply always reverting to a knee-jerk reactionary attitude. While we wish to defend the Common Agricultural Policy and the great benefits it has brought to rural development in this country and to food security and food safety, we must couch the debate in a much broader context.

I have had interesting discussions with the Minister for Agriculture, Marine and Food, Deputy Coveney, in which he contextualised this country's defence of the Common Agricultural Policy in the very real challenge of food security on a global scale. We have a booming population, unfortunately not in Europe but in the regions referred to by many speakers such as China, South America and the African Continent. They are areas where food crises already exist in some parts and where there will be a more serious crisis in the years ahead.

Europe and the Common Agricultural Policy within the European Union has a significant role to play in ensuring that we can secure our food supply for the future. The Chinese economy will be the largest one. Senator Quinn made an interesting contribution in that regard. It is the economy which will spin the globe on its axis. China will be able to dictate what food products it wants and the quality and type. We in the European Union must be cognisant of that. We will no longer be the big economic player we were. That is a big threat.

Never was a truer word spoken than the old cliché, "United we stand, divided we fall", in terms of the European Union. We must wake up to the global pressures. As Senator Quinn said, it is all right to be nationalist when one wants one's football, rugby or cricket team to win but there is no room for nationalism in economics. We moved beyond that approximately ten years ago. The Chinese have seen that already. We must ensure this country's future economy is secure in the context of a united and cohesive European Union. That is not to say there are not major challenges, there are. I would like to see us face up to those significant challenges. Many European countries, big and small, have retrenched and washed their hands of some of the challenges that lie ahead. As a small member state it is up to us to remind member states, big and small, that our interests are best served by working together than by being divisive or divided. How much time do I have left?

An Leas-Chathaoirleach: Another minute.

Deputy Lucinda Creighton: I have not even got to half of what I wished to say.

An Leas-Chathaoirleach: The Order of Business was decided this morning.

Deputy Lucinda Creighton: I wish to answer a few specific questions. I will respond to Senator Rónán Mullen's questions as he took the trouble of numbering them and setting them out in detail. On the consequences of debt repayment for social solidarity, there is huge pressure on social solidarity at the moment. I will reply to Senator Mullen in the same vein as I spoke to Independent Members in the Dáil earlier today. The consequences of social solidarity

if we withdraw from an EU-IMF programme and our schools and hospitals shut down next week is that there is nobody to meet the massive bill for the State to pay social welfare, disability allowance and carers. We must put matters in context. It is all very well to say that we should pound the table and shout the loudest.

Senator Rónán Mullen: I do not advocate withdrawal.

Deputy Lucinda Creighton: We have no alternative but to make the EU-IMF programme work. There is no doubt about that. If we want to get out of the programme and ensure we borrow less money than is envisaged, we must get back into the international markets to borrow money directly from them. To answer the Senator's question, confidence is exceptionally important. That is the world we live in. We might like a more utopian, ideal world but this is the one we live in. We must make the programme work.

There is scope for much more solidarity. It is difficult, however, because we have a largely home-grown crisis in this country and taxpayers are unhappy with the situation, as I am. In Germany taxpayers have been asked to loan money to countries that may not pay them back. Then when the loan has been secured the next request is for the interest rate to be reduced and some of the debt to be written off or extended. That is not realistic. We must understand not just where we are coming from and our own travails in this country but also understand where they are coming from. If we can achieve a meeting of minds we will be in a much stronger position. The "them and us" approach does not work. We must wake up to that.

I am delighted the President of the European Parliament, Mr. Buzek is coming to visit. We are the last member state he is visiting. He wanted to visit several times in recent years but it was not possible for him to do that for various reasons. He will address the Dáil. That was very much at my insistence. I believe we have secured agreement for that. I expect it will be a joint sitting. I had anticipated a joint sitting when Commissioner Geoghegan-Quinn visited on 9 May but the Taoiseach's nominees to the Seanad had not been appointed and as there was no Seanad in place we could not do that. I expect it will be a joint sitting in the Dáil Chamber.

I see a great potential for this Chamber in contributing to scrutiny of European legislation and policies on behalf of the Oireachtas. I do not believe the new system leaves a vacuum because each sectoral committee will be responsible for scrutiny. That is the way it should happen. This Chamber can add value to the process, as the House of Lords does in Westminster and as many other Upper Houses do across the European Union. It is up to Senators to assert themselves and insist on the role for the House. I would be very supportive of that initiative.

On the establishment of the ESM, it is untrue to say that the ESM gives EU control over domestic budgets or economic policy in member states. That is not the case. We have had closer economic and budgetary co-ordination as a priority of the European Union for many years but it just has not happened. I do not believe a transfer of sovereignty is envisaged through the ESM treaty to the European institutions. Therefore, I do not envisage that it will be necessary to have another referendum on the matter in the State. I have met with the Attorney General already and I intend to meet her and her officials again in the weeks ahead but I do not see any additional transfer of sovereignty envisaged in the ESM, therefore I do not see any reason to hold a referendum.

An Leas-Chathaoirleach: I wish the Minister of State every success in her brief and luck in the future.

Housing Market: Motion

Senator Aideen Hayden: I move:

"That Seanad Éireann:

[Senator Aideen Hayden.]

- notes with concern that by the end of 2010 over 200,000 homeowners were in negative equity;
- notes that a minimum of 10% of households with mortgages are currently facing significant difficulties with repayments, and that this proportion is likely to increase;
- notes the high cost in personal suffering to individuals and families caused by increasing levels of significant mortgage arrears and by the threat of eventual repossession of homes;
- further notes that ‘mortgage to rent’ and ‘mortgage to shared equity’ schemes have been established by the Scottish Government, as part of the Home Owner’s Support Fund, in response to the plight of distressed homeowners;
- proposes that the Government should consider the establishment in Ireland of schemes to support distressed homeowners, adapted to the Irish context but similar to those set up in Scotland, which would provide structural measures for the protection of those individuals and families currently facing unaffordable mortgage repayments and the potential loss of their homes.”.

I am fascinated to see how important this motion is to our colleagues on the other side of the House.

Senator Darragh O’Brien: A parliamentary party meeting is on at the moment but they will be here presently.

Senator Aideen Hayden: Indeed. I am sure the distressed homeowners in Ireland are very interested in that.

Senator Darragh O’Brien: Lean ar aghaidh.

Senator Aideen Hayden: I am sure we will be joined in due course by our colleagues in the House.

Senator Darragh O’Brien: We will.

Senator Aideen Hayden: I note what the Acting Chairman is saying about the time for this debate. I will speed through it as quickly as I possibly can.

Reports over the last number of weeks indicate that the difficulties faced by Irish homeowners are increasing at a rapid rate. By the end of 2010, more than 200,000 homeowners were in negative equity, with over 40% of homeowners holding a mortgage that was in negative equity. The numbers of homeowners in negative equity continues to rise as house prices fall. The rating agency Moody’s estimates that Irish house prices fell by 40% between September 2007 and March 2011, while other commentators estimate the price fall to be even greater. The housing market is currently non-existent, with further price falls expected before the market returns to stability. Indeed, the Irish Mortgage Corporation stated yesterday that as few as 11,000 mortgages are likely to be loaned this year, a figure last seen in the early 1970s.

As chair of the Threshold housing organisation I am only too well aware of the cost in human misery that ordinary families are facing today — families who never thought they would face the trouble they now face. Last year alone, Threshold helped more than 22,000 households in difficulty. This recession has gone on for four years now. Family savings have been exhausted

trying to outrun the recession and keep family homes from repossession. In particular, Threshold has warned that the current situation is leading to a rise in homelessness and extreme distress for families and their children.

With respect to my colleague, it is easy to state once again that the cause of this was Fianna Fáil's policy of putting the interests of big developers and the banks ahead of ordinary families who were just trying to buy a family home. However, I hope today's debate will focus on constructive proposals to help the thousands of Irish homeowners who are in extreme distress and facing the loss of their homes — the victims of the overheating of the Irish property market — rather than on recriminations between parties for political gain.

An Leas-Chathaoirleach: I ask the Senator to address her remarks through the Chair.

Senator Aideen Hayden: To date, measures to assist Irish homeowners have been what I would term stopgap measures, which are accepted to have given temporary relief to homeowners. However, mortgage-related measures such as deferred interest repayments, interest-only periods and time extensions do not fundamentally alter the levels of debt in which people find themselves. The fact is that temporary relief will do nothing to halt this growing problem and will only kick the can forward. The proportion of households in arrears of 90 days or more on their mortgages rose to 7.62% in April from 6.65% in February. Also, while a total of 80,000 residential mortgages are either in arrears of over 90 days or have been subject to adjusted terms after negotiations with mortgage providers, the worst indicator is the proportion of restructured mortgages — 40% — that are not performing and are now in further arrears. This a problem that will continue to get worse unless we step in and do something about it.

There are currently more than 17,000 households in receipt of mortgage interest supplement from the State, at a cost of €70 million, and this is likely to rise. We can take no comfort from the relatively low level of house repossessions, given bank moratoriums and the time it takes for cases to come to court. The reality remains that unless something significant is done to assist homeowners in untenable situations, we face a tsunami of repossessions over the coming years as the ultimate conclusion of the process is reached. There is no point in ignoring the truth, which is that repossession cases are now stacking up like planes over Heathrow, and they will eventually come down to land.

In the face of this crisis, the final report of the mortgage arrears and personal debt group in November 2010, the Cooney report, was very disappointing. This report was an opportunity to put forward innovative recommendations that would provide long-lasting, real solutions for those who are in arrears and struggling to pay their mortgages. Instead, what we got was a range of proposals that tinker at the margins of the problem but go nowhere near addressing the challenges head on. It was truly disappointing to see that any element of debt forgiveness was ruled out point-blank by the group. The possibility that a local authority might lease a repossessed home from a lending institution, ensuring former homeowners could remain in their homes, was also excluded. The proposed measures focused instead on the old chestnuts of deferred payments and moratoriums on repossessions.

I am aware that Members of this House have proposed that the law be amended to enable private pension funds to be released for the purpose of clearing mortgage debt, a proposal worthy of consideration. However, it is important to bear in mind the age profile of those most affected by the current debt crisis and to note that they are the group least likely to have built up pension fund entitlements.

There are many excellent proposals in the programme for Government which will help alleviate the situation of distressed homeowners. For example, the establishment of the proposed personal debt management agency will be important in ensuring that borrowers get indepen-

[Senator Aideen Hayden.]

dent advice and that agreements are in the best interests of the borrower as well as the bank. However, when it comes to protecting the family home, the programme for Government accepts that the recommendations of the Cooney report are inadequate to address the scale of the current crisis and that the proposals in the programme are not exhaustive for dealing with the crisis of housing debt we face as a nation.

It is in light of this that I am urging the Government to consider a scheme whereby the State would purchase equity stakes in the homes of distressed owners who are unable to afford their current mortgage repayments and who have insufficient equity in their family homes to enable them to trade down. The homeowners would remain in their houses and pay affordable mortgages based on their incomes to their local authorities or to a housing agency designated by the State, based on a reduced equity stake in their homes. Such a scheme should facilitate homeowners to increase their stakes in their homes and increase their mortgage payments over time as their financial circumstances improve. This debt-to-shared-equity scheme could be based on the provisions of the incremental purchase scheme and on the principles set out in the Housing (Miscellaneous Provisions) Act 2009. The incremental purchase scheme, designed to assist eligible households in stepping upwards to home ownership, could be adapted to enable current homeowners to step downwards and purchase back the remaining equity as their circumstances improve.

A further scheme should be established, subject to certain criteria such as the value, size and location of dwellings, whereby the State may purchase homes of distressed owners who are in negative equity and unable to afford current mortgage repayments at a significant discount from the financial institutions concerned. Let us not forget that it was the financial institutions that were complicit in giving loans of unrealistic value to the homeowners of today. The homeowners would in time be able to repurchase their houses based on existing affordable housing or tenant purchase schemes.

Similar mortgage-to-rent and mortgage-to-shared-equity schemes have been established by the Scottish Government in response to the plight of distressed homeowners there. The homeowners' support fund supports these schemes and is designed to help owners who are experiencing difficulties paying any loans secured on their family homes. Applications to the fund are on a first-come, first-served basis. The amount of the fund is determined in advance based on the likely take-up by distressed homeowners and the amount of funds available to the State. It is not a blank cheque. Such a fund could be set up by the Irish Government, beginning with a pilot scheme. Furthermore, such a fund, if set up by the Irish Government, might attract international support, perhaps from our EU neighbours, as well as from members of the diaspora who are anxious to help in the current crisis. Moreover, these measures would be cost-effective, bearing in mind the cost of rehousing families who eventually lose their homes as a consequence of foreclosure. The Irish Government currently pays €70 million to support the mortgage interest scheme and €500 million — half a billion euro — to those claiming rent supplement, and these figures will rise. This scheme would prevent eventual repossession, alleviate human misery and bring confidence to the housing market.

