Sinn Féin

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Sinn Féin's Emergency Budget Submission

March 2009

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March 31st 2009

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Total raised and saved – €3,059,268.000 (€3.059 billion)

Full year: €4,922,625.931 (€4.922 billion)

Borrowing to be increased to 10.5% of GDP – €2 billion.

Sinn Féin's proposals for the April emergency budget

Executive Summary

The only way to secure the economic future is to retain existing jobs and to create new ones; to create a fair and progressive taxation system; to reduce the trade deficit; and to stabilise and better regulate the financial sector. This emergency budget must include measures to start stimulating as well as stabilising the economy.

Given the growing fears around the state's borrowing capacity and the damage that has been done to our reputation capital because of bankruptcy fears, we accept that measures must be taken to tackle the crisis in public finances. To do this, we are putting forward what we believe are the fairest and effective recovery proposals to the government. However, in a time of recession, these measures can only be taken once – we cannot go into retrenchment mode and tax and cut indefinitely, while trying to contain borrowing – we must be prepared to stimulate the economy. €2 billion has already been saved this year.

In this document we set out proposals to raise an additional €3 billion in tax revenue and savings in 2009 and almost €5billion in a full year. We are also calling for borrowing to be increased to 10.5% which would raise €2 billion this year. This borrowing must be for strategic investment and used to avert further contraction of the economy.

This document lays out immediate revenue raising measures through:

- standardising tax reliefs
- reviewing and levying tax expenditures
- ending waste and duplication in the public sector
- changes to the tax system
- using borrowing strategically
- investing the National Pension Reserve Fund

We believe longer term policy must bring forward a complete overhaul of the taxation system and abolish once and for all tax exile status, shelters and loopholes.

Unlike Fine Gael, we are completely against selling off profitable state companies, or companies that could be made to turn a profit again, for short term gain. We believe this policy to be economically naïve and ultimately counter-productive for the future of the state and its economy.

Part II of this document outlines cost saving proposals including:

- ending the privatisation of health services,
- reducing salaries for hospital consultants and CEOs of state bodies,
- tackling the HSE drugs bill
- reducing travel subsistence across government departments.

However, the government cannot come back to the country next month with the same problem. A fiscal plan that involves jobs retention and creation, strategic borrowing and financial institution overhaul must be put before the state as a matter of urgency. In our jobs retention and creation document, we set out more than 80 proposals, costed at €2.215 billion, paid for from the NPRF and additional but progressive taxation, that would help to stimulate employment and the economy. The simple measure of helping to retain people in jobs would contribute to stabilising our tax receipts for the rest of the year and make our situation more manageable.

In bringing forward proposals to bridge the gap in the current budget deficit, Sinn Féin has sought to protect those on low-to-middle incomes and those in receipt of social welfare, while protecting frontline public services.

To suggest, as the government has done, that an unemployment weekly payment of €204 can be reduced because of lowering inflation is ludicrous. The cost of living in this state is still exorbitantly high and exceeds most people on the average industrial wage, let alone those on social welfare payments.

The vast majority of workers are willing to pay contribute to rebuilding the country, even though they did not make the mess, but they are not willing to shoulder the lion's share of the burden.

Key facts

- The dramatic contraction in the economy indicates a genuine emergency, the treatment of which has to take precedence over all other concerns, including debt accumulation.
- The government did nothing over the last ten years to broaden the tax base on a progressive basis and as a result, as the construction and retail sectors began to depress, public finances went into freefall.
- The government has stated that it needs to raise €4.7 billion to meet budgetary targets, but this figure is only an estimate based on current recipt projections, which have been consistently wrong.

- The Irish tax structure by tax type (indirect 44%, direct 40% and social security contributions 15%) differs considerably from the structure typical for the EU as a whole (39%, 31% and 30%)
- In January and February, the state collected €2.2 billion in VAT, down from €2.6 billion in the same period last year, despite the government's .5% increase.
- Stamp duty take fell by 50% in 2008 to €1.6 billion. In January and February only €153 million was collected.
- 1,447 people, 0.06% of all earners, earned approximately €3.459 billion between them in 2008. The latest figures available show that more than 25% of the top 400 earners paid tax at a rate of less than 20%.
- As at 31/03/2008, the amount of outstanding tax due to the state was €1.286 billion. According to the revenue commissioner's report, almost 25% of that was not available for collection. The revenue must be given additional resources to pursue outstanding taxes and close down loopholes and tax evasion measures. These resources must target on a priority basis those evaders and defrauders at the top of the food chain, most able to pay.
- Treating in-patients in private hospitals costs the taxpayer €850 more per patient than in public hospitals. With 20,000 in-patients being treated through the National Treatment Purchase Fund, private hospitals are pocketing €17 million of taxpayers' money each year.
- Irish hospital consultants earn €250,000 per annum for a 33-hour week. The implementation of the new consultants' contract will cost the Government more than €140 million in 2009
- In 2006, the drugs bill exceeded €1.84 billion or approximately 15% of total healthcare expenditure in Ireland. The cost of drugs is far higher in Ireland than in most other European countries
- The salary of CEOs of public bodies can range from €114,335 to €534,998. Most of these individuals earn more than the President of the United States who is on a salary of €300,000. Brendan Drumm who is on a salary of €380,000 received a further bonus of €80,000 in 2007
- Between 2002 and 2008 €230 million was claimed in expenses by civil servants operating across state departments.

