

# 5 Point Plan to Get Ireland Working

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**FINE GAEL**

Let's get Ireland Working



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# Executive Summary

Fine Gael believes passionately that Ireland needs a new start. That the only way to save our country is to change it. Fine Gael wants to do more than rebuild Ireland. We want to transform it. To create from the ashes of the old a **New Ireland** that is better, stronger and fairer. An Ireland that has reclaimed both its sovereignty and its self-confidence. An Ireland that can provide work and security for all. An Ireland where our children are not forced to emigrate like countless generations before.

The chaos of the last few years, culminating in the humiliation of Ireland seeking an IMF/EU bailout, has proved one thing beyond all doubt: the old Ireland, the Ireland of Fianna Fail and the Galway Tent, isn't working. Our nation is experiencing the deepest recession, the largest deficit and the biggest banking crisis of any country in the OECD. But Fine Gael believes that the current crisis is not just a huge challenge. It is also an enormous opportunity for Ireland to reinvent itself. We are a young country full of talented, creative and energetic people. We can and will recover. But to do so we need a new vision. A common mistake for communities hit by earthquakes is to build again using the same designs. Ireland cannot make that mistake. If we want different results we have to start doing things differently.

This document is not a manifesto. But it does contain Fine Gael's blueprint for building a **New Ireland**. Each of the Five Points of our plan focuses on a particular area of concern. Together they form the most ambitious programme for change since the foundation of the state. We believe that job creation must be the Number One priority of the next Government. But we are also convinced that sustainable job creation is only possible if supported by a comprehensive package of economic, social and political reform.

**Points 1 and 2 of our plan show how a Fine Gael Government will achieve a return to economic growth, reduce the deficit and create a dynamic Jobs Economy.** We cannot allow emigration to once again become a permanent feature of our nation's life.

**Points 3 and 4 outline how we will reform both the public sector and the political system to cut costs, improve productivity and create a New Ireland.** Ireland belongs to its people - not to the insiders who have failed them so badly.

**Point 5 summarises how Fine Gael's FairCare policy will make the health system both more efficient and fairer and help create a more Just Society.** We believe economic renewal and fairness must go hand in hand.

By Year 5 of a Fine Gael Government our plan will have helped deliver:

**1: GROWTH AND JOBS.** Fine Gael will invest an additional €7 billion through our *NewERA* programme in next generation infrastructure – telecoms, energy and water – funded largely through asset sales. We will also introduce a series of structural reforms to encourage growth, particularly in the SME sector (Small and Medium sized Enterprises). These and other measures will help ensure that employment in Ireland increases by a 100,000 over five years, in line with the ESRI's recovery scenarios. Fine Gael will also introduce a series of reforms to create an education system that delivers excellence and tackles the continuing under-performance of disadvantaged pupils.

**2: FAIR DEFICIT REDUCTION.** Fine Gael will reduce the deficit to 3% of GDP by cutting at least two Euros of spending for every Euro of additional taxes raised. We are convinced that the high tax policies of other parties will destroy jobs. We will also do everything in our power to renegotiate the IMF/EU bailout deal. We believe that the provisions of the deal forcing the next Government to continue with Fianna Fail's disastrous banking policy are bad for Ireland and bad for Europe.

**3: SMALLER BETTER GOVERNMENT.** A Fine Gael Government will protect frontline services as much as possible by cutting waste and reducing the costs of running government by €5 billion. We will address the quality of these services by giving frontline staff and the public greater freedom over how they are delivered.

**4: A NEW POLITICS.** Political failure lies at the heart of Ireland's economic failure. To fix the economy we must also fix the political system. Fine Gael's *New Politics* will abolish the Seanad and reduce the number of TDs by 20; reform how the Dail and local government work; introduce Open Government legislation; and establish a Citizens Assembly on electoral reform. Our reforms will require changes in the articles of the constitution dealing with the institutions of the state.

**5: HEALTHCARE FOR ALL.** Ireland's health system is in crisis with record numbers of patients left on A&E trolleys every day. Unless it is fundamentally reformed rising costs, driven largely by an ageing population, will cripple the economy and make it even harder for poorer citizens to access healthcare. Fine Gael's *FairCare* plan will reduce costs and make the system fairer by shifting chronic disease management from hospital to primary care, changing the way hospitals are financed and introducing Universal Health Insurance (UHI) into Ireland.

Fine Gael is not offering any easy answers or quick fixes. The damage inflicted upon Ireland by Fianna Fail is immense and the road to recovery will be both long and hard. In some areas it may take up to a decade to fix that damage. Despite this Fine Gael remains fundamentally optimistic about the future. We believe there is now a once in a generation opportunity to build a ***New Ireland*** that lives up to the best hopes and aspirations of its founders, even as it looks forward with hope and determination to a better tomorrow. The Irish people are resilient and have shown that they can overcome all obstacles placed in their path. We are certain they can and will do so again.

# 1. Growth and Jobs

Fine Gael's number one priority in Government will be **Jobs**. We will create up to 100,000 jobs, in line with the ESRI's recovery scenarios, by investing in key infrastructure and putting in place the right policies for growth. Our fundamental goal is to make Ireland, as it was in the late 1990s, one of the best countries in the world for doing business.

Over the last three years 300,000 people have lost their jobs – the biggest fall in employment in the OECD. The only thing more shocking than this figure is the Government's complete lack of a jobs plan. Its only strategy has been to keep pouring billions into the banks, and to cut the deficit largely through job-destroying tax increases. But no country has ever taxed itself out of recession.

Fine Gael cannot promise any quick fixes to Ireland's jobs crisis. But we can promise to put in place a clear and credible strategy for jobs and growth. For us there is no contradiction between growing the economy and reducing the deficit. The savings rate in Ireland is currently very high, reflecting Irish people's deep anxieties about the future. Fine Gael believes that confidence can only be restored if people are convinced that there is a credible plan in place to reduce the deficit (Point 2). Once this is done spending should resume, boosting economic growth.

