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Explanatory Memorandum

AN BILLE UM BEARTA AIRGEADAIS ÉIGEANDÁLA AR MHAITHE LE LEAS AN PHOBAIL 2010

FINANCIAL EMERGENCY MEASURES IN THE PUBLIC INTEREST BILL 2010

Mar a tionscnaíodh

As initiated

ARRANGEMENT OF SECTIONS

Section

[No. 17 of 2010]

Acts Referred to:

Aviation Regulation Act 2001	2001, No. 1
Communications Regulation Act 2002	2002, No. 20
Dublin Transport Authority Act 2008	2008, No. 15
Energy (Miscellaneous Provisions) Act 2006	2006, No. 40

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FINANCIAL EMERGENCY MEASURES IN THE PUBLIC INTEREST BILL 2010

BILL

entitled

AN ACT TO PROVIDE IN THE PUBLIC INTEREST FOR THE REPORTING TO DÁIL ÉIREANN BY ALL GOVERNMENT MINISTERS ON PROPOSALS TO REDUCE CHARGES APPLIED BY GOVERNMENT DEPARTMENTS AND AGENCIES TO CONSUMERS AND BUSINESSES; TO PROVIDE FOR THE DIRECTION BY MINSTERS TO KEY REGULATORY AUTHORITIES TO PUBLISH PROPOSALS TO CUT CHARGES APPLIED BY SUCH AUTHORITIES TO CONSUMERS AND BUSINESSES AND TO MAKE PROVISION FOR CONNECTED MATTERS.

WHEREAS a serious disturbance in the economy and a decline in the economic circumstances of the State have occurred, which threaten the well being of the community;

AND WHEREAS the burden of job losses and salary reductions in the private sector has been very substantial;

AND WHEREAS the State has imposed successive reductions in the remuneration of public sectors workers;

AND WHEREAS the community is faced with increasing personal and mortgage debt repayments in circumstances of reductions in remuneration and job losses;

AND WHEREAS conditions for business sustainability and development have become limited due to extremely constrained credit conditions in the banking sector;

AND WHEREAS there have been substantial reduction in social welfare payments;

AND WHEREAS it is necessary to take urgent steps to help restore the State's competitiveness generally—

BE IT ENACTED BY THE OIREACHTAS AS FOLLOWS:

Short title.

1.—This Act may be cited as the Financial Emergency Measures in the Public Interest Act 2010.

Reduction of government charges by 5 per cent.

2.—Each Minister shall, within 4 weeks of the commencement of this Act, report to Dáil Éireann on proposals to reduce by 5 per cent all charges that are applied by government departments to business and the public generally and the mechanism by which such charges may be reduced.

Policy directions to key regulatory authorities.

3.—(1) The Minister for Communications, Energy and Natural Resources shall, within 4 weeks of the commencement of this Act, invoke his or her power under section 10A(1) of the Energy (Miscellaneous Provisions) Act 2006 and give a direction to the Commission for Energy Regulation to publish, within 3 months of such direction, a proposal to reduce prices for consumers and business and the mechanism by which such charges may be reduced.

(2) The Minister for Communications, Energy and Natural Resources shall, within 4 weeks of the commencement of this Act, invoke his or her power under section 13 of the Communications Regulation Act 2002 and give a direction to the Commission for Communications Regulation to publish, within 3 months of such direction, a proposal to reduce prices for consumers and business and the mechanism by which such charges may be reduced.

(3) The Minister for Transport shall, within 4 weeks of the commencement of this Act, invoke his or her power under section 10 of the Aviation Regulation Act 2001 and give a direction to the Commission for Aviation Regulation to publish, within 3 months of such direction, a proposal to reduce prices for consumers and business and the mechanism by which such charges may be reduced.

(4) The Minister for Transport shall, within 4 weeks of the commencement of this Act, invoke his or her power under section 26 of the Dublin Transport Authority Act 2008 as amended, and give a direction to the National Transport Authority to publish, within 3 months of such direction, a proposal to reduce prices for consumers and business and the mechanism by which such charges may be reduced.

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FINANCIAL EMERGENCY MEASURES IN THE PUBLIC INTEREST BILL 2010

EXPLANATORY MEMORANDUM

Purpose of the Bill

The purpose of the Financial Emergency Measures in the Public Interest Bill 2010 is to require the government and its regulators to reduce the prices and charges it controls broadly in line with cuts to pay, benefits, professional fees and private sector prices.