Key proposals for revenue raising

Revenue raising total 2009: €2,460,610.000 (€2.460 billion) Full year €4,119,610.000 (€4.119 billion)

The following are our proposals, as costed by the Department of Finance, to deal with the budget deficit. Our figures, where possible, cover the rest of 2009 and a full year. In several instances, the Department failed to provide estimates for the remainder of 2009, and where this occurs, we have indicated our own estimated figures.

- Make all discretionary tax relief schemes available only at the standard rate, exceptions should be made only if there is a proven benefit to the Exchequer **2009 (estimated) - 600 million. Full year - €1 billion**
- Abolish the PRSI ceiling and raise PRSI on employees by 1% **2009 - €563 million. Full year - €950**
- Increase health levy by 3% on those earning in excess of €100,000 **2009 – 90 million. Full year - €230 million**
- Increase motor tax for the highest emissions non commercial vehicles (Class F and Class G) – **2009 – NA. Full year €610,000**
- Cap pension contributions from €150,000- €100,000 **2009 - €25. Full year - €70million**
- Introduce a new 48% tax rate on individual income in excess of €100,000 **2009 - €180 million. Full year - €435 million**
- Place a 40% levy on property based tax reliefs **2009 - €203 million. Full year €203 million (figures based on €508 million to be paid out in current property based tax reliefs and legacy tax relief in 2009 and assuming levy is paid as a once off payment)**
- Reduce the €800 million per annum in tax reliefs on mortgage interest for landlords by 50% **2009 (estimated) - €233 million. Full year – €400 million**
- Raise the tax on second homes from €200 to €600 per annum – **2009 - €80 million. Full year €80 million (assuming the tax is paid in a once off payment)**
- Increase Deposit Interest Retention Tax by 5% **2009 - €100 million. Full year- €140 million**
- Increase tax on bookies profits from 2% to 6% **2009 - €120 million. Full year - €120 million (assuming the tax is paid in a once off payment)**
- Charge Capital Gains Tax at 30% (up from 22%) **2009 – €286 million. Full year – €491 million**

Key proposals for revenue saving

Cost saving proposals – 2009 €598,758.000 (€598 million) Full year €803,015.931 (€803 million)

- Phase out all subsidies of private practice in public hospitals and charge practitioners for the use of public equipment and staff in their private practice. We want a 83% increase in charges for private beds in public hospitals. **This will yield: €300 million in 2009**
- Implement a new contract on all hospital consultants which would cap their start off pay at €100,000, with a maximum of €150,000 of remuneration **2009 - €122 million. Full Year €210 million**
- End co-location - **2009 - €50 million (€400 million over 7 years)**
- Nationalise the wholesale distribution of subsidised drugs and compel medical practitioners to prescribe low cost generic drugs **2009 - €100 million. Full year - €200 million**
- A 20% cut in travel expenses across all departments **2009 - €8.4 million. Full year - €14.4 million**
- Reduce by 50 % consultant use across government departments **2009 - €12 million (figure based on 2009 estimated expenditure for consultants)**
- Cap TDs salaries at €80,000 **2009 (estimated) €4 million. Full year - €7 million**
- Cap senators salaries at €60,000 **2009 - €423,000. Full year - €725,000**
- Remove the allowances payable to the Chairperson, vice-Chairpersons and Whips of the 23 Oireachtas Committees and 5 Sub-Committees **2009 (estimated) - €485,000. Full year - €830,931**
- Prohibit former and current legislators and senior civil servants from holding more than one public pension – **Government unable to provide answer**
- Impose a 10% levy on all executives and non-executives of directors on state bodies **2009 - €350,000. Full year - €600,000**

Part I

A fair approach

In the past when the public finances have been under pressure, Fianna Fáil and Fine Gael led governments have implemented policies targetting the low-to-middle income PAYE worker. They are doing the same thing again today.

