

Micheál Martin TD

Leinster House

Kildare Street

Dublin 2

31st August 2018

Dear Micheál,

I am writing to you in my capacity as Leader of Fine Gael about the Confidence and Supply Arrangement between our two parties. Thank you for meeting me in July in Killarney. I believe that the Arrangement has served the country well and has been honoured by both our parties in the round.

Honouring the Arrangement

- The public finances are in order and the budget is broadly balanced.
- Additional financial resources have been used, predominately, to increase funding for public services and investment in public infrastructure at a ratio of greater than 2:1.
- The USC has been reduced twice.
- Our 12.5% Corporation Profit Tax has been defended and the Rainy Day Fund is being set up.
- The Landsdowne Road Agreement on public sector pay has been re-negotiated to accelerate pay restoration and to commence the necessary and sustainable unwinding of the FEMPI legislation.
- CSO statistics show a 75% increase in new homes built in 2017 against 2015, albeit from a low base.
- We expect up to 20,000 new homes will be built this year, more than any year since the crash.
- 7,000 homes were added to the social housing stock last year, with more again expected this year.
- Housing Assistance Payment (HAP) and Rent Supplement have been increased by 15% and rents have stabilised, increasing by less than 1% in each of the last two quarters according to RTB/ESRI official statistics.

- Mortgage arrears continue to fall and the State Pension has increased by €10 a week with increases also in the Christmas Bonus, Fuel Allowance and a new Telephone Allowance.
- More PRSI-related benefits have been extended to the self-employed and tax credits have increased.
- Unemployment is down and employment is up in all regions with most new job growth happening outside of Dublin.
- Project Ireland 2040 provides for massive increases in investment in transport, broadband, education, healthcare and flood defences with implementation well underway. Infrastructure investment will increase by 25% next year alone.
- The number of discretionary medical cards now exceeds 100,000 and children with severe disabilities now receive a medical card by right regardless of their parents' income.
- €55m has been provided to the NTPF and the number of people waiting more than three months for operations and procedures has been falling for months now.
- The primary pupil-teacher ratio will be at its lowest ever level in September of this year.
- We have introduced subsidised childcare, reduced the cost of medicines and stabilised the cost of health insurance.
- Garda numbers are up 600 since the end of 2016.
- Vision for Change is being implemented with over €900m now spent each year on mental health.
- Seo Blain na Gaeilge.
- And, of course, domestic water charges have been abolished.

This has all been done in line with our agreement.

Much has changed

However, much has changed since the agreement was struck in April 2016. The people of the United Kingdom voted to leave the EU and this will happen in March next year. The Northern Ireland institutions are no longer functioning. Our economy is powering ahead at a much faster rate than projected and we are approaching full employment. There are now some concerns about overheating with growing downside economic risks due to international developments, such as changes in the international corporate tax landscape, and the possibility of disruptions to the global trading system.

We have done many things that were not foreseen in the agreement:

- welfare increases for the Disabled, Carers, Lone Parents and Jobseekers;
- raised the point at which middle income people enter the higher income tax bracket;
- increased the minimum wage twice;
- repealed the 8th Amendment;

- ratified the UN Convention on the Rights of People with Disabilities;
- embarked on a major expansion of our presence around the world;
- brought in mandatory reporting of child abuse;
- reformed and modernised the school curriculum and school admissions;
- passed the Technological Universities Act;
- opened the Chinese market to Irish beef;
- established a dedicated Department for Rural and Community Development; and
- today 75% of premises in Ireland have access to high speed broadband, up from 52% in 2016;
- our new national Children's Hospital is under construction.

to name but a few.

On the downside, despite record levels of spending, increased staff and resources, we are struggling to make sustainable improvements to public healthcare. And, while there is now some cause for optimism, the housing crisis persists with a shortage of new homes for first-time buyers and increased numbers of people living in emergency accommodation.

Without doubt, there is more to do.