The year 2009 was marked by job losses, falling prices, smaller wage packets, bank bailouts, cut-backs and widespread government incompetence. In particular it was a tough year for Irish families and businesses, who were squeezed by falling income on one side and rising taxes and government prices on the other.

The recession has impacted on people's lives through falling incomes and job losses. This has been compounded by government decisions to raise taxes and cut pay, welfare and professional fees in response to the fiscal crisis. While some of these measures were necessary, they could and should have been implemented more fairly. Others, such as the increases in VAT, excise and income tax have proven counter-productive.

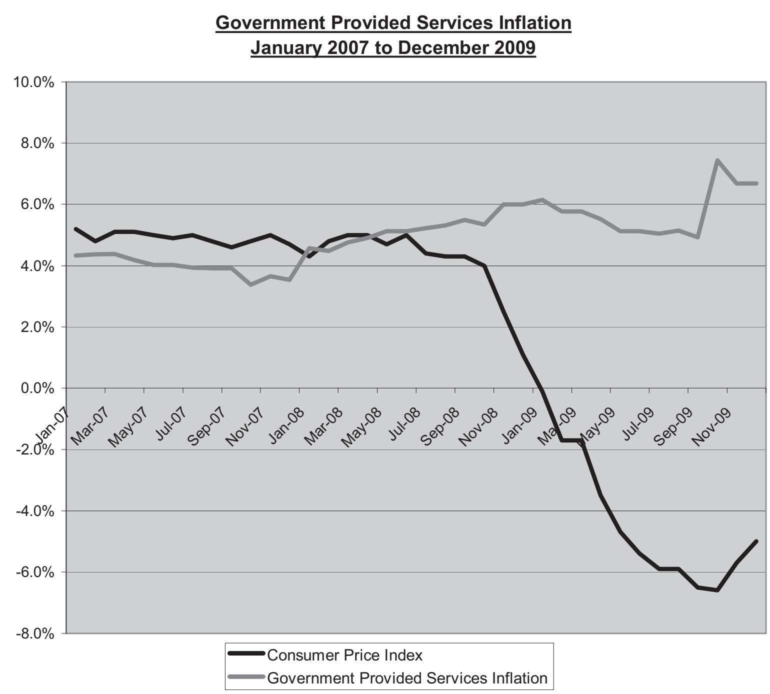
While the government has been willing to enact legislation to impose a pension levy, cut pay and professional fees (The Financial Emergency Measures in the Public Interest Act 2009 and The Financial Emergency Measures in the Public Interest (No. 2) Act 2009) and to cut child benefit and other social welfare payments in the Social Welfare Act 2009, it has not been willing to cut its own prices or charges. This Bill, framed in the same economic circumstances as those other measures, will be the first step in forcing them to reduce those prices and charges.

In 2009, the Consumer Price Index fell by 5%. This was largely due to a dramatic fall in mortgage interest. However, if mortgage interest is excluded, consumer prices fell by 2.2%. This is the most significant period of deflation since the 1930s. In stark contrast to what was happening in the private sector, prices charged or set by the government rose by 6.7% in 2009, while prices fixed by government regulators rose by 2.5%.

For the government to increase prices, at a time when prices were falling significantly across the economy is clear evidence of their failure to understand what is happening across the country. Over the past years, we have seen the government introduce emergency legislation which would never before have been contemplated. If Dáil Éireann can use it powers in such a manner, it can also introduce legislation to cut the prices and charges that it controls. This would reduce the cost of living for consumers and Irish families softening the blow of the pay cuts and tax increase. It would reduce the cost of doing business and improve competiveness.

This Bill does that by requiring the government to report back to the Dáil within a specific time frame on how they will cut government prices including electricity, gas, bus and train fares, airport charges, the TV licence, motorway tolls, college registration charges, state exam fees and hospital and drug payment charges.

Government Provided Services



As can be seen from the graph above (Graph 1) inflation in government services was largely in line with consumer price inflation during 2007 and early 2008. However, in mid-2008 when prices more generally began to fall, not only did the government continue to maintain their previously high charges, they increased their charges even further.

The main government administered charges are those relating to the hospital charges, prescription drugs, train fares and the vast majority of bus fares. These charges rose by 6.7% in the year to the end of December 2009 or 11.7% more than the CPI.

