HOUSES OF THE OIREACHTAS

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AN COMHCHOISTE FIOSRÚCHÁIN I DTAOBH NA GÉARCHÉIME BAINCÉIREACHTA

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Déardaoin, 18 Meitheamh 2015

Thursday, 18 June 2015

The Committee met at 9.30 a.m.

MEMBERS PRESENT:

Deputy Pearse Doherty,	Senator Sean D. Barrett,
Deputy Joe Higgins,	Senator Michael D'Arcy,
Deputy Michael McGrath,	Senator Marc MacSharry,
Deputy Eoghan Murphy,	Senator Susan O'Keeffe.
Deputy Kieran O'Donnell,	
Deputy John Paul Phelan,	

DEPUTY CIARÁN LYNCH IN THE CHAIR.

Mr. Kevin Cardiff: No, thanks Chairman. It's like a job interview, you usually want to get out as fast as you can.

Chairman: Okay. With that said, I would like to thank Mr. Cardiff for his participation today and his engagement with the inquiry. The witness is now excused until we have our next meeting with you next week where you will appear before the inquiry again. I am now proposing that we suspend until 3.15 p.m. when we will hear further from witnesses for the Department of Finance. With that said, I just need one minute of a private session to deal with schedule notifications and we can then get to lunch. Thank you.

The joint committee went into private session at 2.28 p.m.

Sitting suspended at 2.30 p.m. and resumed in public session at 3.25 p.m.

Department of Finance - Mr. John Moran

Chairman: I now bring the meeting back into private ... sorry, public session, is that agreed? Agreed. All right. We're now moving on this afternoon to session 2, which is a public hearing with Mr. John Moran, former Secretary General to the Department of Finance. The Committee of Inquiry into the Banking Crisis now resuming in public session and can I ask members and those in the public Gallery to ensure that their mobile devices are switched off? Today, we continue our hearings with the senior officials in the Department of Finance who had key roles during the finance crisis period. At our first session this afternoon, we will hear from Mr. John Moran, former Secretary General, Department of Finance. John Moran was Secretary General in the Department of Finance from March 2012 to May 2014. Prior to that appointment, he served as a second Secretary General in the Department of Finance where he was head of the banking division. He had previously worked as head of wholesale banking supervision in the Central Bank of Ireland and as CEO and board member of Zurich Capital Markets. Mr. Moran, you're very welcome before the inquiry this afternoon.

Before hearing from the witness, I wish to advise the witness that by section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. If you are directed by the Chairman to cease giving evidence in relation to a particular matter and you continue to do so, you are entitled thereafter only to a qualified privilege in respect of your evidence. You are directed that only evidence connected with the subject matter of these proceedings is to be given. I would remind members and those present that there are currently criminal proceedings ongoing and further criminal proceedings are scheduled during the lifetime of the inquiry, which overlap with the subject matter of the inquiry. The utmost caution should then be taken not to prejudice those proceedings. Members of the public are reminded that photography is prohibited in the committee room. To assist the smooth running of the inquiry, we will display certain documents on the screens here in the committee room. For those sitting in the Gallery, these documents will be displayed on the screens to your left and right. Members of the public and journalists are reminded that these documents are confidential and they should not publish any of the documents so displayed.

The witness has been directed to attend the meeting of the Joint Committee of Inquiry into the Banking Crisis. You have been furnished with booklets of core documents. These are before the committee and will be relied upon now in evidence and form part of the evidence of inquiry. If I can now ask the clerk to administer the oath to Mr. Moran, please.

The following witness was sworn in by the Clerk to the Committee:

Mr. John Moran, former Secretary General, Department of Finance.

Chairman: So once again, welcome before the inquiry this afternoon, Mr. Moran, and if I can invite you to make your opening remarks to the committee, please.

