

Dáil Éireann debate - Tuesday, 19 May 2009

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Leaders' Questions.

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[Deputy Enda Kenny](#)

This morning, I listened carefully to the chairman of the Bank of Ireland, who has announced his resignation, state that accountability for losses must be taken at the top. While I am not a fan of bankers whose irresponsibility has threatened everything that hard-working people in this country built up over the years, at least Mr. Burrows was willing to accept responsibility and take accountability to its conclusion by tendering his resignation. He is not the only individual to have done so. By resigning, his industry colleagues in Allied Irish Banks, Anglo Irish Bank, Irish Life & Permanent and Irish Nationwide, as well as the Financial Regulator, have all accepted responsibility for their actions and seen to it that accountability is taken at the top.

On the other hand, the Taoiseach appears to be the last person to do this. While he says he accepts responsibility for his actions and collectively of those of the Government during its years in office, he will not see this through to accountability. As Minister for Finance, he presided over a regime which put banks and developers before people and under which we have gone from a

surplus of €9 billion to a deficit of €20 billion. His regime spent €60 million of taxpayers' money on useless voting machines and €200 million on a failed computer system for the health system, removed medical cards from people aged over 70 years and intends to remove teachers from children with special needs. The Taoiseach says he accepts responsibility but there is no accountability in that.

People are faced with job losses and massive reductions in income. The lack of confidence coming from the Government is causing frustration and a loss of morale. I stood in the kitchen of a household where the husband and wife have lost their jobs and three of their sons are unemployed. This is replicated in thousands of homes across the country.

The Taoiseach accepts responsibility for a situation in which a budget was introduced with no fiscal stimulus for job creation. I put it to him that just as the shareholders in Bank of Ireland had their say this morning, so the shareholders in Ireland Inc. will have their say on 5 June. If they proceed to vote as they are talking and they vote no confidence in the Government, will the Taoiseach accept that responsibility and will he take that accountability to the top and seek a fresh mandate for his Government from the people who see this regime as nothing other than Fianna Fáil dictatorship?

Deputy Dinny McGinley

Bring on the Greens.

The Taoiseach

First, I congratulate the Leader of the Opposition on the ingenuity of his line of attack.

Deputy Enda Kenny

I thank the Taoiseach.

The Taoiseach

Second, it is the Government's determination to lead and not to snipe, and to govern and not to pontificate, and to act and not to theorise.

Deputy Enda Kenny

He will do it his way, he stated.

The Taoiseach

Unfortunately, I listen to Deputy Kenny's knockabout stuff every week despite the fact that his critique of the Governments in which I was proud to serve is that it was, as far as he was concerned, not spending enough.

Deputy Enda Kenny

He will not accept responsibility.

The Taoiseach

On every occasion now, as we seek to correct the public finances—

Deputy Paul Kehoe

He did not spend, he squandered.

The Taoiseach

—Deputy Kenny criticises every action that is taken to bring the public finances under control, yet he seeks to suggest that were he in Government, not alone would he be doing this amount but much more.

Deputy Enda Kenny

Very differently.

The Taoiseach

The inability, of course, to identify any areas in which he would cut his spending programmes has been confirmed on a number of occasions.

Deputy Enda Kenny

The more he talks about—

An Ceann Comhairle

The Taoiseach without interruption.

The Taoiseach

The bottom line is this.

Deputy Dinny McGinley

They are copying our policies on a day-by-day basis.

An Ceann Comhairle

The Taoiseach without interruption.

The Taoiseach

The bottom line is this: that after 5 June the Government will continue to take whatever steps are necessary in the interests of this country to get us back on the road to growth and prosperity.

Deputy Paul Kehoe

Without a mandate.

The Taoiseach

Despite the Deputy's sniping, despite any tactic in which he wants to engage, that is what we will be doing. He will continue with his game.

Deputy Paul Kehoe

Without a mandate.

Deputy Noel J. Coonan

Look behind you.

Deputy Enda Kenny

If the Taoiseach looks at the record, I never attempted to pontificate to him or to the Government. I put forward constructive criticisms of where he failed and at the same time I put forward constructive suggestions as to what he might do, and I will offer now another suggestion.

The Taoiseach has stated nothing more than a repetition of what he has previously stated. He states he accepts responsibility but there is no

accountability in the Government, least of all from himself. He states he will do it his way and these elections are irrelevant. To hell with the people. They do not mind what the people say by their vote.

Deputy Michael McGrath

That is not what the Taoiseach stated.

Deputy Enda Kenny

They will continue on their merry way because the focus is on self-preservation from his party-political point of view.