People are willing to contribute to rebuild the state, but they are unwilling to shoulder the lion's share of the burden to repair a mess they did not create, particularly when they have no confidence in what their taxes are being used for.

Sinn Féin's approach to public finance is based on these guiding principles:

- Tax rates and bands must be fair, equitable and progressive
- Tax reliefs can only exist where they return a greater good for society as a whole
- Those earning the minimum wage must be kept out of the tax net
- Taxation should be used for the provision of public services, to eradicate poverty and to stimulate economic activity
- Stealth taxes should not be used to keep income tax artificially low
- There must be taxation justice – everyone must pay their fair share, there can be no exile status or legal evasion, tax defaulters should be vigorously pursued
- A start must be made on tax harmonisation across the 32 Counties with an aim of completing the process in ten years
- Waste and duplication must be eradicated in the public sector, but frontline services must be protected
- Social welfare payments cannot be cut
- Borrowing must be strategic and, as in other states, an acceptable method of financing infrastructure
- The National Pension Reserve Fund should be used for domestic investment, not allowed to collapse in unstable stocks and shares abroad, and not a cent more of the Fund can be put into the banking sector under the current arrangements

The public finance dilemma

The estimates of what the government needs to borrow in the coming year have changed frequently and there is no guarantee that revenue returns won't have fallen further next month.

Sinn Féin was the only party that did not promise tax cuts in the last election because it was the right thing to do to protect the economy. We are now putting forward solutions to fix the economy that are based on sound economic proposals. Our jobs strategy paper, which contained almost 80 proposals, set out in clear terms how jobs could be both saved and created. We didn't just throw out figures for new jobs – our proposals were well researched, innovative and costed. We advocated using €500 million of redirected government spending from this emergency budget and funding the remaining sum of our €2.295 billion costings from the National Pension Reserve Fund.

We believe there is a better way to deal with the pulic finance crisis. This document sets out our proposals.

Spending cuts

There is simply not enough expenditure within the public sector to continue making cuts. According to the OECD, Ireland's public spending is far below average. The OECD public sector report (April '08), debunked a number of myths that surrounded public spending, stating that despite major spending increases over the past 10 years, expenditures in the public domain are small as a percentage of total GDP, compared to other OECD countries. This is because Ireland has traditionally had a small public sector and so recent increases have been part of a process of "catching up" to more typical OECD levels. In fact, Ireland ranked third to bottom in terms of public expenditure as a share of GDP in 2005, above only Korea and Mexico.

Taxation

On the revenue side, there is plenty of scope to make the taxation system fairer while also raising more revenue. The system is rife with inefficiencies and unjust loopholes.

There is also an imbalance in the method of tax collection. The total tax to GDP ratio in Ireland is 30.8% (the EU average is 37.4%). We are the fifth lowest in the Union, after Romania, Lithuania, Slovakia and Latvia. The tax structure by tax type (indirect 44%, direct 40% and social security contributions 15%) differs considerably from the structure typical for the EU as a whole (39%, 31% and 30%) and is comparable only with Britain and Malta. The nature of our high indirect taxes means that we as a state are heavily dependent on consumption and indirect taxes such as stamp duty to bulk up revenue.

We have said for a long time that some people are paying too much income tax and some people are paying too little. In the longer term, we want to see a progressive, sophisticated income tax system of multiple bands and rates.

The government did nothing over the last ten years to broaden the tax base or make it more equitable and as a result, as the construction and retail sectors began to depress, public finances went into freefall. A further indictment of their economic management is that we did not have more of a surplus when we could have. The government allowed much of the revenue collected to be paid back out via inequitable tax reliefs and used on wasteful government programmes such as P-Pars and E-voting machines, as well as ridiculous overspend on unmanaged infrastructure projects. Billions has been lost in the government's drive to privatize the health service at the expense of the taxpayer.

While calling for a longer term redress of the taxation system imbalance, in the immediate term we believe that closing down loopholes in taxation (and we include tax reliefs that are being abused or mispaid) and by taxing those at the upper end of the income scale, we can increase revenue returns.

Our motivation for not increasing tax rates on those in the low- to middle-income brackets is threefold: 1) a higher third rate and bracket bring fairness and balance to the taxation system; 2) in recognition of this group being under the most financial pressure at this time; and 3) to ensure that we are not taking more money out of the economy by starving these people of the ability to consume. We have however called for a 1% increase on PRSI to secure the Social Insurance Fund. We believe this 1%, which will affect all taxpayers, combined with abolition of the PRSI ceiling is a fair proposal. It will provide money that will be ringfenced to an insurance fund for unemployment and other welfare payments.