Mr. John Moran: Thank you. Mr. Chairman and members of the committee, I welcome the opportunity to be here today and hopefully the testimony will be helpful to your important job. You already have the written statement that I have distributed, so I'll only just hit some of the main points orally and we can discuss other matters later, should you wish to do so.

I'd like to, however, first just mention that it really was a great honour for me to join the Department in 2011 and to be able, with my colleagues, to play a part in putting in place the recovery we are seeing in the Irish economy and the banking system. To have been able to play a role in bringing a country back from the edge from bankruptcy to one of the fastest growing economies in Europe with unemployment now reaching below 10% and continuing to decline, is one of the greatest honours I shall ever have had. If the changes we worked to implement and the information we share today help prevent the occurrence of a similar economic disaster for Ireland, I shall be very happy.

Just pointing out a couple of things, I suppose, as we go through this, I think one of the most important things I picked out from the terms of reference, which is the context in which you're looking at the work you're doing, was that despite what is often said, our crisis was not just a banking crisis, it was very much a fiscal one. I think we see people and in a way I've said in my statement ... people, sort of, are used to watching thriller TVs and movies and they are accustomed to seeing plots with high suspense - good guys, bad guys. They wanted the drama of this crisis to be written and couched in terms of irresponsible overpaid bankers, reckless developers, the night of the bank guarantee and the burning of those faceless bondholders. It makes good TV but it's not the reality. The reality is much more mundane. A simple rhetoric has been entertained in Ireland that if we had not had the collapse of Lehman Brothers and the Irish banks had burnt the vulture funds, we would have had no issues. One thing is for certain, the property collapse led to awful widespread destruction and growths of unemployment, poverty and emigration but the sad reality is that it was the acute lack of fiscal capacity at governmental level that restricted the flexibility in how we might deal with that since 2011.

The fiscal rectitude we are now experiencing, in my view, is more accurately a result of the perilous structure of Ireland's fiscal income and expenditure. Revenues collapsed as spending continued and indeed, had to rise to protect the vulnerable. This caused recurring deficits which had to be painfully funded by piling yet more debt onto the back of future generations. Today, we are still giving ourselves public services, wages and payments for which we ourselves are not paying enough and leaving the bill to our children and their children. People like repeating that we have put €64 billion into the banks. The reality is we'll probably recover about half of that. People talk a lot less about the fact that each year we have loaded debt onto the country to pay for ongoing annual deficits, none of which we'll get back. And that debt is going to end up being more than three times the net bank debt. This should not be forgotten. Nor should we forget that the fact is that without austerity measures ,which have reduced the recurring overspends, the debt would be even more and would have grown even more by deferring those austerity measures.

Prior to the crisis, nobody had considered what might happen to stamp duty, capital gains and nobody provided for what might happen when stamp duty, capital gains taxes, PAYE revenues related to the property sector, employees and social welfare payments related to unemployed property sector employees or even to spend your wages in the economy and people's standards of living. What would happen when construction would resize to what we knew and could have known? It was a more sustainable quantum. It's true that it's important to understand why the Government, the Civil Service, the regulator or even the banks themselves had not done enough and not done more to restrict borrowing and the growth of the property market. It is important to know why and how the Government took decisions about the bank collapse, but, for me, it is even more important that we understand for future-proofing our State, what was it in the structure, the operation, the DNA of the organs of our State, the political system, the Civil Service, the broader public sector that allowed this precarious fiscal situation to develop? The decision-making processes related to the collapse of the banks may give you some hint, but I encourage you to look at the answer to that more general question.