## **NewERA: A €7 Billion Investment in our Future**

**NewERA** is Fine Gael's plan to transform the Irish economy by investing in key strategic infrastructure. We believe that significant drops in tender prices have created a unique opportunity for Ireland to invest in its future in a cost efficient manner. The latest report from the National Competitiveness Council confirms that Ireland lags major competitors in the quality of its infrastructure, severely damaging the country's competitiveness.

- **New Investment.** *NewERA* will invest an extra €7 billion in Energy, Communications and Water infrastructure to create a 21st century communications and energy network and to upgrade our antiquated water system. We envisage investing up to €2 billion in energy with the remainder spread between water and telecoms.
- **New Jobs.** Although the majority of the proposed investment will be funnelled through the semi-states, most of the new jobs will be created in the private sector through the sub-contracting of work.
- **New Assets from Old.** Fine Gael will fund *NewERA* largely through the sale of state assets. We will sell Bord Gais Energy and ESB PowerGen & Supply, but only when market conditions are right. Fine Gael will not sell a state asset which is either strategic or a natural monopoly. We will therefore retain the electricity grid and Bord Gáis Networks in majority state ownership.

Since Fine Gael first published its *NewERA* plan in March 2009 we have received a great deal of support for our strategy. However, a number of issues have been raised which we would like to address:

### **1. Can *NewERA* really create tens of thousands of new jobs?**

*YES - our projections for job creation use standard forecasting models and fully take into account the fact that Ireland is a small open economy.*

### **2. Can Ireland afford *NewERA* at a time of fiscal crisis?**

*YES – if it is financed correctly. *NewERA* will be funded off the Government's books and will not require any additional state borrowing.*

*NewERA* will be funded through the sale of non-critical state assets and money from the National Pension Reserve Fund (NPRF). Independent analysts have calculated that the sale of Bord Gais Energy and ESB

PowerGen & Supply could generate up to €4 billion, while another €5 billion could be generated from the sale of a minority stake in a combined electricity and gas network company. Any additional funding generated from asset sales above that required by *NewERA* will be put back into the NPRF.

### **3. Can an unreformed semi-state sector use additional resources efficiently?**

*NO – change is essential. We will radically reform the sector so that there are a smaller number of lower cost, more focused and more competitive state-owned utility companies.*

**Energy.** We will merge ESB Networks, Eirgrid and Bord Gais Networks into *SMARTGRID*, tasked with upgrading the grid to help ensure Ireland’s energy security and meet its renewable and climate change targets. We will merge Coillte and Bord na Mona into a new single renewable energy leader, *BIO ENERGY AND FORESTRY IRELAND*, which will remain under 100% state control.

**Telecoms.** We will merge state-owned telecoms assets, which are currently spread between a large number of state companies, into *BROADBAND 21*. It will work with the private sector to accelerate the build-out of a next-generation broadband network across the country.

**Water.** As in Scotland we will establish a single state-owned commercial water company – *IRISH WATER* – to rationalise the water functions of 34 local authorities. Exchequer funding will gradually be replaced by new charges linked to water consumption above a “free allowance”.

Fine Gael will bring all of these companies under a single-holding company, which will co-ordinate their activities and strategy. We will also make two additional reforms to ensure value-for-money:

- **A Fine Gael Government will initiate a rigorous cost-benefit analysis of each of the proposed projects for investment.**
- **Fine Gael will appoint a Bord Snip for the semi-states.** It will identify ways to reduce costs and improve efficiencies, so that the savings can be passed on to customers.

## **Every Job Counts: Beyond the Smart Economy**

Fine Gael believes that the smart economy has a key role to play in our country’s future. Ireland needs to attract firms operating in new high tech industries such as cloud computing. However, it must also be recognised that the smart economy will create only a relatively small number of mostly high skilled jobs. A more comprehensive approach is required to address the huge losses of jobs in more traditional industries such as construction or tourism.

## **Fine Gael will support Ireland’s SMEs**

Small and medium businesses are the backbone of the Irish economy and must be supported. 86,000 small businesses in Ireland employ over 700,000 employees, generate €90bn in turnover, and pay 37% of total income tax receipts. As importantly they represent a huge commitment by individuals to invest, take risks and create employment. A Fine Gael Government will do a number of things to support Ireland’s SMEs, including:

- **Establishing a new partial loan guarantee scheme and a start up fund for microfinance.** We will also introduce other reforms to encourage greater investment in companies from private sources of equity, such as pension funds.
- **Helping entrepreneurs and new business start-ups by simplifying tax compliance and continuing social welfare cover for a limited period.**

- **Exempting SMEs from some regulatory requirements designed for bigger companies and streamline regulatory approval structures.** We will also overhaul public procurement so that it is much more supportive of SMEs.

### **Fine Gael will reduce business costs**

While Ireland's competitiveness has improved somewhat since 2005 its Harmonised Competitiveness Index (HCI) is still 16% above that of 2000. A key reason for this is the continuing high level of costs for business. A Fine Gael Government will introduce a number of initiatives to help reduce these costs. Among other things we will:

- **Halve employer's PRSI on low paid workers.** We will also decrease the VAT rate on labour intensive services such as construction, hotels and catering from 13.5% to 12%.
- **Cut the burden of red-tape by €500 million and reduce government charges on industry.** We will reduce the cost of red tape by rationalising business regulation and inspection activities, and set a target of reducing government charges by at least 1% per annum. Local Authorities will be expected to reduce commercial rates until 2014.
- **Open up the closed sectors of the economy.** We will focus in particular on the legal, medical and accounting professions.
- **Review and renegotiate the Employment Regulation Orders (ERO) imposed on various sectors under the JLC system.**
- **Pass legislation to give all tenants the right to have their commercial rents reviewed in 2011 irrespective of any up-ward only or other review clauses.**

### **Fine Gael will support domestic sectors with high growth potential**

Foreign Direct Investment (FDI) has had a hugely positive impact on the Irish economy and Fine Gael will intensify efforts to attract additional FDI, e.g., we will aggressively promote the IFSC to growing financial centres in Asia. However, Fine Gael also believes that the job creation potential of our indigenous firms has been ignored for too long. We will therefore introduce a series of initiatives to encourage growth in key sectors. For instance:

- **Education services:** Fine Gael believes that more than 6,000 jobs could be created over 5 years and an additional €900 million injected into the economy through a much more focused strategy to attract international students to Ireland.
- **Digital Media:** Ireland has real strengths in the creative industries. We want it to become a global base for digital media, creating thousands of new jobs over 10 years, by focusing on such areas as data warehousing, rights, licensing, etc. With the right support digital gaming could also become Ireland's next big creative industry.
- **Renewables.** Forfas has calculated that 14,500 jobs could be created over five years if progress is made in addressing a number of technical, regulatory and planning issues.
- **Fine Gael will also introduce measures to support more traditional industries.**
  - **Tourism:** We will fully abolish the travel tax subject to Ryanair and Aer Lingus agreeing to re-open closed routes and bring more tourists into Ireland. Our proposed reduction in VAT will also help the tourist industry.
  - **Food:** Fine Gael will introduce a number of proposals to position Ireland as the "Green Food Island" internationally, including reform of the Department of Agriculture and a new-agri payments system.

- **Construction:** Fine Gael will accelerate the Home Insulation Programme and reform government procurement so that small firms can tender more easily for work. Fine Gael is broadly supportive of the Construction Contracts Bill 2010.

## **Fine Gael will introduce measures to help keep young talent at home**

Emigration doubled in the last two years and, according to the ESRI, Ireland may lose up to 100,000 people over the next two years. As a response Fine Gael plans to create 45,000 additional work experience, training, and internship opportunities.

- **National Internship Programme (23,000 places).** This will offer part-time one-year placements in the public service, private sector and voluntary sector for unemployed graduates to gain valuable experience while studying for a masters or diploma.
- **Second Chance Education (17,000 places).** This will offer former retail and construction workers that did not finish school or to college 'back to education' placements for two years.
- **Apprenticeship Guarantee (700 places).** This will offer unemployment craft apprentices direct employment by the state, agencies or semi-states until their apprenticeship is completed.
- **Community Employment (5,000 places).** This will offer community employment places to people currently on the live register.

## **Race to the Top: An Education System for the 21st Century**

Fine Gael believes Ireland needs a truly world class education system which will allow it to compete successfully in the global economy of the 21st century. Unfortunately, the most recent OECD results show that Ireland's international rankings have fallen sharply since 2000. This is despite a doubling in real educational spend between 1995 and 2006, compared to an average increase of 39% for the OECD. In literacy Ireland has fallen from 5th to 17th place, the biggest drop of any OECD country, while it ranks only 25th in maths!

In the early 1990s Finland experienced a major economic crisis. As part of its efforts to reinvent its economy it introduced major educational reform. Finland's education system in the 1970s and 1980s shared many of the problems that Ireland faces today. Results were average at best while there was a wide achievement gap between students from different socio-economic backgrounds. By 2006 Finnish education was ranked number 1 in the OECD, helping it become one of the world's most successful knowledge-based economies.

### **The Finnish Model of education was created without massive increases in spending.**

In fact, spending as a percentage of GDP declined from 7.9% in 1992 to 5.8% in 2006. This compares to an average of 6.1% for the OECD as a whole in 2006 on a weighted basis. Finland currently spends less per pupil than Ireland.

**Finnish education also became much fairer.** By 2000 it already had one of the smallest variations in reading between schools in the OECD, a trend continued in the 2003 PISA survey in mathematics.

The secret of Finland's success is clear: Teachers are trusted and schools are given as much freedom as possible. In Ireland, by contrast, education is rigorously controlled by the Department of Education. Despite the excellence of so many of our teachers they are given little or no freedom to innovate. This is not just bad for our economy – it is also damaging for our society. Great teachers don't just impart knowledge. They also foster creativity and encourage students to think for themselves. Our nation needs well-educated citizens who are prepared to question the status quo and act as catalysts for change and development.

Fine Gael's *Race to the Top* strategy for education is built on five key pillars.

- 1. Tackling Disadvantage.** Fine Gael will maintain the free pre-school year in early childhood care and education. As public sector reform savings are achieved through our *Reinventing Government* plan, we will invest a proportion of these significant savings in an early childhood education programme called 'First Steps' for disadvantaged children. This will build on existing targeted pre-school supports for families most in need of assistance. The DEIS (Delivering Equality of Opportunity in Schools) programme, which aims to overcome disadvantage in education has just been reviewed by the Educational Research Centre. We will consider the recommendations of this review and use it as a platform for new initiatives to deliver better outcomes for disadvantaged students in our schools.
- 2. Empowering Schools and Parents:** Fine Gael will give schools greater control over their own budgets. We will also introduce a series of reforms to increase the role of parents. In particular, we will hold a National Forum on Education to allow all stakeholders, including parents, to engage in an open debate on a change of patronage in communities where it is appropriate and necessary.
- 3. More Freedom for Teachers:** Fine Gael will give teachers a great deal more flexibility in adapting the curriculum to suit the needs of their students, as part of overall curriculum reform. We will also reform and upgrade teacher training, and enhance Continuing Professional Development. Over time we will move to a situation where teachers are qualified to Masters level in their area of expertise, as in Finland. We recognise that this measure will take some time to implement but believe it will ultimately benefit both the teacher and student.
- 4. Curriculum Change:** Fine Gael will undertake a fundamental review of the Junior Certificate and Leaving Certificate. We believe the current system is leading to a dependency on rote learning and is not, as a result, adequately equipping students for third level and beyond.
- 5. Fair Funding for Higher Education:** Fine Gael will develop a fairer funding system for third level to ensure every student has access to a high quality education. This will involve a graduate contribution from students of roughly a third of the cost of their course. The contribution will be made by new entrants to publicly-funded third level institutions after the student graduates, enters employment and reaches a defined income threshold. We will not increase the student registration fee further. Instead, we will pursue greater pay and non-pay efficiencies in the third level system through greater flexibility in working arrangements, in line with the Croke Park Agreement. As the student contribution model begins to return funds to the third level sector, we will phase out the student registration fee as an upfront charge. In the intervening period, we will establish a subsidised loan system for students and their families that are struggling to pay the student registration fee.