We have a political platform that includes the provision of a world-class health service, world-class education

system, comprehensive infrastructure and higher standard of living, particularly for those now on low incomes. This agenda requires a new tax approach, one which subscribes to taxation with results. As well as looking at multiple bands and rates for both income and corporation tax, we believe new taxes should be examined, such as a 'Tobin' tax (a tax on harmful speculation, eg speculative currency trading).

Proposals to Raise Revenue

The following are our proposals, as costed by the Department of Finance, to deal with the budget deficit. There are some proposals which stem from our Jobs Strategy document which would actually have a return for the Exchequer, such as obliging banks to renegotiate high fixed interest rate mortgages to lower rates (which would save the state millions in mortgage interest relief payments). However, we could not get costings from the Department of Finance on this measure, so we don't include it here.

Tax Reliefs

In 2006, then Finance Minister Brian Cowen announced a number of measures he claimed were designed to put an end to the aggressive abuse of tax reliefs by the wealthy. He stated that, whichever way the wealthy used the schemes, they would effectively pay a rate of at least 20% on their income, after a revenue study of the 2003 tax year found that of the state's 400 top earners, 26% paid tax at a rate of less than 20%. Brian Cowen specifically mentioned property reliefs – created and maintained by his government throughout the largest property boom in Europe. His measures though, allowed applicants for Section 23 relief to receive approval up until July 2008 and the legacy of those tax reliefs are still being paid. There remain a huge number of inequitable tax reliefs and the rate at which tax reliefs are paid is also unfair – a higher relief is given to those on higher wages.

Tax expenditures must be strategic, fair, continuously examined for their return to society, and time limited.

- Make all discretionary tax relief schemes available only at the standard rate, exceptions should be made only if there is a proven benefit to the Exchequer **2009 (estimated) - 600 million. Full year - €1 billion**
- Place a 40% levy on property based tax reliefs **2009 - €203 million. Full year €203 million (figures based on €508 million to be paid out in current property based tax reliefs and legacy tax relief in 2009 and assuming levy is paid as a once off payment)**
- Reduce the €800 million per annum in tax reliefs on mortgage interest for landlords by 50% **2009 (estimated) - €233 million. Full year – 400 million**

Income tax

Over the last decade income tax rates have reduced dramatically - the level of income tax paid by the higher earners has been brought to unsustainable levels. Warnings that this left the exchequer precariously over dependent on taxes related to the property sector and consumption were ignored.

The fact that more low paid workers have been taken out of the tax net over recent years has been a positive and any reduction of personal tax credits at this time would undermine efforts to stimulate consumer spending.

Examining income tax figures reveals the inequality in income throughout the state. From 2008 figures, we know that 32.3% of earners remained outside the tax net at the lower end, which means that one in three of the working population earned less then €18,304 last year. On the other end of the scale, only 6.36% of the population earned in excess of €100,000. At the very top, 1,447 people, only 0.06% of all earners, earned approximately €3.459 billion between them in 2008.

An examination of income tax must look at the wealth that is being created at the upper end of the scale and apportion tax accordingly.

In the longer term the tax system must be reformed to include a number of bands and rates before it can truly be considered efficient, fair and progressive. We're very concerned that among the terms of reference for the Commission on Taxation was a caveat to keep the 'tax burden low'. The tax burden is Ireland is only low for the wealthy – for everyone else it is inequitable and inefficient. The Commission is clearly out of step with the changed economic circumstances.

- Introduce a new 48% tax rate on individual income in excess of €100,000 **2009 - €180 million. Full year €435 million**

PRSI

The Department of Social and Family Affairs had indicated that the Social Insurance Fund will run out by the end of this year. If policies are not implemented to rectify this situation the money won't be there to meet demands on the fund – which include unemployment benefit, contributory and non-contributory pensions, maternity benefit and redundancy payments. We have advocated an increase in PRSI of 1% because, even though it will affect all those in the tax net, not only will it deal with the shortage in the Fund, but people know when they make this payment that it is being ring-fenced for their use. It is not an income tax hike that they cannot trust the government to spend effectively.

In addition due to the rise in unemployment revenue, the health levy has fallen dramatically, causing the HSE to embark on another round of damaging cutbacks.