It is important that any scheme is focused on those in most need, and full financial disclosure should be required in order to be eligible for State assistance. However, it is crucial that the terms of the scheme are not so narrow as to assist only a small number of households. This has been a criticism in independent reviews of the Scottish scheme. Over the coming years, the numbers in mortgage arrears will rise further. While it is not part of today's motion, debt forgiveness for unsustainable mortgages must also be considered.

It is important to remember that first-time buyers who purchased at or close to the housing market peak are most likely to experience negative equity and mortgage arrears. Very often,

these are households with young families. It is easy for those who bought their homes many years ago to be critical and talk of bad decisions and moral hazard. The fact is that the cost of an average family home exceeded ten times the average industrial wage in 2007. More fortunate Irish householders bought at a time when that ratio was three to four times their salaries, with many benefits that householders no longer enjoy, such as the first-time buyer's grant — which at one time represented almost a quarter of the value of a family home — and generous mortgage interest relief on the balance. We must be under no illusions: it is the young people of Ireland who bought in the last decade who are paying the price for this disaster. We must be careful to avoid the intergenerational strife that will ensue if we do not help them to keep their homes.

For those who argue against any interference with the housing market, it is important to bear in mind that the threat of mortgage failure affects the whole property market, the banking system and the wider economy. The current practice of relying on a moratorium on repossessions only perpetuates a zombie housing market. We must allow a line to be drawn so that our people and our economy can move on.

How can we handle this debt crisis? How we handle it will affect this country for years to come. For all the reasons I have outlined, to prevent human misery, to save money, to put faith back into the housing market, I urge Senators to accept this motion. Every statistic on a bank balance sheet represents a real family. It is the burden of sleepless nights, family breakdown, children in distress and the fear of homelessness that is the real cost being paid by families. We must take measures to relieve families of these worries and help them look forward to a better future.

Senator Marie Moloney: The dictionary definition of a “mortgage” is a legal agreement by which a sum of money is lent on the security of buildings, lands, etc. Unfortunately, today the majority would define a mortgage as equating to heartache, headache, stress and anxiety. Do I need to go on? The list of negative adjectives to match negative equity is endless.

While I appreciate that some banks are restructuring mortgages, far too many mortgages holders are still struggling. The nightmares that are mortgage arrears and negative equity do not call for flowery or up-beat language; the facts speak for themselves. Court proceedings, repossessions and the prison of negative equity are, unfortunately, part of our daily dialogue. Families are desperately trying to hold on to the family home by any means they can. I know of people renting out the existing family home while renting cheaper accommodation for themselves in an attempt to raise much needed funds. One family known to me, about to have their home repossessed, simply upped sticks and left the country rather than admit to anyone the pain, hardship and humiliation they felt. Some feel too ashamed, particularly young couples, about letting their families know they are in bother. Desperately trying to cling on to the family home, sometimes they end up resorting to all kinds of things. We now live in a society where fathers are forced to go abroad to seek employment just to earn enough to pay the mortgage, willing to make personal sacrifices to ensure a roof is kept over their family's heads.

We are now in a similar situation to the 1950s. A recently published report stated emigration to Britain is up by 25%. Alas, much of this can be accredited to the hardship and dire circumstances in which people with mortgages and negative equity find themselves. No other solution apart from emigrating seems open to them. The socio-cultural effects of this will soon ripple through our society resulting in fragmented families, inexplicable hardship and a destabilising of the most cherished part of our nation, the family unit.

Distressed selling is becoming a rampant event. Up to 416,000 home owners find themselves trapped in the nightmare of negative equity. Many people simply hand over the keys of their

[Senator Marie Moloney.]

homes to the mortgages providers and just walk away. This is indicative of a very sad situation and, indeed, reflects very badly on our society.

People who find themselves in these circumstances see no way forward. They will never be able to purchase another home. These individuals are highly vulnerable people with the stress and anxiety of their situation taking its toll. My main concern is that some people will not actually see a way out, blinkered by the hardship and frustration of their dire situation, and that the incidence of suicide could take an alarming rise. Consequently, this would put our mental health services under increasing pressure to provide services both to prevent and cope with such occurrences.

A caring, supportive and humane approach is urgently called for and is the only way forward to ensure people in this negative equity-mortgage arrears hell retain their dignity, their pride and, where possible, their homes. Local authorities are obliged to find alternative accommodation for people evicted from their homes. However, local authority housing stock is extremely low at the moment with few, if any, proposals on the horizon to construct new homes while the social housing list grows rapidly.

Unfortunately, there is no one-size-fits-all solution to this problem. Each case comes with its particular and unique set of circumstances. As a result of the recession, the State is incurring huge additional costs in housing support. It makes sense to keep families in the family home by providing help and assistance to them. If families have been forced to leave the family home to rent private accommodation, the possibility is that these families will qualify for, and will be in receipt of rent allowance, the cost of which has increased to over €500 million per year.

In the majority of cases the cheapest and best solution for everyone involved, the family, the bank and the Exchequer, is to keep families in their own homes. Senator Aideen Hayden referred to the Scottish Government's homeowners' support fund. A similar scheme should be established in Ireland to help distressed mortgage owners retain their family home. Scotland's mortgage to shared equity scheme is similar to Ireland's former shared ownership scheme. This scheme was successful in its day and could certainly work again. Under the mortgage to equity scheme, distressed mortgage holders, following an assessment, are required to repay the percentage of the mortgage that they can genuinely meet from their household income. The balance is paid by the Scottish Government, giving it a stake in the property until such time as the home owner can take on the full amount of the mortgage again.

A scheme similar to Scotland's mortgage to rent scheme would entail a considerably larger amount of money from the State as the local authority or housing agency would have to purchase the full amount of the mortgage and the home owner would remain *in situ* as a tenant.

Each of the above schemes, which I recommend the Government evaluate, would take the pressure off the social housing list and allow families to remain in the family home, providing them with a sense of dignity. While this will take cross-departmental and bank co-operation, it can be and must be achieved. The establishment of a scheme to help distressed mortgage holders based on the Scottish Government's schemes would be a sustainable way forward to alleviate the pressures under which people find themselves.

If we can bail out our banks — the same banks that encouraged and promoted 100% mortgages to young couples — it is high time that we bail out our citizens. The banks should be obliged to and must participate in the recovery of our economy and help to establish a homeowners' support fund.

Will the Government consider the possibility of putting the funds from rent allowance it would have to pay if a couple were obliged to give up the family home and rent private accommodation towards the cost of these schemes proposed by the Labour Party Senators?

The proposed personal debt management agency should be fast-tracked through the Money Advice and Budgeting Service, MABS, as an approachable, impartial agency whereby distressed mortgage holders can avail of the services of trained personnel with expertise in debt management, to negotiate with their lenders, where an efficient, speedy and professional assessment of their personal debt can be carried out and the best solution to address the problem of distressed mortgage holders determined. People in such circumstances should not have a credit blacklisting either.

This mortgage crisis is not only having a devastating impact on those affected by it but also on the wider economy. If social justice exists, can we please apply it to this crisis? Our citizens are crying out for help, a plea that cannot be ignored and must be acted upon before it becomes an even larger crisis. I, therefore, strongly recommend and second this motion in an effort to address this matter in a positive manner, offering those affected some hope and a light at the end of this horrific tunnel.

Senator Darragh O'Brien: I welcome the Minister of State, Deputy Brian Hayes, back to the House. I know he enjoyed his time as a Senator but he is nearly becoming a permanent fixture here.

While Senator Aideen Hayden can tut all she likes, I assure her we will keep party politics out of this which is why we have not tabled an amendment to the motion. It is an important motion but a broad stroke on debt forgiveness can be a dangerous thing. As no costings have been associated with the motion's proposal, I am interested to hear the Minister of State's response. If debt write-downs are to be given to certain mortgage holders, particularly those who have them with the nationalised or practically nationalised banks, we will be looking at another write-down for the banks. To fill that hole, the Exchequer would have to seek further bank recapitalisation funds which will inevitably come from the taxpayer.

I would not dismiss the Cooney report on mortgage arrears out of hand as some Members have as some of its recommendations need to be examined. The bottom line is what the Government can afford to do. We need to be careful about flying kites on this issue although I am not suggesting that this motion is one.

There is a need to send out a message that we can move quickly to address a very difficult situation which is probably only going to get worse. In the next 12 months there will probably be four or five further increases in the ECB rate. There are those who are already struggling to meet their mortgage repayments. Thankfully, however, the majority of people remain in a position to do so. Whatever action it takes, the Government must ensure that those who are paying their mortgages will not be left to carry the can for those who are not.

The 12-month moratorium was a step forward. The mortgage interest supplement cost the State approximately €70 million. I am of the view that there is scope to increase that further, particularly when one considers that the figure for rent supplement is over €500 million. When people approach financial institutions or banks and outline the difficulties they are experiencing in terms of meeting their mortgage repayments, the banks are sending these individuals to the Department of Social Protection. The first port of call in such circumstances should be the banks, via the moratorium. It should not be the taxpayer, the Department of Social Protection or the HSE.

There is an immense amount of stress for people who cannot meet their mortgage repayments, especially those who find themselves in negative equity. That is why I welcome the motion. My constituency, Dublin North, has been the fastest growing area in the country during the past ten years. Many people have established their first homes there, either houses or

[Senator Darragh O'Brien.]

apartments. Friends of mine are now literally stuck with one-bedroom apartments and they and their partners cannot start families. They have no way of getting out of the situation in which they find themselves. This gives rise not only to financial difficulties but also to social problems and it also causes great distress in areas.

We must consider the introduction of a mechanism in respect of this matter. This was covered to some degree in the context of the deferred interest aspect of the Cooney report. We must go further than what was suggested in the report, particularly in circumstances where people wish to trade up. Other jurisdictions have examined the possibility of also parking the negative equity portion. There will be no one-size-fits-all solution to this problem. I accept that those in the Labour Party appreciate that fact. I investigated the Scottish scheme when the motion was tabled and I am of the view that this scheme appears to have merit. However, the cost involved is crucial in the context of the amount the State can bear. If the State cannot bear it, then we must discover how much the banks can bear. In my view, the banks should be the first port of call.

There must be certainty in the market. I accept that these are bleak times but matters will approve in time. People need to know if property prices have hit bottom. Perhaps the Minister of State will indicate the position in that regard when he makes his contribution. Experts have different views on whether they have bottomed out. The Property Registration Authority of Ireland, PRAI, index of house prices was announced some months ago. It is extremely important that certainty be brought to the market and that an indication of the prices being achieved at sale be provided. Many experts state that there is value in the first-time buyers market.

Unless we come to grips with this matter soon, there could be another housing bubble in three to four years. A recent independent report carried out by an expert group indicated that there is only 18 months worth of housing stock remaining in the city and county of Dublin. Many young and older couples are stuck in apartments and cannot trade up to houses. When the banks return to a position of liquidity — this will happen in time and I hope it will be sooner rather than later — there will be a rush to purchase the houses to which I refer. How will we ensure that there will not be double-digit increases in house prices? How will we also ensure that people will not be obliged to chase after the game? Four years from now we could be dealing with a situation where this will be a serious problem in certain major urban centres. Building has stopped, and rightly so, but we must consider the position with regard to the type of existing housing stock that is in place.

On the moratorium and how it is being operated by the banks, unless the State can show that it can bear the burden of a debt forgiveness type of arrangement I would prefer if a deferral of interest scheme were introduced. The former type of arrangement would pose problems in the context of existing mortgage holders who are in a position to continue to pay their mortgages.

I wish to comment on the Housing Finance Agency, HFA, and the suggestion that, as with the Scottish scheme, the State might take an equity stake. As the Minister of State, Deputy Brian Hayes, is aware, the Minister of State at the Department of the Environment, Community and Local Government, Deputy Penrose, has effectively scrapped the construction of any new affordable housing. I have both anecdotal and real evidence that when people are seeking reductions in their mortgage repayments, the HFA is more difficult to deal with than many of the banks. Last month, it announced a 0.5% increase in its lending rate. There are those in affordable and shared-ownership housing schemes who are already struggling to meet their repayments. That is one aspect of the matter which is not specifically covered by the motion. That is fine but those to whom I refer are finding it extremely difficult to deal with the HFA

and their local authorities. The banks are stuck with the 12-month moratorium and the attendant code of conduct and are obliged to try to assist mortgage holders by reducing their repayments, but that is not happening elsewhere.

I welcome the motion tabled by Senators Hayden and Moloney. It contains many good elements. What is the Government's view on the Cooney report? Is it the Labour Party's view that the report has been binned or is it the Government's opinion that there are aspects of the report which should be dealt with. I caution against blanket debt forgiveness. While the intentions behind such forgiveness are good, it might give rise to further difficulties in the future. In general terms my party welcomes the motion and takes it very seriously. In that context, a number of my colleagues intend to contribute to the debate on it. Will those on the Government side indicate, in the context of the timeframes involved, the steps that will be taken regarding the bringing forward of further initiatives in respect of stressed mortgages?

Senator Michael D'Arcy: I welcome the motion. I welcome the fact that we are engaging in a good debate on this matter, which is giving rise to carnage among families throughout the country.