## 2. Fair Deficit Reduction

Fine Gael is committed to fixing Ireland's huge budget deficit primarily through reductions in spending rather than increases in taxation. We favour this approach not for any ideological reasons, but because the evidence shows that large tax increases will destroy jobs. We will also reduce the deficit by adopting a very different approach to the banking crisis.

For the last two years Fine Gael has been arguing that the bondholders who lent so recklessly to the banks must shoulder their fair share of the costs of bailing them out. Instead, the Government has deliberately chosen to make the Irish people responsible for all of the losses. Had Fine Gael's approach been adopted, and sovereign investors reassured that the state's exposure to the losses of the banks was capped, it is entirely possible that the markets would still be open to Ireland. There would have been no need for an IMF/EU bailout.

Unfortunately the current IMF/EU deal negotiated by Fianna Fail requires Ireland to continue with the Government's disastrous banking policy. Fine Gael believes this is simply not sustainable and we will seek a clear mandate from the Irish people to renegotiate it.

### Protecting Jobs – Protecting the Taxpayer

Fine Gael is committed to reducing the budget deficit to 3% by 2014, in line with the IMF/EU Programme of Support. We want Ireland by 2016 to be borrowing only for investment purposes. Under a Fine Gael Government tax increases will constitute at most one-third of the measures needed to reach this target, with any tax increases focused on areas which have a minimal impact on employment. We will not increase income taxes, the 12.5% rate of corporation tax or taxes on employment (employers' PRSI). We will, however, either eliminate or restrict all of the tax shelters and tax exemptions that allow the better off to avoid paying their fair share of taxes.

The international evidence is clear: Spending cuts are a much better and more efficient way to reduce budget deficits than raising taxes. The IMF's latest research, which supports a host of other studies, shows that tax hikes raise the unemployment rate by three times more than spending cuts. It also shows that increases in taxation are twice as deflationary for domestic demand as spending cuts. In other words, increasing taxes on income and investment further would be counterproductive. It would discourage people from starting businesses, working harder, doing overtime and aiming for promotion. It would also inhibit companies from creating and locating highly-paid knowledge economy jobs in Ireland. Finally, it would push more self-employed people into the grey economy.

Some have argued that there is no further room for savings in Government spending. We disagree:

- First, Ireland's spending as a percentage of GNP is higher than the EU average, even after recent budget cuts.
- Second, a great deal of spending over the last few years has been wasted. Many state institutions, the HSE being the most obvious, have seen huge increases in their budgets but relatively little improvement in their services.
- Third, other countries such as Canada and Sweden in the 1990s have shown that it is entirely possible to cut spending while still growing the economy and protecting frontline services. The secret of their success was to ensure that spending cuts were introduced as part of a comprehensive reform of public services. This is exactly the approach which Fine Gael will adopt in Government (see Point 3).

Our plan to cut down on waste and inefficiency also means that Fine Gael will not cut the Old Age Contributory or Non-Contributory Pension. Working-age payments to carers, the blind and the disabled will be maintained at current levels. Further reductions in job-seekers' payments and other working age social welfare payments will be minimised by getting more people back to work and by reducing the

massive levels of fraud, mistakes and administrative cost associated with the current welfare system in Ireland.

## Sharing the Burden: A Fair and Effective Banking Solution

Fine Gael believes that the current IMF/EU bail-out deal has not and will not restore investor confidence in our country and must therefore be renegotiated. It requires Ireland to continue with the present Government's disastrous banking policy whereby the Irish people are required to write whatever cheques the banks require. This strategy has placed an intolerable burden on the Irish people, allows international investors in the banks to evade their responsibilities, and threatens to drive our nation to the edge of insolvency.

The deal in our view is not just bad for Ireland – it is also bad for Europe.

- **Bad for Ireland.** The financial markets are closed to Ireland principally because of the Irish Government's decision to pump a colossal €100bn into the banks. Investors are concerned, and rightly so, that any more capital injections will sink the Irish economy. Yet the IMF/EU deal requires Ireland to cover any further losses in the banks, using funds that will have to be borrowed at a penal 5.8% interest rate.
- **Bad for Europe.** It is in the interests of our EU partners that Ireland returns to the financial markets as soon as possible. However, it is difficult to see how this can happen unless the market's concerns about the banking bailout are addressed directly.

Fine Gael is not arguing that Ireland can or should shirk its responsibilities. The reality is that our economic crisis was principally created at home by the reckless behaviour of Irish banks, appalling regulatory failure and astonishing Government incompetence and cronyism. However, we believe that three other realities must also be acknowledged:

**First, imposing impossible burdens on the Irish people is neither fair nor sensible.** The Irish people have already provided the Irish banks with unprecedented levels of support. It is simply not realistic to believe that they can continue to do so without tipping the Irish economy over the edge. Such an eventuality would not be in the interests of either the Irish people or our European partners.

**Second, it is plain that the banks in a number of other countries lent recklessly to Ireland's banks, helping to fuel the bubble.** While not denying the culpability of Ireland's own banks, it is one of the basic tenets of capitalism that reckless lenders should not be allowed to walk away from their responsibilities.

**Third, a large proportion of Irish bank debt has been sold on, at significant haircuts, to private clients and hedge funds who hope to make a big profit from Ireland's problems.** This debt sell-off suggests that a new deal on Ireland's banks would not, in all likelihood, have the negative consequences some fear.

Fine Gael believes that the best way forward is a renegotiated deal on the banks which involves some element of EU recapitalisation of the Irish banks. Such a deal would require political commitment at the highest EU levels, building on a renewed sense of European solidarity. Fine Gael is in no way dogmatic about the details of such a deal. The terms of reference of the European Financial Stability Fund (EFSF) and/or European Financial Stability Mechanism (EFSM) could, for instance, be renegotiated to allow the funds to take equity stakes in systemically important European banks, such as AIB and Bank of Ireland.