- Abolish the PRSI ceiling and raise PRSI on employees by 1% **2009 - €563 million. Full year - €950**
- Increase health levy by 3% on those earning in excess of €100,000 **2009 – 90 million. Full year - €230 million**

Second Property tax

As house prices escalated over the last decade Sinn Féin argued that the introduction of a tax on second properties would reduce demand from investors and therefore contribute to moderating house price increases. Unfortunately this was not done

Addressing the shortfall in tax revenue and broadening the tax base requires that the potential for raising revenue through property taxes be examined. Increasing the tax/levy on second homes raises necessary revenue in a fair way, without undermining economic activity.

- Raise the tax on second homes from €200 to €600 per annum – **2009 - €80 million. Full year €80 million (assuming the tax is paid in a once off payment)**

Capital Gains Tax

One of the first acts of the newly elected Fianna Fáil-PD Government was to cut Capital Gains Tax (CGT) from 40% to 20% in Budget 1998. This gave a windfall to the wealthy, particularly property developers and speculators. The low rate of CGT has been abused by speculators, developers and those who do not want to develop enterprise but seek instead to asset strip firms for short term gain. The change in CGT made it more profitable to speculate in property than to operate a business and indeed resulted in many lucrative located businesses closing over recent years. However, while some economists laud the rise in CGT returns (almost double) after the cut, other economists point out that this happened for two other reasons – 1) house price and Irish share prices shot up in the year following the tax cut and 2) a new caveat was introduced that meant CGT would apply to gains in excess of £500 punt, as opposed to the previous £1,000 punt. These factors leant themselves to an increase in CGT and made it extremely profitable to trade within these markets.

There is a clear public demand for windfall gains to be taxed fairly and therefore we are calling for CGT to be paid at 30%.

- Charge Capital Gains Tax at 30% **2009 – €286 million. Full year – €491 million**

Miscellaneous

- Increase motor tax for the highest emissions non commercial vehicles (Class F and Class G) – **2009 – NA. Full year €610,000**
- Cap pension contributions from €150,000- €100,000 **2009 - €25. Full year - €70million**
- Increase Deposit Interest Retention Tax by 5% **2009 - €100 million. Full year- €140 million**
- Increase tax on bookies profits from 2% to 6% **2009 - €120 million. Full year - €120 million (assuming the tax is paid in a once off payment)**

Enhance non–tax revenue (2009–2011)

Reclaiming National Resources

The massive oil and gas reserves off our coast could have huge potential if the state makes radical changes to how the sector is controlled and how the revenues from the sector are channelled. The Dunquin gas field is estimated to contain 25 trillion cubic feet of natural gas and 4,130 million barrels of oil. The gas alone would meet our gas needs - at present consumption levels - for the next 62 years. Dunquin is licensed to Exxon and partners who estimate that it will come on stream after 2013.

The Spanish Point field has known reserves of one and a quarter trillion cubic feet of gas and 206 million barrels of oil, valued at €30 billion. The Corrib field has an estimated value of anywhere between €12 billion to €100 billion euros.

Unfortunately, because of the ludicrous and dubious deal with the multinationals in 1992 the people of Ireland gain very little from our oil and gas wealth under the current arrangements.

There is an urgent need to immediately reform the current exploration licensing and taxation scheme and for the renegotiation of oil and gas contracts.

The Minister for the Environment should extend 40% tax to all licenses to ensure that when the gas and oil comes on stream that it provides, as it can, a huge revenue boost to the country.

The government should also establish a state oil, gas and mineral exploration company that would actively participate and invest in exploration.

Maintaining Profitable Companies in Public Ownership

- Keep the ESB and all other profitable public companies in public ownership.
- Negotiate at EU level for an exception to the EU State Aid Rules similar to that conceded to Germany, to assist post-partition reconstruction for reunification.

Part 11
Ending the waste

Public Sector savings

Notwithstanding the evidence of comparatively low public expenditure, wastages in public spending exist. But rather than cutting back on frontline services, Sinn Féin proposes tackling private-for-profit companies operating on the back of our public services, that remain to be dealt with despite the public finance crisis.
In this paper, we concentrate in particular on savings that can be made in the health spend. The Department of Health and the HSE in particular, does have one of the largest budgetary allocations, but there has been huge waste in that budget as a result of the privatization of health services.

1. Ending subsidies to for–profit health care

A legacy of underinvestment combined with 15 years of centralisation and privatisation has not only left us with an inadequate and disorganised health system, but has created a culture of waste in our health service.

The Irish taxpayer is subsidising private-for-profit health care companies to the tune of hundreds of millions of euros every year. The National Treatment Purchase Fund (NTPF) is directly subsidising private health care using taxpayers' money. Contrary to international practice, the Treatment Purchase Fund negotiates prices with private hospitals on an individual basis. Treatment in private hospitals costs more per patient than public hospitals. The establishment of the National Treatment Purchase Fund, in lieu of accelerated development of public treatment capacity, has given hospital consultants the perverse incentive to keep patients on waiting lists so that they are then transferred to their private practice.