The Government's programme has condemned every family in the country to having levered on top of them a mortgage of up to €45,000, which will deal with the bank crisis, which the Taoiseach allowed to happen despite warnings, not only from this party but also from a range of independent organisations dealing with financial direction and financial rectitude. That is what the Taoiseach has allowed to happen. The Government will impose €45,000 on every family if it proceeds with the establishment of the National Asset Management Agency. The agency has already been torpedoed below the waterline by the chief executive of the National Treasury Management Agency who, as one of the foremost public officials in the country, stated that he has no idea whether it will work. He went on to state that we have not found any solutions, and the fact that he reads more about this in the newspapers than he does from Government.

Despite the fact that the Taoiseach takes the view that we on this side of the House pontificate all of the time, I put it to him that the proposal from the Fine Gael Party to evolve out of the banks clean banks and fund those through a wholesale bank capitalised from the European Central Bank will not expose the taxpayer to a potentially devastating economic crucifixion of

€90 billion assessed increase on the national debt. That is where the Taoiseach is proceeding. The chief executive of the NTMA stated that the lawyers will have a generation of field days in the courts out of the way the Government is proceeding.

If he is interested in alternative views that will not expose the taxpayer to that crippling debt, is the Taoiseach prepared discuss with me the Fine Gael proposal, which will not involve crucifying the taxpayer in this regard, which will free up credit to businesses in a short period with clean trustworthy banks where there is integrity? This would ensure that those who caused the problems with the banks in the first place will have to pay for their difficulties, following which we can then proceed to restore some confidence to business where credit begins to flow and where there is a system that will not involve the taxpayer being exposed to a potential €90 billion debt.

Deputy Noel J. Coonan

Get on over here.

The Taoiseach

I do not agree with Deputy Kenny's views. That is why I do not intend taking them up. I want to give my reasons. It is important that they are put on the record.

The Fine Gael plan appears to rely heavily on allowing the financial system to default on certain bonds or loans that have been issued or availed of. That has been clearly stated. In deciding whether the State can allow the financial system to default on such loans I would take account of an expert in this field, Mr. John Corrigan, director of the National Pensions Reserve Fund who, in his evidence on 14 May last to the Committee of Public Accounts, stated:

There is a close relationship in terms of how the capital markets view the bonds outstanding in respect of the banks and how they view Ireland as a sovereign borrower. Walking away from the bank debts and allowing them to default on the bonds, in effect their senior debt, would have a very negative read across for Ireland Inc. I have little doubt that the cost of borrowing to the State would hugely increase if that approach were to be adopted.

Deputy Enda Kenny

Dr. Somers stated he has no idea how that will work.

The Taoiseach

The director of the National Pensions Reserve Fund stated that, in fact, the idea Fine Gael is putting forward, which is effectively to default on some bond holders, would have the effect of hugely increasing—

Deputy Enda Kenny

It is not what we put forward.

The Taoiseach

—the cost of borrowing to the State.

Deputy Seymour Crawford

Did the Taoiseach ever read it.

The Taoiseach

Considering the implications of such a default would like be severe given that we are seeking to raise €25 billion this year,—

Deputy Enda Kenny

The Taoiseach has it wrong.

The Taoiseach

—most of which will be used to deliver key public services such as education and the health service. In view of this I would be slow to take up the Deputy's offer.

The Fine Gael plan does not clearly address the central problem in our financial system of impaired assets in the land and development books of the banks.

Deputy Jimmy Deenihan

He is telling lies.

The Taoiseach

If these difficulties are not addressed, neither the existing financial institutions nor Fine Gael's so-called national recovery bank would be able to access the credit that all parties agree is required for the economy. The NAMA proposal sets out what the Government will do with the impaired assets and without this problem being resolved there will be no resolution of our economic difficulties.

Those are the facts. The Fine Gael proposal is sparse in the detail of how it will access funding to increase credit in the economy. It states that it will access

€30 billion to €40 billion of funding from the European Central Bank—

Deputy Enda Kenny

Lawyers and developers again.

Deputy Paul Kehoe

The Galway tent.

The Taoiseach

—but to access this funding Fine Gael's national recovery bank would have to give the ECB assets of equivalent value. That is the reality of the situation.

(Interruptions).

An Ceann Comhairle

The Taoiseach without interruption. Deputy Kenny was listened to in respectful silence. The Taoiseach must be listened to in the same way.

The Taoiseach

It is clearly the case that the proposal from the Fine Gael Party to default on bonds as part of its issue of dealing with the problem in the banks will, in fact, increase borrowing.