There are certain issues with which we must deal. The first of these relates to what constitutes a home and what constitutes a family home. In the context of the Celtic tiger — and to paraphrase a former US President — some people inhaled more than others. The 10% of households with mortgages that are in difficulty are second homes. Those who own them should never have been given loans in the first instance. In such circumstances, banks which lent recklessly should take on the deficit that exists.

I do not wish to rake over the ground covered by Senator Darragh O'Brien. However, it is not possible to ignore the circumstances in which we find ourselves. Our national debt is €100 billion and our deficit this year will be €18 billion. The recapitalisation of the banks cost €70 billion and €35 billion has been paid out on NAMA bonds. When these figures are added together, our overall debt is approaching that of Greece which is on the brink of defaulting on its loans.

My major concern with regard to debt forgiveness is that the taxpayer will be obliged to carry the can. If the latter occurs, will it be the straw that will break the camel's back? Will it push Ireland beyond Greece into the worst position financially within the EU and will that, in turn, prompt the markets to come after us and increase our yields?

There is a need to put a floor in place in respect of the housing market. The only entity which can do this is NAMA. There has been a great deal of discussion about NAMA on the Order of Business in this House. During the lifetime of the previous Government, as a member of the Committee of Public Accounts I had the opportunity to table questions to the most senior official from NAMA. The difficulty with that agency is that it is, in effect, a secret society. We do not have access to the information that is required and NAMA will not release it. As already stated, it is crucial that a floor be put in place in respect of the property market and the only body which can facilitate this is NAMA.

NAMA owns an alarming amount of housing stock at present. Until it decides to put in place a floor in the market by putting a substantial number of properties up for sale, we cannot move forward. When that floor is put in place, the housing sector will be in a position to advance. New mortgages on 11,000 homes were approved in 2010. A similar figure is expected for 2011. That is where we were with a population of more than 1 million fewer people in the 1970s. To put that into context, the numbers receiving mortgages are proportionately considerably less now than they were then.

[Senator Michael D'Arcy.]

We need to consider who should benefit if the State is to assist people who are in financial difficulty with their mortgages. Under no circumstances should the State step up for the people who participated — who inhaled fully as I described it. The taxpayer should not give any type of a helping hand to those who bought a 4,000 sq. ft. mansion and had a very modest income. The banks were reckless, but some individuals were also reckless. Under no circumstances should the State step up if somebody bought a large car and put it on the mortgage. We know of other people who were enticed by the banks to bring the family on a round-the-world trip. The State cannot help out those people. While that might sound cold or harsh, that is the reality.

Although we are stretched to the limit, the State must assist the people who have done it properly, and who bought their first homes at the peak of the housing market and now find it does not suit their family. It might have been a two-bedroom apartment of 700 sq. ft. to 800 sq. ft. originally occupied by one person and now has two people and perhaps children. The State must facilitate those people in some way. I am not saying I know for certain because I do not believe anybody knows for certain the right way to do it. However, we cannot facilitate the people who went beyond the beyonds. Those people have personal responsibility for what they did in that period. I feel sorry for them and it will be difficult. I do not know how many of those people are in the 10%. I would like to know where that information is.

The rent supplement is a misnomer because it really has nothing to do with rent. I have come across many landlords whose tenants are getting rent supplement but do not pass it on to the landlord. It is a social welfare payment that is called rent supplement and costs €500 million a year. NAMA is actively trying to offload properties. With that amount of rent supplement the State could use it better and take on board those properties and factor in people who will lose their properties. The State is purchasing nothing at this point. All activity in the local authorities via the Department is for leasing; there are no purchases. That is a mistake at this point when property prices are low. If we can take the opportunity to take over properties that are low in price, we should do so.

I conclude by saying that some people need to be helped and others should not.

Senator Marc MacSharry: I wish to share time with Senator Byrne.

An Cathaoirleach: Is that agreed? Agreed.

Senator Marc MacSharry: As the Leader of the Opposition has said, we are supporting the motion on the basis that this is a very important issue. I deeply regret Senator Hayden's comments at the beginning, because as a member of the previous Seanad, I pioneered this issue in the entire Oireachtas with the establishment of the Prevention of Family Home Repossessions Group and its website www.saveyourhome.ie. Some Members from the Senator's party contacted me for a briefing on the issue today. I can assure her that this is an issue that is most important to those on this side of the House.

In order to reflect a number of the key aspirations and goals of the Prevention of Family Home Repossessions Group, which was established back in March 2009 before any of the groups we read about today, it is our intention to introduce four Bills in the coming months, the first of which will be initiated in this House to show that this party is also the reformist party in the context of the Seanad following on from the very good motion and debate we had on the issue in recent weeks. If Senator Hayden checks the record of the House from the last Seanad, she will see I regard this as the biggest challenge. There can be no more important consideration than the protection of the family and in that context the protection of the family home. It is the single most important challenge for the Government to meet as it was for the

previous Government. When the group was established in March 2009, we presented our proposals — which I shall outline briefly in a moment — to the former Minister, the late Brian Lenihan. He followed on by establishing the expert group on mortgage arrears and personal debt chaired by Mr. Hugh Cooney. The extent of its recommendations is disappointing and the legislation we will introduce will go a step further.

We also managed to get cross-party agreement through the then Joint Committee on Finance and the Public Service for the group's proposals in trying to give some element of security and protection to the people. Of course there have been codes of conduct, mortgage arrears resolution processes and others, all of which are welcome, and many of the financial institutions have shown some restraint. Having said that nothing exists on a statutory basis to give the kind of protection families need and deserve. I cannot emphasise enough the absolute commitment of each individual from all parties in this House to this issue in the last Seanad. In the last Seanad Senator Healy Eames made some proposals as did others.

In her opening remarks Senator Hayden rightly said she did not wish to be political, in which case she should not be. There is no need to say that Fianna Fáil is connected to developers or anything like that. I, as a person elected to these Houses, began this process, not to steal credit from Senator Hayden, her organisation or her party, but to show my responsibility as a citizen of this country reflecting that this is the most important issue. When the legislation is introduced in coming weeks, I look forward to all Members of this House putting their best foot forward to ensure the legislation passes, not only as the first all-party agreed Bill, but also as the first legislation that gives real protection to the family home and families throughout the country, who, as the Senator has so admirably pointed out, are under so much pressure today.

The core of our proposals and those of the Prevention of Family Home Repossessions Group is effectively to amend the Enforcement of Court Orders Act to prohibit the granting of a court order for the repossession of a primary family residence without: an independent assessment of existing repayment capacity being outlined to the court; independent analysis for the court of the original underwriting and application quality; and a range of alternatives such as those in the code of conduct but put on a statutory basis as well as extending mortgages for up to 20 years. While those are examples of our proposals, there is obviously more in it. As the Leader has pointed out there is absolutely commitment from every Member I have known in these Houses — certainly in the previous Seanad and I hope in this one. I hope we will be in agreement. When the time comes Senator Hayden should put her best foot forward and support the legislation to give the families the support they require.

Senator Thomas Byrne: I also forgive Senator Hayden because she was probably not aware of a report I co-authored with the former Deputy, Olwyn Enright, in the Joint Committee on Social Protection, where the Fianna Fáil Party did considerable work on this issue. One of the original aims of Fianna Fáil was to establish as many families as practicable on the land. While that is now an unfashionable aim, the corollary is that those families have homes. The family home is crucial to this party as it is to every party and it is not acceptable to tar us with that brush.

As has been said, the report of the group chaired by Mr. Hugh Cooney was disappointing. There are many possible solutions, a number of which are very worthy, including the mortgage to rent and the mortgage to shared equity schemes in Scotland. They are referred to in the report I drafted with the former Deputy, Olwyn Enright, but they have a cost to the State. However, why should the State bear this enormous cost? The banks should bear this cost and there are solutions that are cost free to the banks and work for everybody. In the course of compiling my report for the joint committee, the chief executive of a financial institution was able to outline a win-win situation in which the banks and families could gain. We cannot just

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add to value of the bailout for the banks, we must also consider the other side of the equation and the cost. It is all right to say we have good news but we must determine the cost and where we will get the money. That is the most appropriate approach.

The previous Government kept the rate of repossession at a global low. The rate of repossession in Ireland is much lower than that in any other country with an equivalent property bubble — that is a fact. The Minister is agreeing with me now, yet, when Fine Gael and the Labour Party were in opposition, they put the fear of God into families day in, day out, implying that their houses would be repossessed. With the codes of conduct, which are not statutory, as Senator MacSharry rightly pointed out, the rate of repossession is low. This is on the basis of action we took. We must go a step further, however, as the motion calls for. That is why we are willing to support the motion but I fundamentally believe the cost should not be incurred by the State but by the banks. There are solutions that are cost free or of as low a cost as possible.

Senator Jimmy Harte: I wish to share my time with Senator Higgins.

An Cathaoirleach: Is that agreed? Agreed.

Senator Jimmy Harte: We should not examine the history of what has happened but what we can do about it practically. As with any problem, sitting down with the person affected is a big step. Organisations such as MABS should be given more support or resources. The last place a young couple with mortgage difficulties wants to go is back to the bank that gave them the money in the first instance because the bank's first duty is to itself and the shareholders. The bank will try to screw the couple again in some other way by getting the last penny from them.

The motion deals with a solution based on the Scottish model. I appreciate the Opposition's point about a cost to the State but ultimately, the State will have to pick up some part of the cost because we do not have a choice. If interest rates increased unilaterally throughout Europe, an increase of 2% or 3% would knock most people over the edge. We should, therefore, give more resources to MABS and get people talking to the banks through an intermediary that can help them get over their difficulties.

Many difficulties are caused by people having large personal debts other than mortgages, such as credit card debts, car loans or credit union loans. The combined value of such debts can amount to twice the value of the mortgage. We must consider both types of debts together. If many mortgage holders paid off their personal debts, their mortgages would not be a problem.

Negative equity is never a problem unless one needs to sell one's house. Many people have no notion of moving in this climate. If they could repay their mortgages, they would be quite happy. What is happening, however, is that they are being dragged down by other personal debts, such as car loans, credit card loans and other term loans.

We must not allow people to get into a position where they feel their houses could be repossessed. This is the ultimate fear for any family. No parent wants to tell his children that they must leave their home because he cannot afford to pay the mortgage. While members of the family may be working hard and still have a job, they may not be able to keep their house. We must consider ways of helping couples psychologically so that they will know there is somebody to help them in their distress. We all know the cliché, "A problem shared is a problem halved". We must be both practical and compassionate when we speak to people in the position I have described.

Senator Lorraine Higgins: I endorse the views of my party colleagues, who have all presented fair and reasonable arguments for addressing the current crisis affecting up to 200,000 homeowners. As we are all very aware in this House, people are under enormous pressure owing to their mortgages, unemployment and, in many cases, the Revenue Commissioners. However, people in financial difficulty with their homes usually have the same difficulty with their personal loans, credit cards, car loans, etc.

I want to make two related points on the motion that I believe should be considered. First, I propose that we legislate as soon as possible to address the findings in the recent paper by the Law Reform Commission on personal debt management and debt enforcement. In particular, I would like to see an examinership-style relief being made available to individuals. This relief is available to limited companies experiencing short-term problems meeting their debts as they fall due. Generally they are afforded court protection for up to 100 days from their creditors pending a decision of the courts with regard to their long-term financial viability. Individuals should be afforded almost a year's protection, if at all possible. We must act as this is a matter of urgency. There are many innovative and skilled people who are currently struggling to make ends meet in this crisis and they will not survive. Legislation of this nature needs to be drafted and implemented as soon as is reasonably practicable.

The taxpayers of Ireland have bailed out both AIB and Bank of Ireland to the tune of billions of euro, yet these are the same people who are pushed to the brink by these institutions when their mortgages are in arrears. If we are in arrears, we are threatened with repossession. If our property is repossessed, it ends up on the market for sale, generally at a lower price than the amount owed thereon. If the market is aware that the property is repossessed, the property will attract a lower price. We should stop this practice and consider ways of helping people who are in financial difficulty. I propose that both the aforementioned banks consider the possibility of remortgaging their properties at today's market prices. This would be a win-win situation as it would ease the burden for the mortgagor and eliminate bad debt from the banks' balance sheets and crystallise their losses. We need to take such steps sooner rather than later because there are people who do not have time on their side.

Senator Kathryn Reilly: Sinn Féin welcomes this motion. Every Member recognises the problems facing homeowners today. Circumstances have deteriorated further since the motion was published. The Central Statistics Office reported that house prices continued to fall this month by 1.2%, by comparison with 1% in April. There was a fall of 12.2% over the year. There seems to be no end to the decline in property prices and to increases in negative equity. The ESRI suggested some time ago the properties bought in and around the peak of the boom will realise their mortgage values by 2030, but this is now seriously open to question given that a generation has already been condemned to negative equity.

Of immediate concern is the number of families facing mortgage distress. The latest figures indicate that 86,271 mortgage holders are classified as being in serious distress. This includes defaulted and re-negotiated mortgages. Therefore, in excess of 11% of all mortgage holders are in difficulty. This represents an increase of 6,000 in the first three months of 2011, which implies 500 families are falling into serious mortgage distress every week. Some 500 additional families, therefore, have been forced to default on mortgage payments to pay for food, heat and other expenses. This is a choice we should not have to place at the door of citizens.