In addition to these obvious charges, the government imposes a wide variety of charges on private individuals as well as businesses. For individuals, these range from passport renewal fees, to the television license fee to driving licences. For businesses, charges and fees applied by departments include those levied by public bodies such as the Companies Registration Office for filing annual reports, the Patents Office to the large array of charges that are levied on farmers.

Table 1

Sample of Charges to the General Public and Impact of 5% Reduction

Television License Fee	€160.00	€152.00
10 Year Driving License Fee	€25.00	€23.75
Standard Passport Application Fee	€80.00	€76.00
Accident & Emergency Charge	€100.00	€95.00
Statutory in-patient charge per day	€75.00	€71.25
Freedom of Information Fee	€15.00	€14.25
Standard Leaving Certificate Examination Fee	€109.00	€103.55
Standard Junior Certificate Examination Fee	€103.00	€97.85
M50 Standard Toll for Private Cars	€2.50	€2.38
N6 Standard Toll for Private Cars	€1.90	€1.81
Maximum Third Level Registration Fee	€1,500	€1,425
Drug Payment Scheme (Monthly Max Payment)	€120	€114

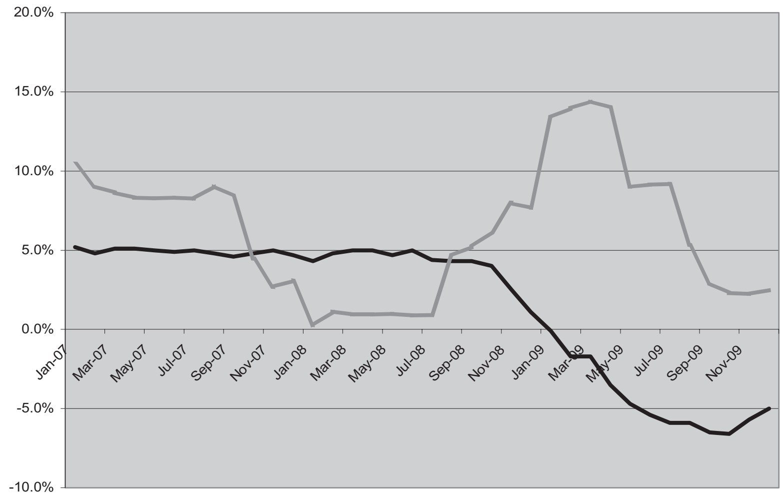
This Bill requires each Minister to lay before both Houses of the Oireachtas detailed measures to reduce the charges levied by their own department and agencies of their department by 5% within four weeks of its enactment. The impact of this reduction on selected, government provided services for members of the public is set out above in Table 1, whilst those charges for businesses are set out in Table 2.

Table 2

Sample of Charges to Business and Impact of 5% Reduction

New Company Filing Standard Fee	€100.00	€95.00
Annual Return of Companies Accounts Standard Fee	€40.00	€38.00
Patent Grant (20 Years) Fee	€64.00	€60.80
Meat Inspection Fees (Cattle Slaughter)	€5.00	€4.75
Bord Bia Statutory Levies on Cattle for export of slaughter	€1.90	€1.81
Bovine Diseases Levy — Beef	€1.27	€1.21
Bus/truck Driving Test Fee	€110.00	€104.50
Participatory Fee for the Pension Insolvency Scheme	€950.00	€902.50

Regulated Services Inflation
January 2007 - December 2009

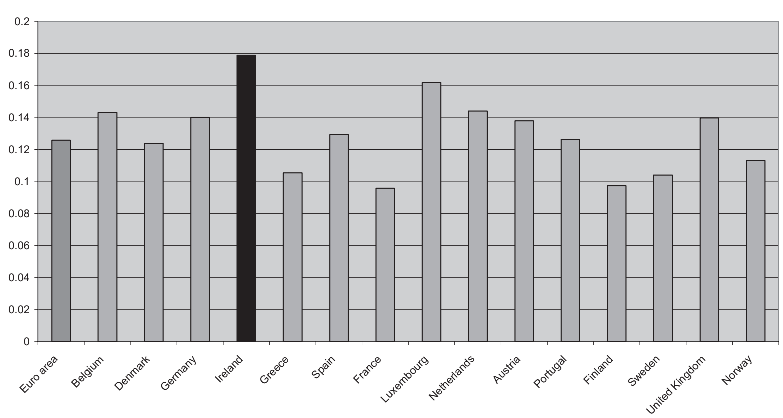


Similar to government provided services, services regulated by government regulators have diverged significantly from the Consumer Price Index. Between, January 2007 to December 2009, inflation in regulated services was on average 4.7% higher than the CPI. This became more noticeable in late 2008 when prices began to drop significantly in the rest of the economy but began to rise significantly in the regulated sector. Of course, prices such as energy and gas are heavily influenced by international commodity prices, but there are other factors as well.