Deputy Enda Kenny

That is not the Fine Gael proposal.

The Taoiseach

It has been stated by Fine Gael's recent guru, Mr. George Lee, in an interview.

Deputy Enda Kenny

There will be €90 billion extra in debt.

The Taoiseach

Mr. Lee stated it on a number of occasions in radio interviews. He stated that one should let them go swing for it. It has also been the case made by Deputy Bruton in my presence at a meeting that I attended with Deputy Kenny. Those are the facts of the situation.

Deputy Seymour Crawford

The facts are the Taoiseach never read it.

The Taoiseach

Deputy Kenny must go back to the drawing board if he thinks he will provide leadership in this situation.

Deputy Enda Kenny

An extra debt burden of €90 billion.

The Taoiseach

What we are proposing has been tested and tried elsewhere.

Deputy Joan Burton

Where?

The Taoiseach

We are stating clearly—

An Ceann Comhairle

Let him finish.

Deputy Enda Kenny

The Taoiseach has no idea whether it will work.

(Interruptions).

An Ceann Comhairle

Deputy Kenny was listened to in respectful silence and the Taoiseach must be given the same courtesy.

The Taoiseach

—that we intend to get it right. We will get it right and that is what we will do.

Deputy Paul Kehoe

The Galway tent.

An Ceann Comhairle

Iarraim anois ar ceannaire an Phairtí Lucht Oibre, an Teachta Gilmore, a ceist a chur.

Deputy Paul Kehoe

The Galway tent fell down around the Taoiseach.

A Deputy

What about the top 20?

An Ceann Comhairle

Deputy Gilmore without interruption.

Deputy Paul Kehoe

The Galway tent is on top of the Taoiseach.

An Ceann Comhairle

Please, Deputy Gilmore without interruption.

Deputy Eamon Gilmore

Is it not amazing that every time Deputy Kenny and I ask the Taoiseach questions about what the Government, which has executive authority, is doing to deal with the banking crisis and the shortage of credit in the economy, which is driving business to the wall and putting people out of

work, the Taoiseach's answer is to tell Deputy Kenny what is wrong with Fine Gael's proposals and to tell me what is wrong with the Labour Party's?

Deputy Willie Penrose

Hear, hear.

Deputy Dermot Ahern

The Labour Party has none.

Deputy Eamon Gilmore

What about the Government's proposals? The Taoiseach has repeated the idea that NAMA will be established to solve the problem. In January, the Minister for Finance was asked about the idea of a bad bank. He said that he thought that a bad bank would be a free lunch for the other banks, paid for by the taxpayer. Less than three months later, he announced in the emergency budget what was in effect a bad bank, NAMA, to buy up the banks' bad debts and toxic assets.

Deputy Dermot Ahern

The Deputy is being selective.

Deputy Eamon Gilmore

Last week, the Government rejected the alternative proposed by the Labour Party, namely, the temporary nationalisation of the banks. That proposal has the support of 20 eminent economists—

Deputy Dermot Ahern

And Iceland.

Deputy Eamon Gilmore

—and is one of the options that, according to the IMF, should be considered by economies in this type of situation.

Deputy Emmet Stagg

Did the Minister say something? We could not hear him.

Deputy Dermot Ahern

Iceland.

Deputy Joan Burton

We are looking for the cheapest way out.

Deputy Eamon Gilmore

It is six weeks since NAMA's announcement and we still have no idea what it is about, what it will do and how it will be composed. We know none of the details.

Deputy Noel J. Coonan

Even the Taoiseach does not know.

Deputy Eamon Gilmore

The Government published a briefing document on the night of the budget. It stated: "This is a priority for Government." We still do not have the legislation and no idea as to when it will be published. The briefing document stated: "It is proposed to establish the NAMA on a statutory basis". Since then, the Taoiseach and the Minister for Finance have said that they intend to establish NAMA on a non-statutory basis initially. The Labour Party has pointed out that this cannot be done, in that NAMA would not be able to do anything about anything because it would not have statutory authority to discount loans, carry out evaluations and so on as it is supposed to.

Six weeks ago, the Minister for Finance stated that NAMA would be established under the auspices of the NTMA. Last Thursday, the NTMA's chief executive appeared before the Committee of Public Accounts, but he did not appear to know a great deal about NAMA and did not seem enthusiastic about the idea. He told the committee that the NTMA had neither the staff nor resources to establish NAMA and that it would eventually become bogged down in the courts, resulting in what he described as a bonanza for lawyers. He stated: "The implications are enormous." What is the Government doing about this issue?