Had alternative routes been followed beforehand, how much less painful would the last couple of years have been when the rug was taken out from under our fragile structure by the collapse of Lehman's and the international wholesale funding? With a better underlying fiscal situation, we might have been able to show ... shoulder the bear ... the burden of capitalising banks without austerity measures or a bailout. Where was the debate recommending these alternatives, which might not have been so politically popular? How did the decisions get made? Why did no political party manifesto contain proposals for the introduction of property taxes, for the introduction of charges for the consumption of water, more appropriate burdens of sustainable taxes to pay for the necessary public services, the reduction of public sector pay back to long-term sustainable levels? Why did windfall gains from capital gains or construction sector payroll taxes not get put aside for a rainy day fund? Because we in Ireland certainly know that no matter how long the sunny, dry spell will be, it will rain sooner or later. And when we say the Irish public played no role in this crisis, ask would we - and I am one of those - have voted for such a party making those promises in the 2007 election promise?

You asked me to talk about the role of the EIB and the EU. I am happy to say more about that later and I have laid out a lot more in my statement. But just to say that my early impressions was that they, like us, were learning what to do in a complicated troika-type scenario. This was new territory for almost everyone, bar, perhaps, the IMF. And I can remember, for example, really, very strained discussions in early 2011 trying to convince the ECB team that it was simply not possible in the markets of 2011 to sell tens of billions of mortgage loans in the UK to allow for faster repayment of the ECB without having a fire sale to the great disadvantage to the Irish banks and State. Happily, we prevailed.

But recalling what I said above, had we not also been faced with funding large fiscal deficits for 2010 and for the foreseeable future thereafter, our negotiating power during those years would have been very much stronger and the bailout much more limited in its terms. There were other issues, of course, where we held opposite views with the troika, but both sides always tried to reach a solution and I think that served us well when you compare the performance of the Irish recovery to those of others. And, of course, the evolving role of the EU, which we can talk about in more detail, now means that they have greater oversight over our affairs and we have greater oversight over other European governments.

You also asked me to talk about IBRC. Clearly, I am not able to discuss matters that are also before the commission of inquiry. So I'll talk about two other matters in ... that also relate to that .. that entity. The first one I picked was what might have happened if we had achieved more burden-sharing in 2011. In simple terms, when we look at it today, the State's direct loss from the banking collapse is likely to be the taxpayer money contributed to IBRC. There are many reasons to justify why senior, and not just junior, creditors might have borne more of the cost of the collapse witnessed in the Irish economy and the banking system. But by the time I got involved in these issues in 2011, this question was significantly less meaningful. The guarantee had already been issued. The decision to fund the repayment of the creditors of Anglo and INBS with the promissory note payments had already been taken.

So our decision was based on the following facts. Only €3.7 billion of senior, unsecured bondholders remained in what was IBRC at that time. This is still a large sum but it needs to be compared with the potential prizes we could gain by continuing to work with the troika lenders. Recall that, shortly afterwards, we negotiated a significant interest rate reduction worth some €9 billion. Unless we could have gotten the ECB on side, there were major funding implications for the banks and they were very much opposed in March 2011 and vocal about that. We would also have to consider what would be the impact for retail depositors of a withdrawal of Central Bank funding to the banks and also their refusal, perhaps, to allow for troika disbursements to a State fast running out of cash. There were implications of ... on a future funding costs of the banks, not just IBRC. Senior unsecured creditors, I think, you explained ... was explained this morning, included depositors to the banks. And banks, as we all now know, depositors were ranked *pari passu* with bondholders.

Capital had already been introduced into many of the banks so reducing the hole could not be done necessarily because there wasn't a hole there any more to be filled by burden-sharing and still reflect the normal distribution of creditor rights. And the six banks were six individual legal entities so we couldn't take a deficit from one to use it to ... to justify bond ... burden-sharing in another bank. In rushing to over-emphasise the impact of this decision, I would also like us not to lose sight of one simple fact much overlooked in the public debate. Burning senior bondholders, a route resisted by the troika, especially the ECB, was not going to be the solution to our problems in 2011. Yes, it would have been nice, it would have maintained social cohesion a little better and it would certainly have appeased public anger, but we needed actions with repeating annual impact to reduce the deficit on an ongoing basis. As I explained more in my statement, contrary to the perception which has been created by some, burning bondholders was not going to generate cash, income and windfalls to the State to ease austerity. If it could have been pulled off, it would have only increased the value of the banks, so, ultimately, when we would sell or liquidate them we may have gotten a bit more or given more, in fact, back to creditors, or it would have done what we did, which was to borrow some money that, thanks to the promissory note transaction, will now only need to be repaid 30 years from now. So at best we were looking at that time at a reduction of 1% or 2% of our debt number, not cash, when the debt was over already 100% of GDP.