Extending the Arrangement

The Confidence and Supply Arrangement has no end date. However, from the start it has been widely understood that it extends for three budgets. Budget Day is the 9th of October which is now less than 6 weeks away.

The Arrangement provides for a review at end of 2018. We are now well into the third quarter of 2018 and the end of the Arrangement is coming closer every day.

It is my strong view that a government cannot function or work in the interests of the people if it is living on borrowed time. A government cannot function if it does not know if it will last from week-to-week or month-to-month, if it does not know what will happen to its programme and legislative agenda the day after Budget Day or the day the Finance Bill is passed.

Such uncertainty weakens our hand in Brexit talks, domestic negotiations, and of course those opposed or resistant to reform are simply more likely to wait us out. Such a scenario would not be in the interests of citizens, taxpayers, or users of our public services.

So, I am writing to you to seek confirmation that you are willing to re-commit to the Confidence and Supply Arrangement for the remainder of this Dáil. I suggest that in the interests of certainty we agree a General Election date for the summer of 2020.

I am ready to appoint a team to commence negotiations immediately.

I attach an appendix of items which we would wish to see in the renewed Confidence and Supply Arrangement. It is not exhaustive.

I look forward to hearing from you at the earliest available opportunity. I would be happy to meet with you at a mutually agreeable early date.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Leo Varadkar', with a long horizontal flourish extending to the right.

Leo Varadkar

Fine Gael Party Leader

Appendix

1. Prudent Management of the Public Finances

- Maintain our commitment to meeting in full the domestic and EU fiscal rules as enshrined in law.
- That Budget 2019 will be broadly balanced, moving to a surplus in 2020 and beyond thereby allowing the national debt to be reduced.
- Use any windfall gains to the Exchequer to reduce our national debt.
- Where additional resources are available for allocation at Budget time, recognising unmet needs, these will go to increasing public spending over tax reduction in a proportion of 2:1 or more.
- On a phased basis, USC and PRSI will be merged. This is to contribute to the sustainability of our social insurance benefits, including the State Contributory Pension, and also to allow the progressive and sustainable expansion of PRSI benefits.
- Income Tax reduction will focus on increasing the point at which people have to pay the highest income tax rate, thereby reducing the number of people that pay the top rate, and reducing for others the amount that they pay at the top rate. The standard rate cut-off point will be raised to €37,500 (single), €46,500 (single income couple) and €75,000 (dual income couple – subject to transferability rules).
- The Earned Income Tax Credit for the self-employed and Homemakers Tax Credit will be raised to match that of the PAYE Credit over the next two budgets.
- Implementation of the Roadmap for Pension Reform including auto-enrolment to provide that all private sector workers from 2022 will have access to their own personal pension.
- Maintain our competitive 12.5% Corporate Tax rate and engage constructively on international tax reform while critically analysing proposals that may not be in Ireland's long term interests.
- Enact the legislation to give effect to the Rainy Day Fund and bring it €2.5 billion by 2020.
- Ensure that any increase in the charges being paid by homeowners under the Local Property Tax are moderate and affordable.
- Support the ongoing reform of the public sector, to ensure more accessible and more affordable public services.

2. Equality for All

- Enact the Gender Pay Gap legislation and actively promote high levels of female participation in politics, sport, state and private sector company boards, and in wider senior positions across Irish society.
- Implement the Action Plan for Jobless Households.
- Increase the number of people from non-traditional backgrounds entering third-level education.

- Support the introduction of the new SNA model, with consultation from parents, students and educational partners.
- Continued focus on reducing child poverty.
- Carry out a new survey of domestic and gender-based violence.
- Continue to increase investment in the Irish language and Gaeltacht areas.
- Significantly increase total funding (current and capital) for the arts, culture and sport on a trajectory that will see those funding areas doubled by 2025.
- Strengthen community development initiatives like SICAP, CLAR, CSP and RAPID.