I have a number of specific questions. When will we get the details? When will legislation be published and enacted to establish NAMA? When will it be set up exactly? When will it start work exactly? Is it being delayed, as one newspaper reported at the weekend, because the Government is planning a second wave of bailouts, this time for the big developers? An article in one of the newspapers at the weekend—

Deputy Dinny McGinley

Deputy Gilmore is getting hot.

Deputy Eamon Gilmore

There is no point in the Taoiseach tut-tutting me.

Deputy Joan Burton

It is in the public domain.

Deputy Eamon Gilmore

I am only putting to him what is in the public domain. A Sunday newspaper stated that the Government and the Department of Finance are planning a formula whereby NAMA will not put any of the 20 big developers into liquidation or receivership. Is the Government's plan to deal with the banks, an urgent matter, being delayed to provide a second bailout, not for the banks, but for the developers?

Deputy Dinny McGinley

Hear, hear.

The Taoiseach

No, it is not, which is the answer to that question obviously. It is obvious that, as has been said by Dr. Somers, we are in uncharted territory. It is necessary for us to bring forward what is a very important and complex piece of legislation. It is necessary in the interests of trying to restore the sort of credit in the system that we need to see and to get businesses back up and running.

It is not a bad bank model, as the Deputy has suggested, because it obviously takes in all loans, including performing loans. We need to make sure that we do that properly.

On the third point in terms of the proposal, as Deputy Gilmore said, the Minister for Finance outlined in his budget speech the decision in principle to proceed along these lines. I can assure the Deputy that the NTMA is a part of the decision making process in that regard.

Deputy Joan Burton

Tell it that.

The Taoiseach

I think that what Dr. Somers was pointing out was the importance of getting this right. That is precisely—

Deputy Joan Burton

Yes. He is trying to safeguard—

An Ceann Comhairle

Please, Deputy Burton should not interrupt.

The Taoiseach

He is talking about the importance of getting it right and he highlighted the issues that have to be addressed. We intend to address all of those issues.

Obviously, we have a steering group in place. It includes the representatives of the Department of Finance, the Office of the Attorney General and the NTMA, including Brendan McDonagh, who unfortunately was unable to attend the committee meeting in question due to a family bereavement. All of that work is taking place as part of the work to prepare the legislation,

which is being proceeded with and which we hope to publish this summer before we break up. A lot of work is taking place and it is well under way. The heads of the Bill should be brought to Government next month.

As Deputy Gilmore said, in tandem with the work on the legislation, the practical preparations are being progressed. As the Deputy knows, Brendan McDonagh of the NTMA has been appointed as interim managing director. The Minister for Finance has directed the NTMA's chief executive to provide the necessary resources to support the work of the interim managing director in preparation for NAMA. We know that, as it currently is, the NTMA does not have the staff and expertise in this matter. It will recruit, as it has done in respect of every task it has been asked to take on. It has done so very professionally and well. The Minister will soon appoint an advisory committee, which will provide a range of expert advice both to him and to the interim managing director. We are engaged with the EU Commission with a view to ensuring that the final structure of the National Asset Management Agency is consistent with EU guidelines on asset purchase schemes and State aid rules.

On the appointment of expert advisers, as is being currently proceeded with by NAMA through the aegis of the NTMA, substantive work will begin on the analysis of eligible assets, valuation methodology, management of engagement with the financial institutions and identifying how one goes ahead with a viability review in line with EU Commission requirements. All of that practical work will go on in tandem with the preparation of legislation.

Yes, it is a complex area. Yes, it is an arduous task. It is a necessary task that has been undertaken in the way that has been outlined by the Minister for Finance. Of course, it is important to get it right and that is precisely the task that we are undertaking currently.

Deputy Eamon Gilmore

That was quite an astonishing reply. First, we have another shift in what we know. NAMA was originally to be set up for distressed loans, but the Taoiseach is now telling the House that it is to include performing loans.

Deputy Dermot Ahern

Wrong.

Deputy Frank Fahey

He does not understand it.

Deputy James Bannon

See saw.

Deputy Brendan Howlin

One of the property advisers is speaking.

Deputy Eamon Gilmore

Second, we are now being told that Dr. Somers highlighted the issues that must be addressed. What Dr. Somers highlighted were the issues that should have been addressed before the Government made its decision. What the Taoiseach is outlining to the House is an advisory committee, a steering group, engagement with the European Commission, considering, delaying and dithering. This is urgent. The Taoiseach said so himself.

(Interruptions).

Deputy Thomas Byrne

Deputy Gilmore should let Deputy Burton explain it.