The other thing I think we may need to talk about is IBRC and the promissory note transaction. And I think we will probably come back to that specifically so I won't dwell too long, other than to say that to me, without doubt, replacing the existing debt commitment of the State with longer dated, lower interest rate debt was certainly a very good deal for the State and a key to our exiting the bailout successfully. Remember, the annual pain that we have today from what I might call the IBRC debt, namely, the debt which replaced the promissory note, to the annual deficit is only the annual interest demand. And I would remind you, as it has been pointed out by other commentators, that all of our bank bailout debt causes only about €800 million of interest expense out of the €7.5 billion of interest payments faced by the State in 2015. I don't want you to pick me up on the exact numbers because I am quoting a, sort of, commentator on that and didn't check that with the Department, but it gives you some sense of the disproportionate magnitude of the debt related to deficits compared to the bank bailout debt. And while this transaction did not take away the burden of the pre-2011 decision, it made it a lot more affordable for the State. It provided fiscal space to increase spending in the short term for other priorities and it deferred the burden to a time where we might be in a better position to pay it.

Equally, the reputation of the country and its sovereign covenant was maintained. And I think the counter-factual of what might have happened otherwise is playing out, sadly, before our eyes in Luxembourg today in the discussions about Greece. By contrast to Greece, because of the significant release of funding pressure, we actually reduced our borrowing costs to allow us to also fund the tens of billions of debt to fund the cumulative annual deficits, which are now more affordable.

The other main area I thought I should just touch on is the appropriateness ... you asked me to talk about the appropriateness of advice to Government. And I'm not going to talk about individual pieces of advice but I thought there were some observations I had, as somebody who came to the system from the outside, that might give you, sort of, some additional insight.

Chairman: Sorry, Mr. Moran, there's a musical interlude. I'll get rid of that and we'll come back to you okay?

Mr. John Moran: I must find out what that ringtone is; I could do with changing mine.

Chairman: That's another yellow card issue there by the way. Mr. Moran.

Mr. John Moran: Okay, looking at some of the issues then in terms of the way the system operates, and again I go back to this point of, I think, looking at the DNA of our broader system.

Chairman: It interferes with our systems, Mr. Moran. I'm sorry.

Mr. John Moran: It's probably my mum who's realised that she can't get me on my one.

Chairman: Sorry, I'll have to suspend ... sorry Senator, Senator. I'm just going to suspend for a moment there until we get the audio under control.

Sitting suspended at 3.51 p.m. and resumed at 3.52 p.m.

Chairman: If I can invite Mr. Moran to continue, please.

Mr. John Moran: Okay. I had mentioned I was just on the point of identifying a number of observations about the way I saw the system working, perhaps coming from a unique perspective as a so-called reputed outsider holder of a Secretary General position. And as I said, a lot of these are laid put in more detail in my written statement, but, first, I suppose I found it surprising, in joining the Department, how little debate on strategic issues for Ireland was, or could be, led publicly by civil servants. It seems other Ministers often have discouraged this practice in the past; I was lucky not to have one of those. Officials are criticised for not engaging more outside their own Departments but when they do venture out into the public debate, are they supported by the public? Are they supported by the public representatives? My own experience was to suffer what I consider still to be unacceptable interference into my personal life by the media, and, indeed, inaccurate public criticism by serving public representatives when I dared to stimulate discussion on key choices in housing policy and stated facts in a neutral but truthful way about repossession statistics. Unless our system robustly defends, not attacks, civil servants acting in good faith, is it fair to expect them to be more vocal and point out alternative, however unpopular, political choices or to protest loudly when perhaps a wrong decision is being contemplated?