While the number experiencing distress is increasing, the crisis is deepening. Some 49,609 mortgages are in arrears for more than 12 weeks and, of these, 35,000 have been in arrears for more than 24 weeks. As other contributors have stated, we must look beyond these figures and at the reality experienced by the individuals, families and communities behind them. We need to consider the plight of individuals and families suffering within communities who took out

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loans in good faith and with the support of the Government. Families are now struggling to pay back inflated mortgages for properties worth only a fraction of those values. This is a national emergency and the lack of action to date is a disgrace.

If we compare the circumstances of mortgage holders to those banks and unsecured bondholders, we will note a stark contrast. Four weeks ago, with Government consent, AIB paid €200 million to unsecured, unguaranteed bondholders, a sum well in excess of that set aside for job creation. Last week in New York, the Minister for Finance, Deputy Michael Noonan, threw some shapes in respect of the bondholders of Anglo Irish Bank and Irish Nationwide. We welcome this initiative and hope burden-sharing will become a reality and not just remain the subject of rhetoric. When the Minister returned to Dublin a few days later, he and the Taoiseach ruled out of a similar approach for other banks.

The value of unsecured, unguaranteed bonds in the other banks is €13 billion. The current value of all distressed mortgages is estimated to be €12.5 billion. The value of the unsecured, unguaranteed bonds could completely clear the mortgages of the 86,000 families in distress. Such is the scale of the money going to the bondholders. While this money is being handed over and the banks' debts are being honoured, negative equity mounts and the number of families in mortgage distress increases. We need to ensure the Government's definition of burden sharing does not mean rewarding the bankers or banks while a generation is condemned to debt. To many families throughout the State, the priorities of the Government come across as being the bondholders and not the householders.

We have to examine the Government's capacity to end this madness and bring some relief to families facing real distress. The approach taken to date has been to kick the problem into the future, for example, through promoting the rescheduling of debt whether through moratoria or interest-only payment schemes. While this does provide some short-term relief for those in mortgage distress, it will not provide a long-term solution. We must reflect again that this issue is not a housing problem. It has wider implications for the economy and society. It impacts on consumer spending and it puts growth at risk.

There is an opinion that the Government is continuing the failed pretence that this debt burden is sustainable while it is introducing additional costs on families and targeting the wages of the lower paid. We must consider this against the backdrop of the ECB interest rate hikes coming next month. We need to change this. We need to break the cycle of debt, austerity, reduced growth and increased mortgage distress.

Sinn Féin supports the concerns of the proposers of the motion but it falls short in some areas. It proposes that the Government, comprising Fine Gael and the Labour Party, should consider doing something on the issue but time is too short for the 500 new families moving into mortgage distress every week. We need the Government parties to commit to acting. Similar to Fianna Fáil, Sinn Féin will launch proposals for tackling mortgage distress.

We need further public policy debate on this issue to explore seriously negotiated loss-sharing involving mortgage holders, mortgage lenders and, crucially, wholesale funding markets. This will require legislation and I urge the Government to bring forward proposals prior to the summer recess to address this problem. Failure to act now will mean that thousands more families will fall into arrears and possibly lose their homes. The broader costs to the economy will skyrocket and action needs to be taken. The sad reality is that the choice being faced by some families is between food and a roof over their heads and this is not a choice we should put before the people of the State.

Senator Cáit Keane: I welcome the Minister of State, Deputy Brian Hayes, to the House. This is a very important issue. In Ireland, speaking about houses and land is close to every-

body's heart. No one depicted better than John B Keane in "The Field" how important a field is to a person. Considering this, how much more important is one's house and home? I differentiate between house and home, as has the motion. All of the phrases in the motion depict "home owners" and not "property owners" or "speculative borrowers", who may own more than one home. We must concentrate on the motion as being about home owners in distress.

I listened to Senator MacSharry and I know by the way he spoke that he feels very strongly about this. None of us can claim we are not sorry for home owners who are in distress. Anybody with a heart must be sorry for them. However, we must ensure any regulations introduced will help home owners in distress but will also consider the bigger picture, as must the Government, in the parameters of the finance available.

I will now speak about the Scottish scheme being implemented, which is akin to schemes here. Senator Hayden mentioned the shared ownership scheme and if this scheme were extended to people in real distress, it would be a similar type of scheme. It is not only the Scottish people who thought of doing this; we in Ireland have the shared ownership scheme. The motion is asking the Government to propose to examine ways of dealing with the issue. It does not state we must do A, B or C immediately. It is only by collective thought, innovative thinking and examining the matter further that we will come up with the correct proposals. Perhaps the Scottish shared ownership scheme would not suit the Irish system. We might find a flaw or that Ireland is too different.

Under the RAS scheme, a local authority takes a house from a person and rents it at a defined rent for a certain amount of time. This scheme could be extended. There are innovative ways we could examine helping distressed mortgage holders. However, everything must be examined in the context of the finance available.

The Scottish scheme takes into consideration the financial capital of the person. Senators Hayden and others quoted statistics on how many home owners were in distress. However, what have not been quoted are statistics on financial capital. Senator D'Arcy spoke about people in two bedroom houses not wanting to see people who own castles being bailed out. Correct me if I am wrong, but we do not have statistics on the financial capital of the people in real distress. They may be in distress with regard to their home ownership, but they may have a Mercedes down the road which they could get rid of. There is something in the financial capital aspect which must definitely be taken into consideration. Debt forgiveness and home ownership versus property ownership and the option to trade down must be taken into consideration.

The programme for Government lists many matters being examined at present and perhaps the Minister of State will speak about them, but at the risk he will not I want to put them on the record of the House. These matters including increasing the length of the moratorium on the repossession of modest family homes where a family makes an honest effort to pay the mortgage, and that fast-tracking personal bankruptcy reform is needed to bring it into line with best international practice such as introducing a flexible discharge period for honest bankrupts. Senator Higgins referred to something similar.

Another measure is converting the Money Advice and Budgeting Service, MABS, into a strengthened personal debt management agency with strong legal powers. We all know the great work that MABS does and this is a very welcome proposal. The agency would support families making an honest effort to deal with their debts, including non-mortgage debt, and providing protection from creditors where appropriate so they have time to sort out their affairs. Often, people given extra time can sort out their affairs. The measures also include ensuring the mortgage interest to supplement supports families.

An Cathaoirleach: The Senator has one minute.

Senator Cáit Keane: The programme for Government includes initiatives, and I will give Fianna Fáil credit for what it did in the past, which was mentioned by Senator MacSharry. Schemes are being examined and I ask the Minister of State to elaborate on personal debt, support for those who need assistance, mortgage interest supplement, MABS, the code of conduct for mortgage relief — which is not on a statutory basis but could be, and it is hoped it would not be needed for very long — lenders being prohibited from moving from existing tracker mortgages, borrowers in arrears who co-operate and harassment of borrowers through unsolicited communications being outlawed.

The Cathaoirleach said I had one minute.

An Cathaoirleach: That was one minute ago.

Senator Cáit Keane: I will be good and I will sit down. We all need to take this motion seriously. Nobody owns sympathy for mortgage owners as everybody feels sympathy for them.

Senator Averil Power: I welcome the opportunity to speak on this very important issue, particularly for many families throughout the country. I thank Senator Keane for acknowledging the work done by the previous Government on this issue. The Minister of State appeared to accept that the introduction of a moratorium on repossessions has meant only a small number of repossessions have been carried out. This has given policymakers a breathing space to work out a better long-term framework, while offering an immediate response to widespread concerns that thousands of people would lose their homes overnight. I welcome the proposals in the motion in this regard.

The previous Government also established an expert group on mortgage arrears and personal debt. The group has provided policymakers with a range of options which have worked internationally. I am pleased to note the interest shown in this matter by Senators on all sides. The issue before us is not party political. All Senators will know families who are under pressure and will have family members, as I do, who have lost their jobs or had difficulty paying their mortgage. As Senators Byrne and MacSharry noted, it would be great if legislation proposed by the Fianna Fáil Party was to secure cross-party support. If this Bill were to become the first legislation to secure cross-party support, it would send out a signal that Senators are moving beyond party politics and working together to address the issues affecting the daily lives of citizens.

On a related issue, I am concerned about the substantial level of waste associated with the mortgage interest supplement. Under this social welfare payment, the State subsidises interest payments if a person cannot pay his or her mortgage. Paying interest on social welfare recipients' mortgages to banks is not a good long-term solution. The scheme, which was introduced when few people had difficulties paying their mortgage, has mushroomed in recent years. I ask the Government to introduce a new mechanism requiring banks to offer mortgage holders alternatives, including payment holidays. The mortgage interest supplement is not an efficient use of taxpayers' money.

A problem faced by people struggling to meet their mortgage repayments has been brought to my attention. Families in arrears of €30,000 or €40,000 face eviction and the loss of their home. While the numbers involved are relatively small — the moratorium, as I noted, has been effective — the families in question, particularly those with children, are under major pressure. I understand some local authorities will not permit people in such circumstances to apply for social housing on the basis that they are private homeowners, albeit in a notional respect given that they have an unpaid and unpayable mortgage. We must have coherence between national

and local authority policies to ensure no one falls through the gaps as a result of poorly thought out regulations at local level which do not reflect the great work being done at national level. I ask the Minister of State to consider the points I have raised.

Senator John Whelan: I wish to share time with Senator John Kelly.

I thank the Minister of State, Deputy Brian Hayes, for attending this debate to listen to our earnest views on this important issue. I am grateful to colleagues on all sides for offering cross-party support for the motion and adopting non-partisan positions on what is a serious matter.

While the longest day of the year fell this week, one needs to spend time on the dole if one wants to know how long days feel. I do not know if any of the Senators present had the misfortune and experienced the indignity of spending time on the dole. Having spent the past three years unemployed, I know all about long days.

Three years ago, I wrote that the fear of losing one's home is much worse than the shock of losing one's job. The motion does not propose debt forgiveness for speculators, landlords or people who bought properties off plans with a view to making a quick profit by selling them on. It refers specifically to family homes.

One hears a great deal about gravy trains and people ripping off the social welfare system. While I do not deny that some people do not have any scruples in this regard, my personal experience of the social welfare system was that I received €70.80 per week for 18 months prior to entering the Seanad because my wife was working a three-day week. This sum does not suggest I was on a gravy train, nor would one be able to pay much of a mortgage with it. People find themselves unemployed not through any fault of their own but because they lose their jobs. I believe the number of people who are unemployed is much higher than 450,000 because this figure does not take account of many self-employed people who have closed their businesses or shops and did not join the live register.

I commend Senator Hayden for introducing the motion. Forbearance is important but it is not a solution. While I accept Senator Darragh O'Brien's point that it is important to contact one's bank when one is in financial trouble, people who find themselves in difficulty are aware that their local or regional bank manager will not have any say in the matter. They will be referred instead to a head office in Dublin where no one will answer their telephone calls. They will be treated as a number and offered a six-month arrangement under which they will pay interest only on their mortgage. This is not a solution because without a structured and considered response the train will hit the buffers at the end of the six-month period.

The issue before us is not about the European Union, International Monetary Fund or macroeconomics but about thousands of personal tragedies which are unfolding nationwide each week. I will not take up Senators' time by cataloguing the details of various cases other than to note that on Monday last a woman in Portlaoise informed me that she had deferred buying a cheap roll of new wallpaper for her sitting room because she was not sure if she would still be living in her home at the end of the summer. Her partner had taken his life in August last year and she did not have any means to pay her mortgage. For many people there is a fate worse than death, namely, living in perpetual debt without seeing any light at the end of the tunnel.

Many individuals are under severe pressure and do not have any means to cope. This motion is a genuine attempt to provide a structured, fair and sustainable solution to a major problem. One glaring omission in the debate, both inside and outside the Oireachtas, has been the failure of the banking industry to produce a single, positive or constructive proposal. Despite the many consultants, executives and economists employed in banking, the sector has not produced a single model to tackle the problem. They are obsessed with covering their bad decisions. A

[Senator John Whelan.]

high political price has been paid for the problems that have occurred and shareholders and investors have also taken it in the neck. The only group that has not been held to account are the chief executives and senior officials of the banks. Does the Minister of State believe it is acceptable that those responsible for the collapse of the banks, which have effectively been nationalised, have not been held accountable? I favour the proposal made by Mr. Mike Soden, a member of the Central Bank commission, that bank directors, governors or senior executives who were involved in the banking collapse should not be in their posts.

It is remarkable that Bank of Ireland lent more money between 2003 and 2008 than in the entire previous century.

An Cathaoirleach: The Senator is eating into Senator Kelly's time.

Senator John Whelan: In that case, I will conclude my contribution. The motion is a genuine, non-partisan effort to find a solution, part of which must be that those in charge of the banks, who were partly responsible for causing the problem, should not be left in their posts. I ask the Minister of State to address this point.