According to the Purchase Fund's latest report, some 20,000 "in-patients" were treated in 2007 at a cost of €92 million. The report does not provide precise details of the procedures performed or of their individual cost, but at least two-thirds of the procedures listed, such as endoscopy, tonsillectomy and dental extraction, would normally be carried out as day-case procedures, which are relatively inexpensive. Some 10,000 out-patient consultations and some 2,000 MRI scans were also provided. Excluding the out-patients, the cost per

in-patient treated was therefore €4,600. Four private hospitals shared €49 million of the fund.

In contrast, the Mid-Western Regional Hospital complex in Limerick (the Regional Hospital, the Regional Maternity Hospital and Croom Orthopaedic Hospital), had a 2007 caseload which included 33,000 genuine in-patients, about 75 per cent of which were emergency cases, of all levels of complexity, and 19,000 day-case “in-patients”; 29,000 new out-patients and 109,000 review out-patients. Excluding this massive out-patient activity, the cost per in-patient treated was significantly lower, at €3,750.

Thus treating in-patients in private hospitals is costing the taxpayer €850 more per patient than public hospitals. With 20,000 in-patients being treated through the Purchase Fund, private hospitals are pocketing €17 million of taxpayer’s money each year.

More wastages of money relating to our public and private mix are evident in the treatment of private patients in public beds. Over half of the hospital beds in the Dublin Maternity Hospital are private for-profit beds.

- Impose flat rates for private hospital treatment under the National Treatment Purchase Fund
- Phase out all subsidies of private practice in public hospitals and charge practitioners for the use of public equipment and staff in their private practice. We want a 83% increase in charges for private beds in public hospitals. **This will yield: €300 million in 2009**

2. Reining in hospital consultants

Irish hospital consultants earn €250,000 per annum for a 33-hour week. The implementation of the new consultants’ contract will cost the Government more than €140 million in 2009.

Under the new hospital consultant contract the cap of 25% of their work time in private practice is not monitored. Because of the lack of scrutiny some consultants have been reported to spend 40% of their working week in their private hospitals, which in some cases is subsidised by the Treatment Purchase Fund. In stark contrast with Irish hospitals consultants, consultants in Sweden and Britain are paid €70,000 and £70,000 respectively and they work public only.

- Implement a new contract on all hospital consultants which would cap their start off pay at €100,000, with a maximum of €150,000 of remuneration **2009 - €122 million. Full Year €210 million**

In promoting private healthcare the state has foregone hundreds of millions of euros in tax revenue. Tax exemptions for private for profit hospitals through projects such as co-location have encouraged investors to avoid large tax bills on their rental income through the tax exemptions for investing in private hospitals. If the co-location project is implemented the state will lose hundreds of millions of euro through tax expenditure while eroding the quality of care in public hospitals.

- End co-location - **2009 - €50 million (€400 million over 7 years)**

3. Drugs Bill

In 2006, the prescription drugs bill exceeded €1.84 billion or approximately 15% of total healthcare expenditure in Ireland. The cost of drugs is far higher in Ireland than in most other European countries. One of the reasons for the high cost of drugs in Ireland is the use of “branded” or patented drugs. Generic drugs are a more cost effective production of the branded drugs. An example of the price difference between generic and branded drugs is alendronic acid, which is used to treat osteoporosis. The branded product costs a patient €56.05 for a month’s supply. The generic drug costs €38.98 (Tevenate), which is a saving of €17.07 (30 %). The use of generic drugs is common in Europe and is used in countries such as Denmark, France, Austria and the Netherlands.

Because of the contract negotiated between the Irish pharmaceutical industry and the Irish Government generic drugs are not prescribed to patients. A clause in the IPHA (Irish Pharmaceutical Healthcare Association) agreement prohibits chemists from offering cheaper generic drugs and compels them to sell branded drugs on prescriptions. This clause is in breach of the code of conduct for Irish pharmacists.

The argument that pharmaceutical companies invest in the Irish economy because of our generous agreements for purchasing drugs is spurious: the pharmaceutical industry has located in Ireland on the basis of our young educated workforce and to avail of our low taxes. Any changes to the IHPA agreement to achieve value for money would have no impact on investment.