Fine Gael cannot of course guarantee that a new deal can be reached with our European partners. Unfortunately, Fianna Fail's disastrous economic and banking policies have surrendered a great deal of our country's economic sovereignty, and hugely damaged our international reputation. However, we believe that Ireland may be left with no option, in the absence of a renegotiated deal, but to write-down the value of the bonds in the Irish banks, or face the prospect of a hugely damaging sovereign default.

## 3. Smaller Better Government

Fine Gael is convinced that the public sector has a crucial role to play in building a **New Ireland**. We believe that public servants have been subjected to often unfair criticism for a crisis they did not create, and reject the idea that their contribution to Ireland can or should be captured in a narrow profit and loss statement. Public service is about enriching the lives of people and helping the most vulnerable in our society, not about making a profit.

But Fine Gael also believes that reform is essential if the public sector is to play a key role in Ireland's future. While Fianna Fail and its banker and developer friends are principally responsible for Ireland's economic meltdown, the reality is that many state institutions have either under-performed significantly or failed completely. That is why Fine Gael's *Reinventing Government* document of November 2010 set out over a hundred proposals to make the public sector both smaller and better.

- **Government must become smaller.** Ireland's fiscal crisis means there is simply no other choice. Government has to deliver better value in order to reduce the deficit, avoid job-destroying tax increases and protect frontline services
- **Government must perform better.** All too often state institutions have prioritised the interests of the providers and the insiders over the public interest.

### Smaller Government: €5 Billion of Savings

Fine Gael believes that government under-performance has been driven primarily by a lack of reform rather than a lack of resources. The current model of government fails the citizens it serves by not giving them what they need, and the people it employs by trapping them in a system that simply doesn't work. Both Canada and Sweden, countries with a reputation for high quality public services, have shown what real public sector reform can do. These countries were able to cut costs even as they enjoyed strong economic recovery and largely maintained their public services.

- In the mid 1990s Canada's Government cut its budget deficit from 9.1% of GDP to zero without affecting the public's assessment of the quality of key public services.
- The Swedish Government responded to its mid 1990s budget crisis by cutting 11% from its day-to-day spending, again with no apparent damage to performance.

Canada and Sweden succeeded because, unlike Fianna Fail, they didn't engage in slash and burn cost reductions. Instead, they used reform to drive costs reduction. A Fine Gael Government will also cut costs and increase productivity through a root and branch reform programme which will:

1. **Generate a saving of over €5 billion in public spending, equivalent to 1 euro in every 10 spent by public bodies.** To do this Fine Gael will among other things:
  - a. **Implement a majority of the non social-welfare recommendations from the McCarthy Report.** We will also follow Canada and Sweden by undertaking a full programme review which will eliminate non-priority services. Non-core activities, such as driver testing, vehicle licensing, land registration and passport applications, will be considered for outsourcing.
  - b. **Establish new shared services for Human Resources, Information Technology and Legal Services.** This will allow 10% to be cut from the administration budgets of all departments and public bodies. We will also establish an Office of Government Procurement and Property

to achieve major cost reductions in procurement, property and infrastructure budgets within 5 years, in line with what was done in the UK. If cost inflation in Irish Government spending had been kept at UK levels in 2000-07, the Irish taxpayer would have saved a total of €13 billion over this period; and

**c. Deliver at least 80% of the spending savings recommended by the Local Government Efficiency Review**, e.g., through more centralised recruitment and shared services.

**2. Abolish 145 state bodies and companies.** This will include the gradual dismantlement of the HSE and FÁS, and the creation of a single, more powerful Competition, Consumer and Utilities Commission to champion the consumer

**3. In a similar fashion to the USA, UK and Sweden we will establish an Independent Fiscal Council.** It will advise the Oireachtas on issues such as borrowing levels, debt reduction and taxation planning, and will be accountable to the Oireachtas Finance Committee.

**4. Cut the number of politicians and staff working in government departments by a third.** Our overall goal is to reduce total public service headcount by 30,000 by 2014 compared to 2010. We will also set a salary cap of €200,000 across politics and the public sector and will implement the pay reductions for the 650 most senior public servants, recommended by the Review Body on Higher Remuneration in 2009.

## **Better Government: An End to Command and Control**

Fine Gael believes that the “command and control” Whitehall model of government, which Ireland largely adopted in the 1920s, needs major reform. A rigidly centralised system of government, designed in the 19th century to help control the “little people”, has in our view no place in a modern republic of equals. It stifles innovation, promotes micromanagement, blunts accountability and turns citizens into passive recipients of services from the state. We should instead look to the success of grass-roots organisations, like the tidy towns’ competition and the GAA, which rely on local pride and entrepreneurial spirit.

A Fine Gael Government will:

- **Give frontline staff greater freedom in how they do their job.** State bodies generally, and hospitals and schools in particular, will have much more flexibility – within a strict budgetary and accountability framework – to set their own staffing needs and work practices in response to local needs.
- **Ensure that citizens have more control over services delivered to them.** Every citizen will have access to a full range of information about the performance, services and standards of each publicly funded body. We will create a “one stop shop” for all entitlements and introduce Personal Budgets for individuals, particularly in health, so that they can choose the services they want and need.
- **Open up government.** All appointments at senior level will be opened up to external competition, with one-third of appointments reserved for external candidates for a 5-year period. We will place particular emphasis on the external recruitment of new high level specialists in banking, taxation and macro economic forecasting to improve the Department of Finance’s capacity to deliver on key tasks.
- **Make government more accountable.** Ministers will sign Public Service Agreements with service delivery bodies, specifying in detail what each will produce, while the annual work objectives of the top 1,300 civil servants will also be published online. There will be no “golden handshakes” for those who fail to deliver.