3. Ireland's Place in the World

- Support the Government's negotiating position to secure the best deal possible for Ireland and Europe with respect to Brexit.
- Uphold the primacy of the Good Friday Agreement, and work to restore the power-sharing institutions and strengthen north-south co-operation and engagement.
- Implement Global Ireland 2025 to double our impact around world.
- Seek an all-party consensus on increasing Overseas Development Aid to 0.7% of GNI* by 2030.
- Support Ireland's campaign for election to the United Nations Security Council.
- Propose a new relationship between Ireland, the European Union and the states of the African continent.

4. Raising Living Standards in a Sustainable Way

- Increase the State Pension and weekly social welfare rates at or above the rate of inflation.
- Support implementation of the Public Sector Stability Agreement on existing timelines and existing budget allocations.
- Support recommendations of the Public Service Pay Commission on recruitment and retention.
- Respect the Workplace Relations Commission and the Labour Court as the appropriate forum for the resolution of industrial disputes.
- Support the process in relation to new entrant pay and proposals to affordably resolve the current issues.
- Expand and further develop the Affordable Childcare Schemes and introduce paid parental leave in the first year of a child's life.
- Continue to expand access to free GP care to more children and to more low and middle-income families.
- Continue to expand PRSI-linked benefits especially for the self-employed.
- Seek to alleviate pressures on household budgets and business due to energy, medical and insurance costs.
- Publish and enact a comprehensive Consumer Rights Bill.

5. Investing in Infrastructure including Housing

- Support the implementation of Project Ireland 2040. This involves a 10 year €116 billion investment programme in public infrastructure like roads, public transport, healthcare capacity, education, rural broadband, water, rural development, energy, climate action and flood defences. This includes increasing our social housing stock by 112,000 over the next decade.
- To ensure that at least 25,000 new homes are built in 2020, increasing to 35,000 per year from 2021.
- Implement Rebuilding Ireland to reduce homelessness, control rent increases and expand home-ownership through supply and affordability measures.
- Establish the Land Development Agency to better utilise state owned lands, develop strategic land banks and support more affordable housing.
- Support the introduction of greater heights/densities in urban settings, as well as increased densification on public land in line with the new apartment guidelines and the National Planning Framework.
- Implementation of the Affordable Purchase Scheme and support for cost-rental.
- Support for new measures to incentivise landlords, including initiatives that would also benefit tenants entering into longer leases.
- Agreement to introduce rent increase restrictions on certain types of student accommodation in a manner which does not undermine further future development.
- Retain Irish Water in public ownership as a national standalone water utility.

6. More Jobs, Good Jobs

- Continue to prioritise regional development across all policy areas.
- Fully implement Foodwise 2025 and develop a successor strategy to meet our national growth and sustainability objectives including climate mitigation targets.
- Secure the future of family farms and support our fishing industries.
- Introduce a whole of government plan focused on improving productivity, competitiveness and the preparation of Irish workers for future technological changes and future jobs (e.g. robotics, artificial intelligence, etc).
- Continue to implement the Action Plan for Rural Development.
- While broadly supportive of the new proposals on the Common Agricultural Policy, the Government will continue to engage to ensure the best possible outcome for Irish farmers.

7. Health

- Effect the Sláintecare Implementation Plan and associated legislative reforms of the HSE.
- Focus on increasing the capacity in the health service in line with the capital investment plan set out in Project Ireland 2040.
- Enact patient safety legislation to give effect to mandatory open disclosure and patient safety licensing.

- Offer a new GP contract to expand access and extend services.
- Increase funding for the NTPF to maintain the progress being made on reducing waiting times for operations and procedures.
- Continue to implement the Vision for Change programme for mental health and publish a successor programme later in 2018.
- Improve services for people with disabilities including respite, early intervention, therapies and the implementation of the recommendations of the Report on Personalised Budgets.
- Bring forward legislation to meet all our requirements under the United Nations Convention on the Rights of Persons with Disabilities.
- Improve services and supports for older people including the introduction of a statutory home care scheme.