Senator John Kelly: I welcome the Minister of State to the House. I will briefly discuss the steps we should take to address reckless lending and borrowing. Prior to becoming a Senator I was employed as a community welfare officer. I dealt with many of these cases, including one which involved a young man who had borrowed €187,000 from one institution. Having paid his mortgage for a couple of years, he decided, on the basis that money was easily available, to pay off his van loan and three credit card debts and pay €30,000 for his wedding. He went back to another institution and it loaned him €250,000. In his application for this amount, which I have seen, he clearly stated his income from a job in the construction sector was €2,500 per month. He gave no evidence of it and there was no evidence on file; it was all verbal. The repayment for that mortgage over 40 years was €2,600 per month. He subsequently got married and now has children. His wife is not working and he is on social welfare. There is no way this man will ever be able to repay this mortgage.

I blame the institution, although some people could say it is also reckless borrowing. If I make an application for a job, somebody will examine my curriculum vitae and say either "Yes" or "No". The same applies when one seeks to borrow this amount of money. One might be reckless in seeking it but the bank should be responsible and clearly state that one is not able to repay it and refuse the loan. The banks did not do that. Where similar cases to the one I have described arise I propose that the bank be penalised for it. In this case the bank gave the man an extra €63,000, a mortgage of 140%. The banks should be penalised, not the people. The people are not responsible for it, just the banks.

Although the Money Advice and Budgeting Service, MABS, does a great job, it is dealing with the reckless institutions that gave out the money in the first place, and it can only go so far in that regard. I also do not believe the Financial Regulator can deal with this issue. There was talk about establishing a debt management agency. I believe it should be neutral and adjudicate on issues such as this. Where it clearly sees the situation I have described today, the banks should pay the price for it. Abraham Lincoln once said that one should not expect the people who caused the problem to be the ones to fix it, because they would not. We need to establish a separate agency to deal with these situations.

Minister of State at the Department of Finance (Deputy Brian Hayes): I am grateful for the opportunity to participate in this important debate and I congratulate the Labour Party Senators for putting down the motion and instigating it. Nobody has a fount of exclusive wis-

dom on this issue. It is an enormous problem. Thankfully, the problem is still small in terms of repossessions in the last number of months but it will undoubtedly be with us for some time to come. What this Oireachtas and committees of both Houses must do is work with the Government on a cross-party basis to try to address the problem, to learn from international best practice and examine what has worked in other countries. It is not easy or simple; there is no magic bullet. Anybody who pretends there is a cost-free solution to this issue is delusional, given the current position of the public finances.

If we are honest, the primary task of the Government in its first 100 days in office was to try to get the banking system working again and to generate some confidence in the country. We need a banking system that works to boost the domestic economy, and the big decisions taken by the Government in the first 100 days related to the bank restructuring plan, the jobs initiative and the comprehensive spending review being conducted by the Minister, Deputy Brendan Howlin.

However, I assure Senators that the Government is actively examining the issue before the House this evening. We accept that a package of measures must be introduced and that a variety of solutions is required. There is no single solution that fits all situations. We are anxious to listen to and work with colleagues on a means of bringing forward a workable range of solutions to meet the needs that exist within the depressed housing market. As Senator Keane said, the programme for Government puts forward a number of proposals but they are by no means exclusive or exhaustive. We are open to suggestions from all sides. We want to work with people to ensure that solutions can be found.

One of the key parts of the banks restructuring plan was to demand certain conditions of the banks, which we have recapitalised again to the extent that they are now more capitalised than Swiss banks. One of those conditions is to bring forward plans for more cost-effective and smaller banks, but banks that will be able to control their costs. If we do that, we will be in a better position to seek from those banks a much greater focus on mortgage protection for those people who are in difficulty at present.

I fully agree with the comments made by Senator Whelan. The banking sector was absolutely responsible, with others, for getting over 400,000 people into their current mess. Traditional banking methods were thrown out the window. The get rich quick scheme was the order of the day. Directors and senior members of the banks never went near the branches to meet ordinary people. They were more interested in and obsessed with developing their non-core business than in traditional banking. What we must do with the new banking system is demand that the banks get back to doing the job they are supposed to do and get down and dirty with people in their customer base, like any other business. The day of the high and mighty attitude of people who played roulette for all kinds of property speculation purposes is over.

One of the key parts of the Minister, Deputy Noonan's, bank restructuring plan was to ensure that the directors who were in place since 2008 are no longer in place. My understanding, and I hope I am not incorrect in it, is that all those people are now gone. It is an absolute prerequisite that those who were responsible for the crisis cannot be part of a solution. It was caused by their reckless behaviour. I also fully agree with the Senator that a fundamental culture change within the banks is required. The banks have given a commitment to put €10 billion per year into the Irish domestic economy for lending purposes to help people buy houses and so forth and to help small and medium enterprises, SMEs, to recover.

The new Government has a political imperative to ensure that this lending takes place. We must get reports on a monthly, sectoral and regional basis to find out if the banks have delivered on their commitment. The bank restructuring plan was a type of quantitative easing through the banking system, whereby the banks would be stuffed with cash and the cash must be used for

[Deputy Brian Hayes.]

the purpose of recovering the economy by getting it into circulation. I am not convinced that is happening, and I suspect that is the collective view across the House. It is the task of the Government, through the Department of Finance, to take a much firmer view about lending practices, particularly for those viable businesses which have a chance to get off the ground and create the jobs we need.

Debt forgiveness is difficult; there is no easy solution. This issue was examined by the Cooney report and it did not recommend in favour of it. The dilemma can be seen in the example of the United States. Most US mortgages are on a non-recourse basis, that is, people simply hand back the key and walk away, after huge subsidisation by the state. One of the reasons the US is in its current appalling deficit position, which is no different from what we face, is the massive subsidisation of the housing market brought about by successive US Administrations. The cost of this is colossal. In circumstances where we are trying to balance the books and reach the 3% deficit target by 2015 it will be difficult, but we will examine all the issues.

Members raised the issue of the credit history system; I believe Senator O'Brien first raised it. A report currently being drafted for the Minister for Finance in respect of establishing a credit assessment systems registry, which will improve information available to the banks, will be available by the end of June. That will give a much fuller picture about people's indebtedness, because this is not just about one's house but also personal and credit card debt, and all that is associated with it.

An issue was raised about the code of conduct, which was a product of the Cooney report.

Lenders are required to comply with the code as a matter of law. It was introduced on a non-statutory basis but I understand that from 30 June it is effectively on a statutory basis and they must comply with it. They were given a six month period of grace from 1 January until 30 June, so in eight days it is statutory requirement or a matter of law——

Senator Marc MacSharry: It uses language such as “where appropriate”——

Deputy Brian Hayes: Yes.

Senator Marc MacSharry: ——and “where appropriate” is determined by the banks.

Deputy Brian Hayes: That is a fair point. However, it is the Government's firm view that there is no reason the code should not be fully endorsed and operational by 30 June. If it is not, we will monitor it very closely.

We all have a responsibility to ensure that people can stay in their homes and to work through a viable solution to ensure that the family home remains intact. Senators will be aware that one of the key commitments in the programme for Government is to examine the introduction of a two year moratorium on repossessions of modest family homes, where a family makes an honest effort to pay their mortgage.

The motion refers to the large number of homeowners who are in negative equity. In any policy response it is important that a distinction be made between householders who are in a position to meet their mortgage repayments and those who at present are not. The ESRI, in a 2009 paper on negative equity in the Irish housing market, noted at the outset that many of those in negative equity would be unaffected and would continue to pay their mortgage without difficulty. The key issue is the absolute necessity to ensure that the 1.8 million people currently at work, who can continue to pay their mortgage, remain at work. That would be a priority for all sides of the House.

The supports available to assist people in arrears with their mortgage repayments in respect of their principal private residence can be grouped under four headings. The first is the mortgage Interest supplement scheme, second is the availability of advice through the Money Advice and Budgeting Service, third is the protection that is given to mortgage holders under the Central Bank's code of conduct on mortgage arrears and the fourth is the deferred interest scheme that lenders representing the majority of the market have promised to make available. The deferred mortgage interest scheme arose from the Cooney report. It is a sensible idea, that people should be asked to park their mortgage interest payments for a period of time if they can afford to do that. The fundamental question is whether that is happening, and I am not convinced it is. Is that option being made available by the banking sector to people who find themselves in arrears? It is certainly a proposal that has merit and can work. Whether it is being put in place by the banking system is a matter for active consideration by the Government.

The revised code that has been put in place includes more detailed requirements for lenders when dealing with borrowers' arrears and financial difficulties. The most significant changes in the revised code include: a provision that the code will now apply to borrowers who notify their lenders that they are facing financial difficulties and may be at risk of mortgage arrears; the lenders must establish a mortgage arrears resolution process, known as a "MARF" and use this framework when dealing with arrears and pre-arrears customers; lenders must ensure that communications with borrowers are presented in a clear and consumer-friendly manner — that will be a first — and must make available to borrowers an information booklet which provides details on the mortgage arrears resolution process; lenders cannot initiate more than three unsolicited communications with a borrower. I have heard about cases in my constituency involving almost manic calls from lenders, putting pressure on people. The code is clear that the lender cannot do that, and people must be made aware of their rights under the code, given that the banks have all signed up to the code.

Furthermore, under the code, a lender must not require a borrower to change from an existing tracker mortgage to another mortgage type, as part of an alternative arrangement offered to the borrower in arrears; lenders are required to set up an arrears support unit to assess arrears and pre-arrears cases; and borrowers can make an appeal regarding the decision of the arrears support unit. The code is in place and all the major banks have signed up to it and, from 30 June, it is a statutory code. We must inform people that they have rights and ensure they know that these are rights on which they can stand. That is important.

Finally, I turn to the issue raised by Senator Hayden and others, "mortgage to rent" schemes and "debt for equity" schemes. The mortgage arrears and personal debt group, or the expert Cooney group, considered the potential role of both schemes in an Irish context. The group noted that mortgage to rent schemes operating in the UK are based on very different funding models than those which would pertain in Ireland. It concluded that the current budgetary and fiscal environment and existing levels of social housing need meant that the introduction of an Exchequer funded mortgage to rent scheme would not be feasible. However, it also said that a mortgage to rent scheme could be worthy of further consideration were the general fiscal position and conditions in funding markets to improve significantly.

The group also considered the Government debt-for-equity schemes that operate in Scotland and England. It noted that these schemes were generally dependent on the owner having a loan not exceeding 75% of the value of the home. I wonder if that would apply in the negative equity cases we face. The group concluded that such schemes would have limited application in Ireland where a large number of mortgages are in negative equity. The Cooney report, which some colleagues have referred to in disappointing terms, was the first report on this matter.

[Deputy Brian Hayes.]

The Government takes this issue very seriously. It is a matter of huge concern that so many people now find themselves in negative equity. We have a responsibility to work with Parliament and its committees to ensure that practical solutions ensue. All of these matters are under active consideration by the Government. The points that have been made by all sides in this debate are valid and will be considered in detail by the Department of Finance. When a new package of measures is produced and approved by the Government we will have been cognisant of the views of Members of this House in terms of trying to work out the solutions.

I thank the Senators for putting down this motion. It has generated two useful hours of debate. We are conscious of the problem that exists and the necessity to bring forward better solutions than those currently available.

Senator John Crown: I apologise to my colleagues for being absent from the Chamber for the last few hours. We were meeting a visiting delegation of cancer researchers from Harvard who are trying to develop collaborations which will be to the advantage of our country.

As I mentioned a few nights ago in a different context, I strongly believe one of the most frustrating things being reported to me regularly by friends and colleagues, including people in the accounting profession, is the fact that a large number of individuals in this country are either under a groaning debt of negative equity or have their life choices severely curtailed by the collapse in the value of the real estate market. People are making decisions about their children's education, changing jobs and their willingness to invest in businesses based on the fact that their core and most valuable asset has been so devalued.

At the same time, many people were prudent and followed the Government's advice, that the right time to save for a rainy day is when the sun is shining, by putting money away in Government-approved pension schemes, to the maximum allowable amount in some cases and lesser allowable amounts in others. This tied up what would have been their savings, the money they would have used to pay down debt or what they would have used to make other entrepreneurial choices. They cannot access this money due to current pension law.

Everybody understands why pension law was formulated in that way. It was to provide people with a good pension, give them an appropriate tax incentive for it and to ensure that people were within the tax net. However, circumstances have clearly changed. We are facing an emergency whose scope and scale nobody anticipated five or six years ago. I urge the Minister to consider the possibility of amending current pension law to allow those who are under burdens of debt but who have substantial amounts of money saved in pension funds to get premature access to these funds, with the appropriate tax payment. This would give the Government revenue now rather than at some indefinite time in the future when pensions mature. It would enable individuals to get out from under the crushing burden of personal debt and it would also restore liquidity to the banks. There would be significant social and financial benefits. The amount that could be realised might be considerable given that privately held Irish pension fund wealth is valued at approximately €100 billion, which equates to between €20,000 and €25,000 for every citizen. Even if a small proportion was brought into circulation and tax paid on it, etc., it could have a beneficial effect.