Fine Gael also believes that the state must confront, on behalf of citizens, unacceptable practices in the private and semi-state sector. Never again can we allow conflicted directors, reckless bankers and get-rich quick developers to bring our country to the verge of bankruptcy. Fine Gael will overhaul company law and enforcement to:

- **Stop former chief executives of publicly listed and state companies from assuming the role of chairpersons of such companies;**
- **Introduce a new “conflicts of interests” regime** to prevent an excessive overlap of directors between boards of public companies/state/semi-state companies and any other companies or businesses;
- **Prohibit directors and senior officers of banks obtaining loans from the financial institutions they work for;**
- **Ensure that there are annual elections for all directors at financial institutions;** and
- **Give the Financial Regulator a veto over the appointment of auditors.**

## 4. A New Politics

Fine Gael believes that Ireland's broken political system is at the heart of its economic collapse. That is why our *New Politics*, first published in March 2010, commits Fine Gael to the most fundamental reform of politics since the 1930s. In any Republic the people are supposed to be supreme. Judged by that standard Ireland today is a Republic in name only. The expressions "Golden Circle", "Crony Government" and "Crony Capitalism" all describe the same thing: The abduction of our state by both public and private sector vested interests, aided and abetted by Fianna Fail.

Fine Gael's approach to political reform is underpinned by three key principles:

- **Change must start at the top.** The political system cannot ask others to change and make sacrifices if it is not prepared to do the same.
- **Change must be fundamental and comprehensive.** Modern Ireland cannot be governed by a system of government originally designed for 19th Century Britain.
- **Change must involve the citizens.** The people must be consulted on and involved in the process of political reform.

The *New Politics* will require significant constitutional change. A Fine Gael Government will hold a referendum on CONSTITUTION DAY, within 12 months of assuming office, at which the people will be asked to approve the abolition of the Seanad and changes to other articles of the constitution covering the institutions of the state – principally the Executive, the Dáil, the Presidency and the Judiciary. This referendum will not address the articles dealing with rights/social policy as we want the focus to stay on political reform.

### Abolishing the Seanad – Reforming the Dail

Fine Gael has taken the lead in calling for the abolition of the Seanad. Since Enda Kenny first called for a referendum on the issue in 2009 other parties have either adopted Fine Gael's proposal or are actively considering doing so. But Fine Gael has always believed that the Seanad's abolition can only be one part of a wider reform package, including Dail reform.

### Abolishing the Seanad

If a new constitution was being drafted today would a second house be included? Fine Gael believes the answer is no. Ireland is the only small, unitary state in Europe with a second house. Other small European countries, such as Sweden and Denmark, have abolished theirs. Globally the great majority of small nations do not have second houses. All of which begs the question:

**If other small countries can be governed effectively without a second house why can't Ireland?** Other states have shown that it is perfectly possible to establish effective checks and balances in a single chamber parliament.

Since Fine Gael announced its policy on the Seanad a number of proposals for reform have been made. Some want the Seanad to be popularly elected. Others want it to become a more expert chamber, either appointed or elected by a restricted electorate. Yet others want it to become a citizens' forum. While each proposal has its merits the fact that they are all, for the most part, mutually incompatible helps explain why Seanad reform is so difficult. While there is almost universal agreement that the current Seanad is not working there is little consensus about the shape of a reformed second house – even among its defenders.

The fundamental problem with reform of the second house is this:

- If a new Seanad is popularly elected and has real power it will be dominated by the political parties and come to resemble the Dail, thereby undermining its role as a second house.
- If a new Seanad is either appointed or elected by special means to try and avoid its politicisation, it will have little legitimacy and therefore little power.

Fine Gael's conclusion is simple: the Seanad should be abolished.

## Reforming the Dail

Fine Gael believes that an over-powerful Executive has turned the Dail into an observer of the political process rather than a central player and that this must be changed. Some have argued in favour of a new, more presidential-style system or much greater separation of the Executive from the Legislature. Our view is that these proposed solutions create as many problems as they solve and that fundamental reform of the Dail is the best way forward.

Fine Gael believes that a strong committee system that can hold Government to account is absolutely essential, particularly in a single chamber Oireachtas. We will:

- **Amend the constitution to give Dail committees full powers of investigation.** The Abbeylara Supreme Court decision currently limits the ability of Dáil committees to hold investigations into crucial issues of public concern, such as the banking crisis.
- **Reduce the number of committees and give key committees constitutional standing.** The Dáil needs fewer but stronger committees, resourced properly.
- **De-politicise their work.** Chairs of committees will be assigned on a more proportional basis, while legislation will typically be introduced in a heads of Bill format. We believe that early review by committees will increase the chance of cross-party support. We will also examine whether "weighted majorities" should be used in some committee work to encourage a less-politicised approach to legislation.

The legislative process is currently dominated by the Government. It has a near monopoly on introducing legislation, controls the time of the house, and is able to use guillotines to ram through legislation. Fine Gael's reforms address all of these issues:

- **Initiation of legislation.** We will give committees the power to introduce legislation, while a new *10 Minute Rule* will allow backbench TDs to introduce their own Bills.
- **Dail timetable.** Fine Gael will give backbench TDs a much bigger role in scheduling all non-Ministerial backbench business. The principle here is very simple: Whenever possible time should belong to the House and not the Government.
- **Guillotines.** Fine Gael will tackle the huge over-use of guillotines to ram through non-emergency legislation. It is deeply undemocratic and makes it much more likely that poorly constructed legislation is placed on the statute book.

Fine Gael believes that if the Dail and society more generally is to hold Government to account, we also need strong Open Government legislation. We have therefore published an Open Government Bill that will:

- Significantly strengthen Freedom of Information (FOI);

- Establish a “whistleblowers charter”;
- Register all lobbyists; and
- Create a new Electoral Commission.

## A Citizens Assembly on Electoral Reform

Fine Gael will establish a Citizens Assembly, along the lines of that used in the Netherlands, to make recommendations on electoral reform. The Assembly will have up to 100 members who will be chosen from the public to reflect the demographic make-up of the country. These members will be provided with briefing papers and will have access to research staff and relevant experts. The Assembly will hold meetings throughout the country while all of its proceedings will be streamed live on the web. The Assembly will be asked to consider two issues: 1) Electoral reform; and 2) Measures to increase the representation of women in politics.