This Bill requires the Minister for Transport and the Minister Communications, Energy and Natural Resources to use, within three months their existing powers, to demand a report from the various regulators under their remit, detailing their plans to reduce prices for consumers and businesses. The regulators covered by this are the Commission for Energy Regulation (CER), the Commission for Communications Regulation (ComReg), the Commission for Aviation Regulation (CAR) and the National Transport Authority (NTA).

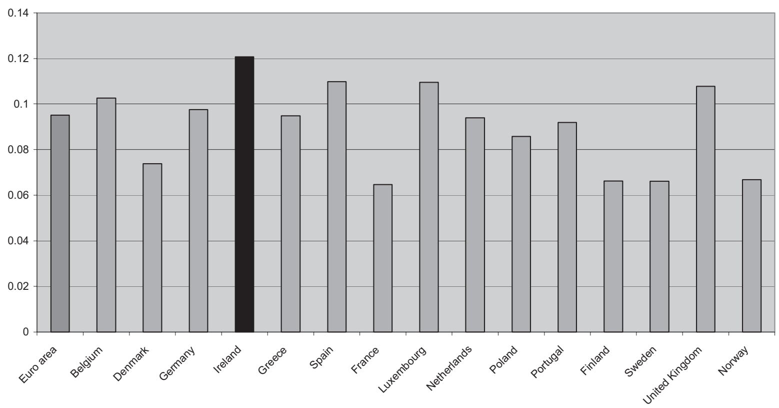
These bodies determine the price of energy (i.e. electricity and natural gas), telecoms, airport landing charges and motorway tolls. While charges in this sector have fallen since their inflationary peak, prices are still too high and well above Eurozone averages for both households and businesses. In the area of energy, this is clearly shown within the two graphs below.

Household Electricity Prices
Source: Eurostat 20009, Electricity Prices for Medium Sized Households



Of the various costs under the regulators, energy costs are the most heavily borne by both households and businesses. They are a significant factor in household budgets of the average household and businesses of every size. While energy costs have fallen significantly in the past few months (10.4% fall in cost of electricity to year-end January 2010, and a 19.6% fall in natural gas prices over the same period), they are still high by international comparisons and are a significant inhibitor of Ireland recovering competitiveness. In the words of the National Competitiveness Council these reductions ‘‘were necessary but are not sufficient.’’

Industry Electricity Prices
Source: Eurostat 2009, Electricity Prices for Medium Sized Industries



Reductions in postal costs, governed by ComReg, are justified in the context of falling costs elsewhere whilst reductions in charges regulated by the CAR will provide a significant boost to the Irish tourist industry by reducing the cost of air travel.

How will these price reductions be funded?

Many of the semi-states (eg the ESB, Bord Gais) are highly profitable and can afford to take the hit from reduced prices. Other semi-states are not, but could do a lot to reduce their cost base which has not been reduced in the way that it has in both the public and private sectors. In any case, none of this will impact on the exchequer or government balance sheet.

Reductions in fees charged by government departments would impact on the exchequer. We would propose that the savings should be found by reductions in departmental expenditure including the rents paid by government departments and agencies to private landlords and the implementation of many of the administrative savings proposed in the McCarthy Report.

The benefits of this Bill for the general public and for businesses are considerable. The average household will benefit from an annual saving of over €400 as the result of a 5% price drop in government services and regulated services. In a time of falling incomes, this will be of particular benefit to pensioners and social welfare recipients.

While it is not readily possible to asses the impact of such reductions on Irish businesses, it will clearly be a significant benefit to them as well. This will be most obvious in area of energy costs.

Provisions of Bill

Section 1 is the title and commencement section.

Section 2 provides that every government Minister must present to the Dáil a series of proposals to cut any charges which are levied on the general public and businesses in their Department by 5%. Ministers are required to do this within four weeks of the enactment of the Bill.

Section 3 provides that certain Ministers shall invoke their power to give certain directions to regulators. The Bill provides that the Minister should direct the regulator to publish within three months of receiving such a direction, proposals to cut charges which are applied to the general public and businesses.

Presented by Leo Varadkar, T.D.,
Aibreán, 2010.

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