Will the Minister of State also consider a more speculative idea, which is to put incentives in place that would encourage pension fund managers to reinvest some of the money, 99% of which is held outside the State, locally? One wonders whether a repatriation bank could be set up. We keep hearing of the need for short-term lending and small loans for small businesses both to enable them to survive given their current debts and to fund the entrepreneurial ideas and expansions, which might help to restore our economy. Some 5% or 10% of the €100 billion held outside the State could be reinvested in a guaranteed local bank, which followed strict old

fashioned bank rules — not the kind that led us into such ruin — and which was specifically set up with the goal of providing prudent, cautious loans to people of proven creditworthiness who have ideas which require funding; this might be an additional net source of income in our economy. I thank the Minister of State for his attention.

Senator John Gilroy: I welcome the Minister of State. I have placed a moratorium on myself to prevent me from criticising Fianna Fáil for the time being but I will find it even more difficult to stick by that if I do not hear a less belligerent contribution from Senator Power. She has made one sensible comment, in that nobody has a monopoly on outrage or sympathy in regard to this issue. It is probably all the more acute in Ireland given the cultural attachment people have to property. It makes the problem more acute than in other countries.

Some people cannot pay their debts while others will not. It is important to recognise, as the Law Reform Commission has, that these may not be two distinct groups. There may be a dichotomy between both positions where people juggle their personal finances to offset one debt against another. Those who cannot pay their debts require and deserve the support of the State. It is strange that only yesterday the energy regulator announced that he would make provision to ensure energy suppliers could refuse to take on customers from another supplier who are carrying debts of more than €250. While I am not surprised by the decision, I am surprised that he felt it necessary to make such a decision. That surely indicates something happening in many households that might not be obvious. Heat, light and fuel are basic needs but people are clearly coming under significant pressure if the regulator has found it necessary to make such a statement.

The previous Administration faced paralysis in this regard and I accept the moratorium was in place but the current Administration also seems to be a little hesitant in this regard. The Minister of State explained that this is a complex issue, which I accept, and that there is a host of crises facing us but it is critical that we get down to business and sort this out once and for all. Nobody is saying this will be easy. A number of commentators oppose debt forgiveness or any form of relief, which has the whiff of moral hazard about it but the cold logic of moral hazard can equally be applied to debt forgiveness. There is confusion about the pressures of indebtedness and the issue of negative equity but they are separate issues.

The moratorium on repossessions and the involvement of MABS were a good start but they were only a start and it is simplistic to look on these initiatives as solutions. The balance sheets of the banks need to be examined because that is the crux of the problem. In our rush to protect them, we may have missed the social implications at play for a great number of people. Losses must be crystallised on the banks' balance sheets sooner rather than later because their denial of the problem and the failure to do this has led to a catastrophic loss of confidence in our economy. The sooner the losses are crystallised, the sooner we can move on. It will not be simple to do this but it will have to be done to restore confidence in the country. We need to face up to this reality before we can move on.

This will be unpleasant for the banks and the State and it will be unpopular among many sectors of society and the establishment. However, there are many different models; for example, Senator Hayden referred to the Scottish model. The American model of debt forgiveness and personal bankruptcy is interesting, given this is the home of capitalism and is reddest in tooth and claw. The US has a lenient system of personal debt forgiveness. The Mortgage Forgiveness Debt Relief Act 2007 and debt cancellation precludes income from being taken to discharge bankruptcy on the principal residence only.

However, there are many issues, to which there is no single or simple answer. A multitude of solutions will be needed. Reference was made to a shared equity scheme, with participation by the State or the banks or local authorities. Debt forgiveness has to be factored in but how

[Senator John Gilroy.]

that is structured will require a great deal of thought. I commend Senator Crown on his interesting contribution. As Senator Power said, we have gotten off to a good start in this debate because a cross-party approach to the issue is needed. There are no monopolies in this House. It would be good for the House if we were seen to work together and it would good for citizens who face this problem and for democracy.

Senator Ivana Bacik: I join colleagues in welcoming the Minister of State to the House. I thank him both for his commitment to the House and for his thoughtful and considered response to the issues raised in the motion. The Labour Party is delighted that he responded to the content of the motion and to the broader issues it raises of how we deal with the huge social and economic problem of mortgage holders in significant difficulty with repayments. We thank him for that.

I pay tribute to Senators Hayden and Moloney for raising this issue within the Labour Party and for bringing it before the House. We have had a strong debate on the motion in the best tradition of the Seanad. We framed this as a non-partisan motion aimed at trying to generate discussion on ideas and creative and constructive solutions to deal with this problem. It is deliberately reflective in tone and we are grateful to Opposition Members who indicated their support for the motion and who mostly addressed it in the non-partisan manner in which it was intended. Like Senator Gilroy, I am trying to refrain from partisan comments. We all accept that this is a matter of deep concern to everyone, whatever the genesis of the problem. We have a strong view on that but we are trying to suggest solutions in this debate.

The difficulty is the growing scale of the problem. As Senator Hayden said, repossession, which is generating so much distress for families and individuals, is the great fear and there is anxiety that there will be a large number of repossessions. That point is made in the programme for Government. As the Minister is well aware, under the section dealing with housing and distressed mortgages the recommendations of the Cooney report, which he has addressed in such detail, are inadequate to address the scale of the current crisis. That is the real difficulty and that is the reason we are putting forward more radical proposals for consideration by the Government. We thank the Minister for his response to the proposals we have raised.

Turning to those proposals, and again I pay tribute to Senator Hayden and Senator Moloney, in particular Senator Hayden's years of experience with Threshold, the housing agency, there is an interest and a great deal of merit in exploring the Scottish scheme further. That is the scheme set up by the Scottish Government under its homeowners support fund which offers supports to householders with a view to ensuring families are kept in their own homes and ensures better use of public money rather than simply putting it into the rent supplement currently eating up so much of our public finances here. It is to try determine how we can keep families in their homes, take pressure off social housing lists and target funding in a more effective way and in a way that addresses the real needs of families. In that regard, the two schemes outlined in the motion and which were outlined in more detail by Senator Hayden have great merit.

The mortgage to shared equity scheme, where the Scottish Government takes a financial stake in a home but the applicant continues to own the home, live in it and have the responsibility of maintaining and insuring it but with a reduced amount due to their lender each month, has huge merit. The Minister pointed that the difficulty with adapting that scheme in the Irish context is that it generally depends on the owner having a loan not exceeding 75% of the value of the home. Where a large number of mortgages are in negative equity the scheme would have to be adapted. Changes would have to be made to ensure it would work here but, equally,

there will be people here in difficulty with mortgages who have built up sufficient equity in their home to whom the mortgage to shared equity scheme could apply.

Deputy Brian Hayes: Yes.

Senator Ivana Bacik: As many Senators have stated, it is a question of trying to find a variety of different schemes that will address the different needs. Senator Crown put forward an idea, that again would only apply to certain distressed home owners, about the use of pension funds. Senator Hayden pointed out that many of those in difficulty and with negative equity may not have access to the type of resources in a pension fund that could be targeted in the way he has described. It is a question of trying to find a variety of different ways to support distressed home owners, and that is what we are seeking to do in this non-partisan motion.

We are conscious also that the programme for Government has made a number of proposals which as the Minister stated are being progressed by the Government. There are some initiatives suggested in the Cooney report that deserve greater consideration. In particular, the proposal for trading down has huge merit where householders are in significant negative equity.

As many people have stated, this is a matter of deep concern not just in terms of the economy and at a macro-level of the housing market but for individuals, householders and families. All of us are touched by this issue. It is one which will be of growing importance and an issue I am glad we have had the opportunity to address in this reflective manner in the Seanad. I thank the Minister again and I thank my colleagues in the Labour Party.

Senator Paschal Mooney: Along with all my colleagues I welcome the Minister of State, Deputy Brian Hayes, to the House. Contributions on all sides of the House have made plentiful reference to the expert group on mortgage arrears and personal debt. I add my voice to those and suggest that the recommendations be implemented immediately.

As has been established already on this side of the House, while we support the motion we believe it does not go far enough. My friend and colleague, Senator Marc MacSharry, who has been at the forefront of this issue since the economic collapse in recent years, primarily in Sligo where he launched a number of initiatives in association with community and civil groups, for which he is to be commended, will bring forward legislation in this area which I hope the Government will consider and the House debate.

I want to touch on one or two issues that arose in the expert group on mortgage arrears and personal debt. In calling for its recommendations to be implemented immediately the appropriate provisions should be put in place to ensure that mortgage interest supplement, MIS, is accessible to people clearly in need of the payment to protect their primary residence.

As the Minister of State is aware, the Social Welfare and Pensions Bill will come before the House tomorrow and while I appreciate that the Minister is focusing on anti-fraud measures and other related issues in the Bill, which we will have an opportunity of discussing then, I would like to record that it would have been an opportunity for the Minister to introduce some reference to the recommendations of the expert group on mortgage arrears and personal debt. In that context, the Department should introduce an alternative and more equitable approach to achieving the MIS objectives and maintaining its sustainability in light of the changes in the economic climate and the mortgage market.

In that regard there are one or two issues that should be highlighted. For example, no legal action should be taken by the lender while MIS is being paid and the borrower is co-operating with a lender. The debt forgiveness area is complex and there is a great deal of emotion surrounding it because the most important decision an individual or a couple will make in their lives, apart from perhaps getting married, is buying a house. The ban on paying MIS to a couple

[Senator Paschal Mooney.]

where one person is in full-time employment should be removed and a revised means test developed. The main reason for that is because mortgages were usually taken out when two incomes were coming into the house. The significant number of people in mortgage arrears is as a result of the loss of a job by one or other of the couple due to current economic circumstances. They should not be penalised when there is only one income coming in that would help to pay the mortgage during its lifetime.

I agree with the recommendation that the rule which excludes the payment of MIS when a house is for sale should be suspended. That rule was implemented in the height of the Celtic tiger years or even before that when there was not a crisis in the housing market and houses put on sale were sold within a matter of weeks or at most within a month. If we reflect on the housing market over the past 20 years it would have been seldom that a house would be left on the market for a considerable length of time, particularly in the areas where the crisis is now impacting, namely, large urban areas or areas of high population density. That rule was introduced in different economic circumstances but as we are all now aware, the housing market is still in free-fall. This morning's newspapers report that it is estimated that there are only 11,000 mortgages for the entire year. That is based on the first quarter mortgages which are only of the order of approximately 3,000. That figure was last seen in 1971. It is clear, therefore, that the housing market remains in deep crisis.

It is surmised that one of the reasons mortgage applications are at such a low ebb is because people believe what they read in the newspapers, namely, that the housing market has yet to find the floor, and they are waiting for it to drop even further. Whether that is sensible is a moot point because the old cliché, "doctors differ and patients die", could be applied to economists. They regularly get it wrong and they regularly disagree with each other. In terms of those economists who are suggesting that the market has a significant way to go, and not just a marginal drop in the next 12 months, I am not sure that is the case but as the Minister and his colleagues in Government have stated, this is about confidence building. The Government is about that and we applaud it for attempting to do so because we must have confidence in our economy. As the Minister stated in a previous debate and which perhaps should be propagated more widely, the significant amount of money in savings here is way above what would be normal seven or eight years ago. In that context the rule excluding the payment of MIS when a house is for sale should be suspended in the current climate. It would be helpful because it takes longer now to sell a house, if at all.

Other issues of which the Minister is aware arose out of the recommendations of the expert group. I do not wish to score a political point here, but I would like to remind the coalition partners of their commitments made prior to the election. In the Fine Gael manifesto published earlier this year, the party committed to using mortgage interest supplement to "adequately cover families in need" while the Labour Party manifesto promised to "support families who cannot make their mortgage repayments". The Labour Party manifesto stated that the 30 hour rule for MIS would be amended. I am not calling the Government to account for the sake of it, but the people who are most in need, namely, those in deep mortgage crisis, are expecting and hoping that they will get a positive response from this Government.

Deputy Brian Hayes: That is in the programme for Government.

Senator Susan O'Keeffe: I thank the Minister of State for coming to the House and for his considered response. The dilemma facing those in distress is that their financial future is now mapped out. It is almost set in stone and they have very little leeway. Therefore, neither do we have any option but to do something about it. We do not need to know again what the

figures are. There is a bit of the cynic in me, but I trust the words “under active review” mean exactly that.

Deputy Brian Hayes: Correct.

Senator Susan O’Keeffe: We need to be in a position very soon to debate some of the ideas that the Minister of State has been working on. Those people who tell us and the Minister of State about their concerns are our families, our neighbours and our friends. They are not the people out there. They are our people and therefore, if we tell them that this is under active review, they will shake their heads and say “another active review”. We have very little time on our side and it is up to us do something. In the spirit of this motion, it is a good thing that we can come in here in a cross-party way, offer ideas to the Minister of State and hope that the urgency of what we are saying will be translated to his Department.