In addition, Ireland is one of the few countries in Europe where medical practitioners are at liberty to prescribe any type of drugs that they wish. In contrast in England prescriptions must be evidence based and the most cost effective drugs must be prescribed. Major pharmaceutical companies such as United Brands have sponsored medical conference for Irish doctors in luxury hotels, and there are no restrictions on our general practitioners or hospital consultants investing in shares in the pharmaceutical industry. This situation may therefore also create incentives to prescribe branded drugs over generics that have little or nothing to do with therapeutic outcomes for patients.

- Nationalise the wholesale distribution of subsidised drugs and compel medical practitioners to prescribe low cost generic drugs **2009 - €100 million. Full year - €200 million.**

4. Senior Executives, Legislators

Whereas the average monthly EU salary for legislators, senior officials and managers in public administration is €4,634, the average monthly salary in Ireland for senior managers and legislators is €6061. Thus this state has the third highest remuneration for senior managers and legislators across the 27 EU Member States.

The salaries of CEOs of Irish public bodies are also excessive:

» €350,000 (Eamon Brennan CEO of the Irish Aviation Authority)
» €409,000 (David Gunning CEO of Coillte)
» €414,000 (Donal Connell CEO of An Post)
» €534,998 (the CEO of ESB)

All of these individuals earn more than the President of the United States who is on a salary of €300,000. Yet salaries are only part of the income for CEOs and managers in state bodies. The HSE's Brendan Drumm who is on a salary of €380,000 received a further bonus of €80,000 in 2007. The HSE paid its senior staff a total of €1.4 million in 2007 in work related bonuses.

Unfortunately, the salary of a CEO is not decided by the government, but by the board of management of the state body. The agreed salary is an enforceable contract of employment and any therefore changes to the salary must be voluntary. This makes the current wasteful situation difficult to change through government intervention on the expenditure side.

There is also salary waste within the very top end of the civil service:

- 3,897 civil servants earn €80,000 and above.
- 1,389 servants earn €100,000.
- 342 civil servants earn €120,000 and above.
- 214 civil servants earn €150,000 and above.

Government should act within its powers to limit current excess public salary waste and to ensure that public representatives do not contribute to the problem themselves through their own excessive earnings.

- Cap TDs salaries at €80,000 **2009 (estimated) €4 million. Full year - €7m**
- Cap senators salaries at €60,000 **2009 - €423,000. Full year - €725,000**
- Remove the allowances payable to the Chairperson, vice-Chairpersons and Whips of the 23 Oireachtas Committees and 5 sub-committees **2009 (estimated) - €485,000. Full year - €830,931**
- Prohibit former and current legislators and senior civil servants from holding more than one public pension - Government unable to provide answer
- Impose a 10% levy on all executives and non-executives of directors on state bodies **2009 - €350,000. Full year - €600,000**
- Reduce the number of Ministers of Sate from 16 to 5 **– this would generate €1.1 million in 2009 (€1.76 in full year)**
- Introduce a cap of one pension for all former/current TDs - **€5m per year**
- Introduce a 95% levy on bonuses in commercial state sponsored bodies for senior management: **€700,000**

5. Travel Subsistence

Between 2002 and 2008 €230 million was claimed in expenses by civil servants operating across the state departments. The Department of Agriculture and the Revenue Commissioners were responsible for 50% of the bill. At present, there are more than 36,000 civil servants working in government departments. They are allowed to claim €144.45 for overnight accommodation, and 83 cent per mile for up to 4,000 miles.

- A 20% cut in travel expenses across all departments **2009 - €8.4 million. Full year - €14.4 million**

Miscellaneous

- Reduce by 50% the amount spent on consultant use across government departments **2009 - €12 million (figure based on 2009 estimated expenditure for consultants)**

Additional notes

Sinn Féin's position on borrowing

Deficits are not sustainable as a long-term option. Growing debt means higher interest payments and eventually more and more money goes on debt service. But, at the same time, increasing taxes and cutting expenditure because you are trying to reduce/contain a deficit has the potential to further slow down a contracting economy.

When an economy slows, unemployment increases, as do welfare payments – leading to reduced revenue and increased expenditure.

So attempting to reduce or contain a deficit during a recession can be counterproductive.

It's perfectly acceptable to borrow during a recession if you are borrowing for the right reasons. Borrowing to sustain current expenditure, without a plan to stop borrowing through economic stabilisation and re-growth, however is not advisable. Borrowing for investment and with an aim to stimulate the economy, is.

The state should not be afraid to borrow for infrastructure build that has the potential to grow our economy – ie. schools, universities, public transport, universal broadband, ICT, hospitals. These investments will create jobs – giving immediate return to the Exchequer in the form of taxation revenue and consumer spending, and reducing welfare expenditure – and will also, in the longer term, build the economy to an extent that GDP increases sufficiently to reduce the deficit and build a surplus.
In the 80s, our borrowing to GDP stood at 130%. Our growing economy was able to outstrip that percentage in the 90s.