## Empowering the Citizen: Real Power to the People

Fine Gael believes that there must be a fundamental shift in power from the state to the citizen. We believe that the massive over-centralisation of government in our country is not just inefficient. It is also fundamentally incompatible with a healthy Republic.

## Strengthening Local Government

Some have argued that a small country like Ireland doesn’t need strong Local Government and, in defence of this position, they point to local corruption and waste. However, this argument ignores two key points:

1. First, while it is clear that Local Government has many problems it is the centralised model of Government that has primarily failed the Irish people.
2. Second, Local Government has been handicapped since Independence by a deliberate policy of marginalisation by Central Government.

Fine Gael believes that:

- **Local control over local services is essential.** A Fine Gael Government will move many of the functions currently being performed by agencies back to Local Government. This will increase accountability and save up to €65 million in costs.
- **Local Government needs greater financial freedom.** Fine Gael will ensure that all property-related revenues are part of the income stream of Local Government. We will also give local authorities greater control over how money from Central Government is spent.
- **Local Government needs to be efficient.** Fine Gael will ensure that there is much greater sharing of services and administration between local councils to lower costs.
- **Local citizens should have a greater say.** We will roll-out, on a pilot basis, a system of Participatory Budgets under which local residents will be asked for their views on how local authorities should spend money in their particular communities. As part of this process we will make much greater use of local policing forums to determine, through consultation, policing priorities for each local community. Fine Gael will also establish a website – [www.fixmystreet.ie](http://www.fixmystreet.ie) – to allow residents to report local problems with street lighting, graffiti, maintenance etc., with a guarantee that a local official will respond within 2 working days.

## Supporting a Vibrant Civic Society

Ireland, like all western democracies, is suffering from a growing lack of citizen involvement in the democratic process. But Ireland faces an additional challenge – the enforced emigration of many of its citizens because of a lack of work at home. Fine Gael is firmly of the view that concrete action must be taken to facilitate greater involvement by all Irish citizens in the political process – both at home and abroad. In Government we will among other things:

- **Reduce the voting age to 17, automatically register all 17 year olds to vote and give eligible citizens the right to vote at Irish embassies in the Irish Presidential election.** If this experiment is deemed a success Fine Gael will consider extending this practice to general elections.
- **Introduce a petitions system that will allow citizens to have their concerns directly addressed by the Dail.**
- **Protect dissent by making key equality and rights bodies answerable to the Dáil rather than the Government.** This will prevent Government from putting pressure on the relevant body by threatening its budget.
- **Introduce new Social Investment Bonds to finance a new generation of “social entrepreneurs”** to work alongside the state in tackling many of the most difficult social problems, including obesity, illiteracy and criminal recidivism
- **Give citizens much more “Choice and Voice” in how public services are delivered (see Point 3).** We will also require departments to publish “Regulatory Impact Assessments” before decisions are taken, creating a further channel to obtain the views of civic society on new rules and regulations.

## Ireland and Europe

Fine Gael also believes that a great deal of work needs to be done to restore Ireland’s international reputation. If elected to Government we will use all of the diplomatic organs of the state, and Fine Gael’s membership of the European People’s Party (EPP), both to promote the country and to help shape a much needed debate about the lessons that can be learned from the European fiscal crisis. Fine Gael is certain that Ireland’s future is inextricably linked to that of the other nations of the European Union (EU). However, it is also our view that the fiscal crisis, and the nature of the EU’s response to it, points to the need for some reform in the architecture of the Union.

## 5. Healthcare for All

Fine Gael's health plan, *FairCare*, represents the most ambitious plan for health service reform since the establishment of the state. It is designed to reduce costs, increase access and make the system much fairer. It will dismantle the dysfunctional Health Service Executive (HSE) that was created by Micheál Martin in 2004, and end the efforts of Fianna Fail and Mary Harney to privatise the health system by favouring private over public care. Our ultimate goal is to establish a system of Universal Health Insurance (UHI), based on the very efficient Dutch model – but adapted to Irish circumstances. The underlying philosophy is that the patient should be treated at the lowest level of complexity that is safe, timely and efficient.

Once UHI is introduced the unfair and inefficient two-tier health system will be eliminated. Patient will be treated on the basis of medical need – not on the basis of how much money they have. There will be one strong public health system, where the state guarantees the level of service and quality and competing insurance companies are responsible for much of its administration.

Fine Gael believes it will take up to ten years to fully reform the health system and, as result, our programme for change is divided into two parts.

### Radical Reform of the Current Health System (2011–2015)

- **Fine Gael will ensure that more patients, especially those with chronic conditions, are treated in the community.** This reform will allow an increasing number of patients to be treated near or at their homes and will save the health service several hundred million Euros annually once fully introduced. This increased patient flow will, in turn, provide GPs with the incentives and resources to expand their services. Fine Gael will see to it that a network of purpose built Primary Care Centres is delivered by the end of our first term in Government. These new centres will cater both for chronically ill patients as well as patients needing X-rays, blood tests or treatment for minor accidents or illnesses.
- **Fine Gael will reduce waiting lists.** We will establish a Special Delivery Unit (SDU) in the Department of Health, reporting directly to the Minister, to eliminate existing long waiting times. The SDU's role will be to ensure that targets are met, and to act as a source of expertise for healthcare professionals and managers. Key personnel may need to be seconded from other health care systems that have successfully reduced waiting lists. A similar-type system in Northern Ireland reduced waiting times significantly over four years with little or no additional money.
- **Fine Gael will increase productivity by changing the way hospitals are paid.** We will pay hospitals for the number of patients they treat rather than, as is currently the case, giving them block grants. This system, which is known as *Money Follows the Patient*, should increase hospital productivity by between 5% and 10% and will make the system much more transparent and accountable.
- **Fine Gael will widen access to GP care.** As part of our preparation for UHI we will look at a number of ways to widen access to free GP care as finances permit, including increasing the number of people who have a GP Visit Card. Fine Gael will also enter discussions with the insurers to see how cover for GP care can be extended by them to their clients at reasonable cost. We will open up the General Medical Services (GMS) contract to all suitable qualified doctors to increase competition and reduce costs.
- **Fine Gael will prioritise the roll-out of key Information Technology (IT) to reduce costs.** We have looked at how other health systems, such as Sao Paolo in Brazil and the Veterans Administration in the US, have significantly increased efficiency through the proper use of IT. Fine Gael will establish a separate IT agency for all of the public sector which will work directly with the SDU in order to ensure that projects are implemented on time and on budget. The HSE's track-record on IT to date is very poor.