Sub-prime lenders came into the market like sharks and understood exactly what they were doing when they sought out, almost in an abusive way, vulnerable people and decided to charge them more for a loan, fully in the knowledge that these people would not be able to repay. When they defaulted, the lenders threw extra charges at them and then said “Sorry, but we will have to take your house”. Those lenders are still out there in some form or other. They are not faceless institutions. They have names such as Investec, Lehman Brothers, KBC and Kensington Mortgage Company, and indeed Permanent TSB and the EBS were involved at some stage in sub-prime lending.

The truth is that the Central Bank here cannot put a maximum on any rate. It cannot enforce a lender not to go above 8% or 10% or whatever, because under the Maastricht and Lisbon treaties, the European Central Bank is not allowed to put floors of any kind on these rates. We will find ourselves in this situation again, because there will always be sub-prime lenders and sharks. Where there are people with in distress, there are sharks. One will find them in the phone book or on Google. “Have you mortgage problems? Have you debt problems? Ring us and we will sort it out”. They will sort it out, but only at a price. I do not know the answer to that, but by ignoring this particular dilemma about the maximum rate, we are waiting for the problem to occur again at a later stage.

I commend the motion before the House. I am delighted that we have had the opportunity to debate this and even if we do not end up with the Scottish model, we will have a variation of it. The problem will not go away. The sub-prime people are out there and we have not addressed that in any way, and I do not know how we can.

Senator Aideen Hayden: I thank the Minister of State for his considered comments on the debate. I would also like to thank our Senate colleagues for the dignified and thoughtful manner in which they have conducted this debate. It indicates all that is right about the Senate. All the debate about reform and about the Senate being a place where we can air ideas which will excite society can indicate that this House has something to offer Ireland and address the difficulties we face.

I would like to make a few points on the comments made by the Minister of State. The ESRI report written by David Duffy in 2009 indeed highlighted the issue of negative equity in the Irish housing market, but Mr. Duffy also highlighted that while people in negative equity continue to be able to repay their mortgages, there were serious negative impacts of negative equity, both on the market and on the lives of individuals. He pointed out that people in negative equity do not behave like homeowners and that they actually behave like renters. For example, they do not invest in their own homes.

[Senator Aideen Hayden.]

It is also important to note that the figures from that report were in 2009, whereas we are now in 2011. The issue now is that the rate of default is going up significantly. That is the worrying trend we are facing. Of the 80,000 homeowners who have restructured, 40% of them are in arrears on these restructured mortgages. We are facing a slide into a greater problem.

The code of conduct is designed to secure repayment. Of course the banking sector is happy to secure ultimate repayment. The issue is that there is a significant cohort of people who will never be able to repay the loans they have taken out. That is ultimately the critical issue we are facing.

One of the points raised by several Senators, especially Senator O’Keeffe, is the number of sub-prime that preyed on Irish people during the boom years. From my own research into tenant purchase policy, I know that a significant number of social housing tenants who bought their homes under the tenant purchase scheme did so with Start Mortgages, GE Money, Woodchester and so on. If we examine the figures on repossessions in the courts, we discover that they are the lenders who are the cause of most of the repossessions in this country. What do we do about people who find themselves in a situation where they feel there is no way out? Part of the purpose behind this motion is not simply to talk about shared equity, but to talk about people who are in grossly untenable positions and how we can draw a line in the sand for them, so that they are not carrying this debt on to Never Never Land. In fact, if we examine the type of debt people are facing, we are looking at intergenerational debt.

I believe the Cooney report was flawed. It took an exceptionally conservative attitude and was not willing to explore some of the issues. Some of that was partly due to the composition of the commission.

We have put the Scottish model forward for consideration. We are not suggesting for a moment that it is the only answer. It is a potential answer. It proposes certain ways that we in Ireland could put forward some of these solutions. There is potential in the incremental purchase scheme, under the Housing (Miscellaneous Provisions) Act 2009, for a 40%-60% stake between the State and the homeowner.

We have put significant amounts of money into Irish banking system. Instead of pouring it in from the top, there is nothing to stop us from putting it in from the bottom up. In other words, we should use some of those funds to redeem some of the mortgage equity that is in the Irish system. It would have the benefit of allowing the banks to crystallise some of the debts on their books and to put liquidity into the system.

We are a nation of homeowners. It has been the policy of successive Governments, not just Fianna Fáil or Fine Gael but also the Labour Party, to encourage home ownership. Part of the encouragement of homeownership has been at the cost of social housing provision and at the cost of the rental sector. We created the monster where people will do anything to get into homeownership. It behoves all of us to find a solution for the people who find themselves in this position because of the society we have created.

Motion put and declared carried.

An Cathaoirleach: When is it proposed to sit again?

Senator Michael D’Arcy: At 10:30 a.m tomorrow.

Adjournment Matters

Medical Cards

Senator John Kelly: I thank the Minister of State for attending the Chamber to respond to this issue. On 1 July, the HSE will take control of medical cards and centralise them in Finglas, Dublin. By doing so, the HSE is taking away the discretion shown by community welfare officers in regard to certain family situations that arise. The community welfare officer knows the clients and knows where there are gambling difficulties, alcohol addiction or illness in a house. They show discretion in 10% of cases and this means that people are less stressed. I am particularly concerned about cancer patients and those who suffer from MS, along with many other medical problems. The HSE and community welfare officers always showed a level of sympathy and because of this, discretionary medical cards were granted to these people. Once the service is centralised, discretion will go out the door. People will be dealing with faceless bureaucrats who do not know them and who live 200 miles away in some cases. In those cases, many people will be refused medical cards. Over the years, GPs have advised cancer sufferers to get a medical card from the community welfare officer because they were entitled to it. Consultants gave out that information but this may have been because they were fed incorrect information. Cancer patients are treated the same as everyone else for medical card purposes. They must undergo a means test and if they qualify, they receive it. That is why we introduced discretion in these cases. It is cost neutral because of that.

I call on the Minister for Health to grant medical cards to cancer patients who are undergoing treatment until their illness is cured. This will take away the stress for them. As a community welfare officer, the last thing I wanted to do was means test someone who visited me. People did not realise whether they were terminally ill. We have already learned from the takeover of the over-70 medical card by the Primary Care Reimbursement Service, PCRS, in Finglas that many elderly people had problems in processing their applications. They cannot get through to the centre on the telephone and the same thing will happen in this case. When people are telephoning Departments they use their mobile phones. They might start off with €20 credit and when credit is gone and no one has come on the other end of the telephone, that is the end of the issue. This issue must be addressed. The takeover should be deferred until we can get a commitment on discretionary cards. It will be a major issue and will affect every politician. Saying that everything will work out when this begins on 1 July is the same as saying that community welfare officers are being taken over by the Department of Social Protection, that they will be told all about the job when they start and that everything will be fine. We need to address this matter before it gets to that stage.

Minister of State at the Department of Health (Deputy Róisín Shortall): I thank Senator Kelly for raising this important issue, one with which I am familiar. I can provide information on the background to the initiative taken by the HSE to standardise the processing of medical cards throughout the country. Medical cards are provided to persons who, in the opinion of the HSE, are unable without undue hardship to arrange general practitioner medical and surgical services for themselves and their dependants. While income guidelines are the principal benchmark used for deciding medical card eligibility, the HSE looks beyond the applicant's financial situation and has regard to other matters it considers appropriate in assessing a person for a medical card.

If a person's income and outgoings fall outside the HSE guidelines and there are personal and financial burdens arising from medical or social circumstances, the HSE may issue a discretionary medical card. The essential principle applied to such cases is that, if by bearing the

[Deputy Róisín Shortall.]

cost of services covered by a medical card, an individual's or family's ability to meet essential costs is compromised, then a medical card will be issued. Taking into account the circumstances of each case, it is a matter for the experience and judgment of the decision-maker to determine if hardship exists within the context of the legislation and guidelines.

The HSE decision to centralise the processing of all medical card and GP visit card applications and renewals to the PCRS is part of the HSE value for money programme. There is a requirement on the HSE to make efficiencies in business practices in order to realise savings in a very challenging economic environment and provide a modern service to the public within sustainable levels of expenditure. The centralisation project is well under way and almost 40% of medical card applications are now processed centrally by the PCRS. Phased implementation of the centralisation project allows the situation to be continuously monitored and, if required, modified to address any issues arising. Local offices will also provide appropriate local services to the central office to ensure that when local input and information is needed it will be available and there is a resource to gather and provide it.

Under the centralisation plan, the HSE's local offices will continue to provide the public with assistance and information locally on medical card criteria and making an application, and the current status of the application or review. From a customer perspective, this means that at all times a person will be able to seek advice from his or her local health office. Local health offices can also deal with queries of a general nature about the medical card scheme and will continue to provide necessary supports to any person making an application. Local offices can also handle all inquiries from clients in respect of the medical card scheme, including assisting them in the completion of their application and advising them of their entitlements.

At the new national processing centre, medical card processing is characterised by standardised decision making aligned with the medical card guidelines. The process is transparent from application receipt through to completion, with customer service provided through multiple channels including phone, correspondence, online facilities and SMS messages. Applicants for medical cards, discretionary or otherwise, will benefit, under the centralised application process, from a quicker, more streamlined and more consistent approach to the appraisal of their applications than was available under the old decentralised system. That is the theory. The challenge is to ensure that happens in practice. We must learn from the experience of the early days in terms of the pilot project over the past 18 months. There are lessons to be learned. I wish to ensure that the HSE has taken those lessons on board and has adjusted and improved the service accordingly, and I undertake to ensure that happens.

Senator John Kelly: I am glad the Minister said in her reply that it was the theory because in my 29 years' experience as a community welfare officer the theory is never put in place in practice. When this is taken away from local involvement it will be a disaster. How does the gambler, for example, ring somebody in Dublin to tell them their wages have been spent on gambling? How does the alcohol abuser do the same? Who listens to them?

The Minister said local offices will provide assistance. They will not. They know nothing about this, except that they will no longer be dealing with medical cards. To which local offices is the Minister referring? Is she referring to the staff in the sections that dealt with medical cards after the community welfare officer? My understanding is that they will be redeployed to other posts within the HSE so they will not be there. As regards dealing with these matters online, it does not work. The telephone also simply does not work. The correspondence that will take place will be purely by letter. People will send in their application, receive a refusal and appeal it. It will be paperwork back and forth unless it is addressed.

An Cathaoirleach: Senator, there is no provision for even a question so I have given you a great deal of latitude.

Senator John Kelly: Thank you, a Chathaoirligh. We must address the issue of the cancer patients and give them medical cards. That will solve many of the problems.

Deputy Róisín Shortall: I have a great deal of experience with this because my constituency was the first to move into the centralised system. It was quite problematic in the beginning and there were many teething problems. It is fine if an application is straightforward and the person is under the income limits. The system is very efficient and there is a 15 day turnaround. The difficulty arises where discretion is required.

First, there is the question of it being an efficient service. There were teething difficulties and I hope they are ironed out. I wrote to the HSE today asking it to assure me that there are adequate numbers of staff in place to ensure that it is an efficient service. Second, there is the matter of discretion. We need an assurance, which I have requested, that the decision makers are adequately trained and understand the hardship caused to people who are trying to get by on relatively low incomes which are a little above the income limits and to cope with all the additional expense a serious illness causes.

I have written to the HSE to seek those assurances. I wish to be satisfied that it has learned the lessons from the early days and the pilot project and that we will have a service that works for the benefit of the people applying for medical cards and who need them desperately. I will be happy to report back to the Senator when I hear from the HSE.

Public Service Agreements

Senator Thomas Byrne: I thank the Cathaoirleach for allowing me to raise this matter on the Adjournment and I am grateful to the Minister, Deputy Phil Hogan, for his attendance. It is good that many senior Ministers come to the House to reply to Adjournment matters. I am anxious to put that on the record.

I raised this issue following the publication of the first progress report on the Croke Park agreement, the perceived savings accruing from that agreement and in light of an article on the front page of last weekend's *Sunday Business Post*. The article stated that while there are savings of almost €300 million, the net benefit to the State might be far less. The proposed Department of public expenditure and reform has not yet been legally established and the Minister does not have any legal powers, which is, perhaps, why he is not in the House tonight. That Department confirmed to the media that the figure of €289 million does not include the cost of retirements and increases in the Civil Service and public service pension bill.

Will the Minister confirm what is the net benefit to the State's finances of the Croke Park agreement over the past year and what is the cost of retirement lump sums and increases in the pensions bill as a consequence of the number of staff leaving the Civil Service and public service? Is there any chance that the amount of money saved by the Croke Park agreement over the past 12 months will be less than the amount of money set aside to pay retirement lump sums, which can rise to 150% of a person's final salary, and future pension entitlements? I do not seek to be critical of the agreement; I supported it and still do. My party, which I supported in Government, helped to implement the agreement. I am anxious that it should succeed as it is important and it provides opportunities for transformation, greater efficiency and greater value for money for the taxpayer.

We face a mammoth task in reducing the deficit; it must be our first priority. It is a challenge that should consume every Member of the Oireachtas and the only surprise is that it has not engaged the public in the same way political debates about the deficit do in the United States.

[Senator Thomas Byrne.]