8. Education

- Continue to implement the Action Plan for Education.
- Increase capitation paid to primary and secondary schools.
- Seek to establish an all-party consensus on a long-term funding model for higher education through the Oireachtas Education Committee.
- Increase funding for third-level education by €50m in 2019 and 2020 through increasing the National Training Fund by 0.1% per annum in both years.
- Assist the creation of new Universities of Technology, with a particular focus on establishing the Technological University for the South East.
- Continue to expand the School Excellence Fund to reward schools that develop projects which support excellence and innovation in education.

9. Climate and Environment

- Support the setting of a price for carbon for 2030 with legislation setting out how the Carbon Tax will be increased each year to reach that point. Recognising that this has an impact on many of the most vulnerable, there will be compensating increases in the Fuel Allowance.
- Establish a new RESS scheme to increase production of renewable energy.
- Support the removal of coal from the grid by 2025 and peat by 2030.
- Ban the sale of petrol and diesel cars by 2030. Continue to support the take-up of electric vehicles.
- Purchase only no or low-emission public buses from 2019.
- Outlaw smoky coal on a nationwide basis.
- Publish and implement the Clean Air Strategy.
- Introduce a ban on single use plastics in line with European law.
- Introduce a renewable heat scheme and a deep retrofit insulation programme for public buildings and homes.
- Prioritise public transport investment as outlined in Project Ireland 2040.

10. Political and Constitutional Change

- Support the holding of referendums on the role of women in the home, blasphemy, and the extension of voting rights for Presidential elections to citizens resident outside of the State.
- Support the work of the Seanad Reform Implementation Committee.
- Establish a new Citizens' Assembly on gender equality and a Dublin Citizens' Assembly to examine options for comprehensive local government reform.
- Hold plebiscites on the election of Directly Elected Mayors in Cork, Waterford, Limerick and Galway in 2019. In the case of Dublin, to hold that plebiscite in 2020 following the work of the Citizens' Assembly.
- Develop and implement policies to help safeguard our democratic and electoral process in light of recent experiences in other democracies.

11. Fighting Crime and Protecting People

- Continue Garda recruitment so as to increase the number of Gardaí to 15,000 by 2021. Free up Gardaí to tackle crime through greater civilianization. Continue to invest in fleet, new stations and ICT.
- Update and continue to implement the Government's White Collar Crime package.
- Implement the Action Plan for Online Safety.
- Issue a roadmap for the implementation of the recommendations of the Commission on the Future of Policing in Ireland within two months of having received it.
- Support the work of the Effectiveness and Renewal Group for the Department of Justice and Equality.
- Reform the parole system by creating a statutory independent Parole Board.
- Introduce sentencing guidelines.

Fast-tracking Legislation

81 pieces of primary legislation have been enacted by this Dáil and Seanad including seven private members bills, a record. However, filibustering has caused some legislation to be delayed and had the knock-on effect of delaying all other legislation. This is not acceptable. So, the parties agree that the following legislation should be fast-tracked and brought to a conclusion should debate exceed an agreed limit.

These are:

- Consumer Protection (Regulation of Credit Servicing Firms) (Amendment) Bill 2018
- Public Health (Alcohol) Bill 2015
- Judicial Appointments Commission Bill 2017
- Education (Parent and Student Charter) Bill
- Qualifications and Quality Assurance (Amendment) Bill
- Home Building Ireland Finance Bill 2018

- Regulation of Termination of Pregnancy Bill
- Local Government Bill
- Residential Tenancies (Amendment) Bill
- Coroners (Amendment) Bill
- Gender Pay Gap (Wage Transparency) Bill
- Courts and Land Conveyancing (Amendment) Bill
- Patient Safety Bill
- Patient Safety Licensing Bill

Recognising that there are legitimate concerns about the pace of the development of legislation, we will undertake an independent review of the legislative drafting process which benchmarks the operational approach here to other comparable jurisdictions.