Deputy Eamon Gilmore

On budget day, the Minister for Finance stated that this was urgent and a Government priority. We were told that it would need to be done quickly, but the Taoiseach is now saying that there will be a delay, consideration and a period of reflection, it would appear.

The Taoiseach

No. Action.

Deputy Brendan Howlin

When? What is it?

Deputy Eamon Gilmore

There is no action in this. The Taoiseach says that the Government is doing all of this to get it right. This has all the hallmarks of the kind of way that the Government considered the privatisation of Telecom Éireann. The Government knows how right it got that.

Deputy John Cregan

Deputy Gilmore is wrong.

Deputy Eamon Gilmore

It has all the hallmarks of how the Government considered the establishment of the HSE. We know how right it got that as well.

Deputy Dinny McGinley

Decentralisation.

Deputy Eamon Gilmore

This is dither and delay while businesses go to the wall and are starved of the credit they need, banks are in trouble and the domestic confidence of consumers and businesses and international confidence in the country is eroding all of the time. I asked the Taoiseach a number of very simple questions, namely, when will it be set up, when will we see the legislation, when will it start work and what is delaying it? All he has given me is a long ramble and rigmarole about all the committees and advisory bodies and consideration.

The truth of the matter, which is frightening for the House and the country, is that the Government, which is charged with trying to get this country out of the economic difficulties it is in, part of which is sorting out the banks, clearly does not know what it is doing from one week to the next. It does not have a clue.

(Interruptions).

The Taoiseach

The problem is that Deputy Gilmore does not have a clue, because it is very simple. At the very first meeting which was held—

An Ceann Comhairle

The Taoiseach, without interruption.

(Interruptions).

An Ceann Comhairle

The Taoiseach is making his contribution. This is Leaders' Questions and the Taoiseach is obliged to answer the questions which are put to him. Others were listened to in silence and I must insist on the same for the Taoiseach.

Deputy Brendan Howlin

We were not.

(Interruptions).

An Ceann Comhairle

Let the Taoiseach answer the question, for goodness' sake.

The Taoiseach

They do not want me to answer the question. That is the point.

An Ceann Comhairle

The Taoiseach, without interruption.

Deputy James Bannon

The accounts are coming in from behind.

The Taoiseach

They do not want an answer to the question. The issue, very simply, is this. I have been asked when the legislation will be published. I told the House the heads of the Bill will be with the Government in June. We will then proceed

Deputy Eamon Gilmore

It is urgent.

The Taoiseach

Yes, it is urgent, and it is a very complex and arduous task. In the interim, the legislation is being driven, devised and worked on by a steering group involving the Office of the Attorney General, the Department of Finance and NTMA. I do not see what the problem about that is because that is how one goes about doing anything in a logical fashion, given the fact one requires the involvement and input of these people.

Regarding what is happening in practical terms in the setting up of the agency, we appointed Mr. McDonagh as interim managing director. Recruitment will take place, in line with the way people were recruited to the State Claims Agency. Other people were recruited in the past to bring in the expertise necessary and they will work, as I outlined earlier, in that regard. They will go through the various valuation methodology and the various work they have to do.

Deputy Eamon Gilmore

He cannot do that.

The Taoiseach

That is what I said on the record of the House. The legislation will be put in place in parallel with that. Deputy Gilmore is saying there should be no action at all until the enactment takes place.

Deputy Eamon Gilmore

It is the Taoiseach's idea.

The Taoiseach

It is my idea. Deputy Gilmore's idea is a temporary nationalisation, which his candidate in the Dublin South by-election suggested could last for 20 years. He said that if it involved 20 years, so be it — that is his idea of a temporary nationalisation. So much for no ideology in the Deputy's party.

Regarding what we are trying to do and what we will do, we will proceed in line with EU guidelines on impaired assets, working with the EU and the ECB, making sure we bring forward the legislation that will withstand any legal challenge—

Deputy Joan Burton

Working with the developers.

The Taoiseach

In the meantime, as NTMA has done time out of number, we have put together a team of people who will work through the National Asset Management Agency management of that portfolio on the basis of the criteria we outlined.

It was made very clear, at the very first press conference in NTMA, despite what the Deputy suggested about there being something new, that performing assets as well as non-performing assets would be required because we want to make sure, when we get the bonds from the ECB, that the cost of servicing them and the ECB for them is paid for by those who have the debts and not the taxpayer, as would be the case if we went down Deputy Gilmore's road.

Deputy Joan Burton

That is not possible in the bond market.

(Interruptions).

An Ceann Comhairle

That is the end of Leaders' Questions for today.

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