If we do not reduce our deficit, our ability to grow and create jobs will be impaired. Throughout much of today in the Seanad we have discussed the need to be innovative if we are to create jobs. However, a cloud of deficit hanging over our country, people and businesses will surely destroy any hope of creating the jobs our citizens need. I hope that in the future the net value of savings from the Croke Park agreement will be published, rather than the gross figures. We must be realistic and very clear about the challenges we face.

Minister for the Environment, Community and Local Government (Deputy Phil Hogan): I thank Senator Byrne for raising this matter. I apologise that the Minister with responsibility for public expenditure is unable to be present. It is not for any legal reason.

The first progress report of the implementation body under the public service agreement or Croke Park agreement was published on 15 June. The conclusion of the body was that the parties have made solid and measurable progress to date and that with the positive engagement of public servants: staff numbers are falling substantially; services to citizens and business are, by and large, being maintained and, in some cases, improved; productivity has increased; thousands of staff are being redeployed within and across organisations and sectors, and services are being restructured and reconfigured; and industrial peace has been maintained.

Clearly, a key objective of the agreement is to deliver significant and sustainable pay savings. I welcome the finding by the body that sustainable pay bill savings in the order of €289 million have been achieved during the review period. This saving has been driven primarily by not filling vacancies arising from a reduction in staff numbers of 5,349 during the period but also other factors such as reductions in overtime costs, down by 5.2%, and reformed work practices and rationalisation. The report clearly shows that public service bodies are generating significant non-pay cost savings through better use of resources, re-organising work and achieving greater internal efficiencies. Costs are also being avoided as a direct consequence of the flexibility and co-operation provided by the agreement and specific examples are highlighted in the report.

While the progress reported by the implementation body is welcome, the reality is that we must go much further. Given the severe fiscal constraints at present, further significant cuts in expenditure, together with further reductions in the numbers employed in the public service, are unavoidable. At the same time, we must also ensure that services to the public are protected to the greatest extent possible. That will be the challenge for the agreement in the period ahead.

In regard to the specific issue raised by the Senator, the public service agreement is a pay agreement between the Government as employer and its employees, represented by the public service unions. Its focus is on the measures needed to deliver sustainable savings in public service pay costs over a four year period in terms of reducing staff numbers, significant redeployment and extensive reform and reconfiguration of services. The focus of this progress report is on the sustainable long-term pay savings accruing as a direct consequence of the co-operation and flexibility which the agreement is providing. It would, therefore, be wrong to include in such a report the pension costs of those who have retired from the public service and who are no longer part of the Croke Park reform process.

It is true that public service pension costs have increased in recent years. However, this is not a direct function of the Croke Park agreement but represents costs which would arise in any event, not least due to the increased longevity of public servants. The body's report, correctly, foot-noted the pension increase over the period but, equally correctly, did not seek to relate it to the Croke Park reform process. This is because the numbers and payroll reduction are not directly related to pension costs. The reductions in numbers reflect not just retirements but also career breaks, special leave, resignations, people moving to shorter working patterns,

unpaid leave and so on and can be offset by recruitment or people increasing their working year.

Furthermore, as regards the early retirement programmes, the body's report makes clear that only a relatively small element of the overall increase in pension costs can be attributed to the schemes which operated during the review period and, in fact, such costs decline over time as the early retirees reach the age at which they would have retired in any event.

The report also footnotes the costs associated with the voluntary early retirement and redundancy schemes which were offered in the health sector last year, with one-off costs of €99 million for lump sums and statutory redundancy paid in 2010. There has to be acceptance that schemes to incentivise people to take early retirement or redundancy are going to carry initial up-front costs. This is necessary to assist us in generating the long-term sustainable savings in the Exchequer pay bill that the Croke Park agreement is facilitating and which the implementation body is monitoring.

Finally, it is important to emphasise that steps have been, and are being, taken to reduce pensions costs. Retired public servants and office holders have had their pensions cut by an average of 4%. Retiring public servants also will, after the expiry of the grace period at the end of February 2012, have their pensions calculated on the basis of their actual reduced pay, amounting to an average cut of 7%, with more significant reductions at higher pay levels owing to the tapered nature of the pay cut. This cut was effected by the Financial Emergency Measures in the Public Interest Act 2010, which is delivering a reduction of €100 million in the cost of public service pensions paid to pensioners in 2011 and a commensurate reduction applying in future years. It would, however, be wrong to include the savings from the public service pension reduction in the report.

I welcome the progress outlined in the implementation body's report. In regard to the matter raised, public service pensioners have left the public service and it would, therefore, be wrong to include their pensions costs in a progress report on the Croke Park pay agreement.

Senator Thomas Byrne: This issue will have to be further investigated because the correct figures are not being provided. It is not credible for a Minister to claim to the House that pensions savings are not related to pay or other issues in the Croke Park agreement. Pensioners are part of the Civil Service's costs because they are getting paid by the State.

Deputy Phil Hogan: I understand the Senator's concerns but pension costs have been reduced by €100 million and that is commensurate with savings in future years. The achievement of that objective is clear from the figures presented.

Fire Stations

Senator Brian Ó Domhnaill: I wish to raise the issue of three fire stations in my constituency of Donegal South-West which are in urgent need of upgrading or replacement. The stations, which are located in Gleann Cholm Cille, Ballyshannon and Bundoran, are vital to the local populations they serve as well as to the increased populations in these areas during the summer months.

The smallest of the three stations, Gleann Cholm Cille, requires a new building. I understand the Department of the Environment, Community and Local Government and Donegal County Council have confirmed that it is not possible to modernise the station and, therefore, the only option available is to build a new facility on the existing site. From the Department's point of view the next stage is to permit the council to seek planning permission for the construction of a new station. I hope this project can progress given that the parish is at present serviced by the fire station in Killybegs, which is a considerable distance away. Killybegs is one of the

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country's largest fishing harbours and if a fire or accident occurred there, the tender would not be available for Gleann Cholm Cille, Carrick and Kilcar. The station in Glean Cholm Cille will probably comprise two bays.

The other two stations are located in large towns which are serviced by town councils. The previous Government decided, following consultations between the Department and the county council, to build new stations in Ballyshannon and Bundoran. A site was identified in Bundoran and the next phase involves seeking planning permission and issuing a tender. Bundoran fire station is in a poor condition. The population of the town increases from 4,500 to more than 20,000 during the summer months and at weekends throughout the year. Major apartment buildings and holiday accommodation have been built around the town and it also contains several four storey hotels. The station urgently requires to be upgraded given that it also services the northern parts of counties Sligo and Leitrim. A site adjacent to the by-pass at Ballyshannon has been identified by Donegal County Council for a new station.

The Department is carrying out a review of the decision of the previous Government to proceed with the construction of new stations in Ballyshannon and Bundoran. I am concerned that the review may result in a decision to build one station on a site located between the two towns. This would not meet local demand, however, because studies have revealed that call-outs to areas north of Ballyshannon cannot not be dealt with by fire tenders based in Finner Camp or Bundoran. We must proceed with the two stations to which the previous Minister committed. Any reversal of that commitment would be unacceptable.

I respect the Minister, Deputy Hogan, and I appreciate that he is in the House to take this matter. I hope he can provide clarity on the issue for the people of these areas.

Deputy Phil Hogan: I thank Senator Ó Domhnaill for raising this matter. I acknowledge the courage and commitment of all personnel engaged in the fire and emergency services in County Donegal and throughout the country. The professionalism and dedication of the retained service in Donegal received particular attention in early May during the spate of gorse and wildfires which caused substantial damage in Ard an Ratha, Glenties and An Clochán Liath. The communities were very appreciative of the great efforts made by local crews and I commend the fire fighters, local management and the Defence Forces for the efforts they expended.

The provision of a fire service in Donegal, including the establishment and maintenance of a fire brigade, the assessment of fire cover needs, the provision of premises and the making of such other provisions as it considers necessary or desirable is a statutory function of Donegal County Council under the provisions of the Fire Services Acts 1981 and 2003. My Department supports fire authorities through the setting of general policy and guidance and the provision of capital funding, including the recoupment within the overall funding available of costs incurred by fire authorities on the approved purchase of fire appliances and emergency equipment, as well as construction and upgrading of fire stations. The Department's fire services capital programme has channelled significant investment to fire authorities over the past decade and as a consequence, Ireland's fire service infrastructure is now acknowledged to be first rate.

There are 15 fire stations in County Donegal and the fire service responds to approximately 1,300 call-outs annually. Donegal County Council, in partnership with my Department, has made substantial progress in modernising fire stations in the county and has replaced 12 fire stations following investment of €11 million by my Department over the last decade. I acknowledge the involvement of the former Minister of State, Pat the Cope Gallagher, MEP, in fast-tracking a number of these projects.

Donegal County Council is to be commended for undertaking this ambitious programme of fire station replacement in recent years. The following towns in County Donegal are now served

by modern fire stations with full facilities: Milford in 1998; Bunrana in 2000; Letterkenny where the headquarters is located and An Fal Carrach, both in 2003; Carndonagh and Donegal town, both in 2004; Killybegs in 2005; An Clochan Liath, Glenties and Merville, all three were built in 2007; and most recently Gaoth Dobhair and Stranorlar in 2009. In total, more than €12.8 million has been invested by my Department since 2002 to fund the station replacement programme and to acquire fire appliances and specialised emergency equipment.

I agree with the Senator that it is important to build on the significant progress to ensure the development of consistent and effective fire services to keep communities safe from fire and other emergencies. Value for money is a key theme in the current climate and future developments, including investment in station infrastructure, will have to be brought to fruition within tighter resource constraints.

In recent years, international trends in managing emergency service provision have moved towards the use of integrated risk management or a risk-based approach, RBA, and the Department's national directorate is currently funding the development of such a system. It is envisaged that the output from this work will inform decision making on the optimum allocation of resources to support fire service operations in all parts of the country, including those relating to Bundoran, Ballyshannon and Gleann Cholm Cille fire stations. Outputs will also inform decisions on how best to determine an appropriate balance between fire prevention, protection and response measures. It is not true to say that the Department approved two stations at Bundoran and Ballyshannon at any time in the past. If it had approved them then the Senator would not have raised the matter.

I am sure Senators will concur it is important that value for money is delivered from all expenditure under the fire services capital programme. Following completion of a review of the programme, continued investment in the fire appliance fleet has been identified as a key national priority measure. In that context, I have recently approved a new programme of joint procurement of 17 fire appliances which will involve fire authorities working together to aggregate demand and drive value for money. I expect this collaborative approach will deliver budgetary and administrative savings.

Given the tight constraints on public finances any further support from my Department's fire services capital programme to Donegal County Council for the replacement of fire stations in Ballyshannon, Bundoran and Gleann Cholm Cille in the period ahead will have regard to the council's priorities, the extent of previous investment, the value for money offered by proposals, the spread of existing facilities and the totality of demands from fire authorities countrywide. Accordingly, I am not in a position to state categorically when construction of any of the three fire stations referred to by Senator Ó Domhnaill can proceed to construction.

An Cathaoirleach: Does Senator Ó Domhnaill have a question?

Senator Brian Ó Domhnaill: I have a question and a point of order as well. I did not say that two fire stations were approved but what I did say, categorically, is that the previous Minister whom I lobbied extensively, as did the previous Tánaiste, asked the county council to forward two site proposals for two new fire stations, one in Bundoran and the other in Ballyshannon. They were forwarded by the council. Agreement was given that there would be two individual stations. I am very much concerned by the result of the review that——

An Cathaoirleach: Does the Senator have a question for the Minister?

Senator Brian Ó Domhnaill: Finality must be brought to the issue. It is not fair on Donegal County Council nor the local community and the town councils in Bundoran and Ballyshannon. The Minister has acknowledged all of the stations that were built under the previous Admini-

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stration but the Department now seems to be rowing back on the commitment which was given to Donegal County Council to build two new fire stations, given that the council in conjunction with the Department agreed that there would be a site in Bundoran and a site in Ballyshannon with two base stations——

An Cathaoirleach: Does the Senator have a question?

Senator Brian Ó Domhnaill: ——to be newly built on each site that was identified at the time. That information has been sent by the council to the Department.

Deputy Phil Hogan: I do not wish the Senator to misinterpret what I have said. I have been very clear.

Senator Brian Ó Domhnaill: It is not clear at all.

Deputy Phil Hogan: The Senator might choose for it not to be clear, but to be absolutely clear, there are proposals in the Department from Donegal County Council to build new fire stations in the three locations mentioned by Senator Ó Domhnaill, namely, Ballyshannon, Bundoran and Gleann Cholm Cille. I have no money to build any of them at the moment, thanks to the fact that we have ceded our economic sovereignty to the EU and IMF. I am waiting to see what the capital programme for 2012 is like before I make a decision about any fire station in the country. I do not have money for capital investment in any fire station in any part of the country in 2011 thanks to the work of our predecessors.

Senator John Gilroy: Is there such a thing as a point of information?

An Cathaoirleach: Not at this stage.

Senator John Gilroy: I just wondered. The Minister's reply was the longest "No" in the history of the Seanad.

An Cathaoirleach: The House is adjourned.

The Seanad adjourned at 7.15 p.m. until 10.30 a.m. on Thursday, 23 June 2011.