The debt situation has deteriorated rapidly in recent months. The government has found itself several billion worse off than anticipated by way of reduced tax receipts and it has had to budget for recapitalising the banks. The combined effect is the following position, as outlined by the Dept of Finance in January - the Debt/GDP ratio is forecasted at 53% for 2009; 62% for 2010; 66% for 2011; 66% for 2012.

These figures for debt reflect the total current and capital spending on roads.

The government needs more borrowing to stimulate the economy quickly. GDP is forecast to fall to €180 billion at the end of 2009, according the Department of Finance a fall of 4%. It will stay at €180 billion in 2010 and rise to €187 billion in 2011.

According to the economist Tom O'Connor, at 53% of GDP in 2009 the current debt out of €180 billion is €95.4 billion. "However, in order to stimulate the economy immediately we could increase borrowing to bring the Debt/GDP Ratio up by 7% to 60% of GDP, which would bring the debt to 108 billion. This would allow for a further injection of €12.6 billion this year. If we gave one final extra stimulus in 2010 to bring us up to 65% of GDP, the total debt at that stage would be 117 billion which would give an extra stimulus of 9 billion in 2010. This could start the economy growing in 2010 rather than finishing up by contracting by 1% according to the government's figures."

All this shows that there is indeed room to increase borrowing. In addition, in recent weeks, Irish Bonds have seen a bounce back as some appetite for risk returned to the international bond market (Sunday Business Post 29 March). Irish government bonds, which had been trading at 270 basis points above Germany's a week ago, came back at 220 basis points, and the price of Credit Default Swaps fell sharply. This increases the government's ability to raise additional funds through higher borrowing.

Sinn Féin Budget 2009 proposal on use of National Pension Reserve Fund:

"We propose that the Government invest money from the Pension Reserve Fund in public infrastructure projects, rather than in less stable international stocks and shares, for the next year at least. At the end of 2007, the National Pension Reserve Fund contained €21.2 billion. In March 2008 the fund was estimated at €19.4 billion. Much of the fund is outsourced to specialised international fund managers and at the end of 2007 the Fund had a cash position of €1 billion and foreign currency hedging operations of €5 billion. Money is clearly being lost on the stock markets, though much of that is only on paper until

it is withdrawn and realised, but we argue that it would be more responsible to use the apparent accessible proportion of this fund for infrastructure investment (the approximate €6 billion)."

Sinn Féin has previously proposed that the Government use the rapidly declining resources in the National Pension Reserve Fund to invest in infrastructural projects in this state, as opposed to unstable international stocks and shares (in 2008, the fund lost 28%, AIG manages part of the large CAP equity in the US and the Fund also had shares in Lehman Bros.' property portfolio).

The logic behind this proposal is that the Pension Fund is the state's greatest asset at this time, and is theoretically our savings for a rainy day. It is not due to pay out until 2025 - by which time it could have lost all its value under current practice, or it could have been repaid into using the extra revenue the state has produced in the interim years as a result of increased competitiveness brought about by investment in world class infrastructure, including rail, airports, schools and universities, hospitals, social and affordable housing and primary care centres. And as we have said in the past, every Euro spent on infrastructure will be repaid to the Exchequer several times over.
The National Pension Reserve Fund has already been described as inadequate to match what will be needed for pensions in 2025. Hoping that it will recoup value if left untouched serves no interest. The state has an opportunity to increase its value through increased revenue and should simultaneously be raising PRSI to ensure the Social Insurance Fund can meet the demands of our ageing population. The state should also be looking at the huge sums in tax relief awarded to people rich enough to contribute to private pension schemes, particularly at a point in time when those schemes are losing value by the minute.

In 'For richer, for poorer', the authoritative TASC book on pensions, the following paragraph is included:

"Finally, what should be the role of the NPRF? Funded pensions do not introduce any greater certainty into pension payments. As argued in ch.4, the NPRF is unlikely to earn the projected rates of return initially expected. Diversifying such a large proportion of national savings outside Ireland makes it more difficult to fund projects that would increase future productivity and the ability to pay for future pensions.

The government has already accessed this Fund to recapitalise the banks, a move we believe to have been wrong. We believe the financial sector must be stabilized, however the terms and conditions the government has attached to all its bank measures to date have been inadequate to protect the taxpayer's investment. Using the NPRF to invest in job creation and infrastructure is the best use of this fund.