- **Fine Gael will end the failed strategy of co-location:** More than five years since the announcement of Minister Harney's co-location plan, not one of the promised beds has been put in place. Fine Gael will end the Government's efforts to make the two-tier system even more unfair by allowing private hospitals to develop on the lands of public hospitals.
- **Fine Gael will protect A&E:** No A&E services will be withdrawn unless a demonstrably better service is put in place and is seen to work.
- **Fine Gael will reform the insurance market.** We will introduce a system of risk equalisation to ensure that the Irish insurance market works more effectively.

## Universal Health Insurance (2016–2020)

Under UHI every citizen will have health insurance from one of a number of competing insurance companies, which will provide equal access to a comprehensive range of hospital and medical services. The insurance companies will take over much of the burden of administering the system. The State's role will be to:

- Pay for children/students and those on medical cards (and their families). It will also subsidise those on low income;
- Require all insurance companies to offer a standard package of health insurance that will cover all key service such as hospital care, GP care, maternity care, etc. A system of Community Rating will be introduced which will ensure that no insurance company can discriminate on the basis of age, sex or health status; and
- Be responsible for regulating the system, ensuring that safety and quality are maintained, and funding services that are not covered through UHI such as long term care, mental health, disease prevention, etc. Public hospitals will remain under public ownership but will be given much more freedom to run themselves.

*FairCare* will split the HSE into two before the introduction of UHI:

- **A Healthcare Commissioning Authority (HCA)** for the acquisition of "cure services" – hospital care, GP care, etc.
- **A Care Services Authority (CSA)** for the acquisition and provision of "care services" for the elderly, disabled, children, etc.

Once UHI is introduced the HCA will cease to function and the majority of the people it employs will instead be employed directly by the hospitals. Professionals whose work is not directly related to hospitals will have their employment contracts switched to the CSA. Fairness and respect for employment conditions will be central to this transition, and will be negotiated with trade unions.

- **Fine Gael will open up the insurance market:** UHI will double the size of the health insurance market. This will attract new entrants, increasing competition and choice for customers.
- **Fine Gael will reform the VHI:** Fine Gael believes that the VHI can provide a "public option" for customers once UHI is introduced. However, we believe it should be slimmed down considerably so that it no longer has a dominant market position.
- **Fine Gael will give Local Hospitals more control:** Under *FairCare* individual or networks of hospitals will be managed by hospital trusts, where patients, staff and members of the local community have a real say in the services delivered and in the development of the hospital.

- **Fine Gael will gradually introduce free GP Care for all once UHI is established:** People with medical cards and GP visit cards will, as now, be entitled to free GP care from Day 1 of UHI. Free GP care will be extended to everyone else in a second term of a Fine Gael Government as the country's finances improve.

## **Making the Current Health System More Efficient**

*FairCare's* cost reduction programme will protect front line services as much as possible even as we see reductions in the health budget as a result of the fiscal crisis.

- **Fine Gael will reduce management and bureaucracy:** Fine Gael will reduce HSE staff numbers by 8,000 by 2014 through a combination of natural wastage and voluntary redundancies. Compulsory redundancies will therefore not be required.
- **Fine Gael will focus on waste and inefficiency:** Significant savings will be found by reducing the cost of agency staff, taxis, absenteeism and non-core pay such as overtime and allowances for example.
- **Fine Gael will reduce the cost of drugs:** Fine Gael will introduce Reference Pricing and reduce the cost of generic medicines in order to make savings to the State drugs bill. Private patients will benefit from cheaper medicines in their local pharmacies.
- **Fine Gael will improve efficiency by 5-10% by introduce Money Follows the Patient.**
- **Fine Gael will cut costs by transferring chronic disease management from hospitals to primary care.**

# CONCLUSION

On the 28th of November 2010 Brian Cowen announced the details of the IMF/EU bailout for Ireland. Almost a century after the 1916 Proclamation of Independence an Irish Government was effectively signing away a large part of Ireland's economic and national sovereignty.

Fine Gael believes there should be a two-fold response to this humiliating surrender:

- In the short term the right policies need to be adopted to ensure Ireland's speedy return to the financial markets and the restoration of our national sovereignty.
- In the longer term the goal should be nothing less than the creation of a **New Ireland** in which the interests of the citizen, and not those of the public or private sector elites, are placed at the centre of politics and policy.

Fine Gael has a very clear vision of this **New Ireland**. By 2016, the 100th anniversary of the Irish rebellion, we want to create:

- A new republic that serves the Irish people and not the insiders.
- A new politics that our people can be proud of.
- A new public sector that gives our people the services they need at a price they can afford.
- A new health service that offers all of our people fair and equal treatment.
- A new jobs economy that can keep our young people at home.

For too long parties in Ireland have copied British laws and British ways of doing things without asking the really crucial question – can policies and institutions designed to serve such a large nation really suit a small country like Ireland? All too often the answer, in Fine Gael's view, is no. We have therefore adopted a very different approach. We have looked beyond our neighbour to examine what other successful nations have done.

- We have looked to the Netherlands and its very successful health system;
- We have looked to Finland to study the economic and social transformation brought about by its education reforms;
- We have looked to various countries, including Sweden and New Zealand, when putting together our proposals for political and public sector reform.

But Fine Gael has also looked back to the founders of the state, to all that was good and true in their vision of a proud, independent Ireland. The net result is the most comprehensive programme for reform of any party in the history of this state. A programme that will transform our country by combining what is best in Ireland with best practice from other nations. Fine Gael, the party that established the state and declared it a Republic, is proposing nothing less than an economic, political and administrative revolution. A revolution that will reclaim Ireland for its people and prepare it for the enormous challenges that lie ahead.