Secondly, I was surprised at how little proactive - and I stress that word "proactive" - debate about strategic longer-term choices for Ireland was taking place, even in private, within the corridors of power in ways that involved the full broader leadership team of all of the Government Departments. I had imagined I would be stepping into a cauldron of debate about all sorts of important issues about the long-term future direction of the country and whether we were on the right track. Perhaps the crisis had crowded out this debate, if it was happening before, but, should our political system not also encourage this more and not allow or demand that time to be crowded out by an agenda dictated on short termism?

Next, elected representatives have a nature and role different to those employed on a long-term basis in the public administration, but both must work together. I observed from both sides what I would say are unhelpful perceptions on the lack of equilibrium in relative status given to political decision makers and to the public service, especially the Civil Service. Have we really achieved an unqualified environment of mutual respect to encourage true free debate across the system? The Cabinet, which I know you've looked at quite a lot, is a primary hub of decision-making in Ireland, where not just the decision making about the bank guarantee took place but, indeed, all major Government decisions. How does advice get to this forum? Is it the right choice, in 2015, that civil servants with the background technical details from relevant Departments are excluded from the debates at Cabinet? What if, during the debate, someone raises a novel technical point not addressed in the supporting papers? Does one just defer? When I came to the Department in 2011, I had no reason to believe it would be that way; in fact, I thought it was the opposite. Is it right in 2015 that traditions developed when the world was less complicated, vast and interconnected, continue to form the basis of our most fundamental decision-making forum?

Another interesting aspect of the operation of Cabinet sub-committees is how often status updates on the deteriorating, or improving, economic and banking system helped come to those issues ... to those forum. What happens annual reviews and plans of Departments which are not ... which are debated not in the presence of the Secretary General? Another surprise was to discover that former Governments seemed at least, so the story goes, to have discouraged, maybe even banned, the idea of Secretary Generals as a group meeting together to discuss policy unless their Ministers were present. I had expected to find much more robust debate among the senior Civil Service team as a leadership group on the issues facing the country. I had expected to see fora for the Civil Service leadership to debate the same issues that I mentioned in my written statement. I would have expected to have seen before Cabinet ideas about the State's financial priorities for spending and the rest. The troika process actually meant I didn't notice this vacuum for quite some time as we were, in fact, doing that in part of the troika process. But if Secretaries General can't meet to discuss policy without Government Ministers, I'm left to wonder when was the last time the Taoiseach of Ireland, all of the key Ministers and their Secretaries General, perhaps their advisers stepped out together for a senior management one or two-day off-site to discuss the priorities they see facing the country?

I arrived at the Department when the Department was being restructured into two separate Departments and maybe that accentuated the vacuum. It leaves me wondering if putting spending and taxation in different Departments is the right way forward to facilitate holistic thought process about priorities. Oireachtas committees might also help by acting as a forum in which technical civil servant experts, together with public representatives, may discuss matters freely and publicly, but some committees prefer interrogation styles rather than debating among equals. Debates are often done Department by Department rather than involving officials from across the system to a relevant subject matter. Does the adversarial nature of Oireachtas committees encourage the type of informed cross-party political debate which might serve the country well into the future? Why, for example, would those posing the questions not simply always provide at least their preliminary question or areas of inquiry in advance with precision? We all know how much better our answers were at school when the lecturers gave us significant hints about the questions coming up on the exams. This should not be an exam to catch out civil servants or a Department with surprise questions but should rather be a public debate on the issues to inform.

We've been asked to talk about the Department's relationships with the NTMA, and I would assume from the papers I received that there would be some significant questions on that, so I won't necessarily go in to those. I laid out some of the changes we made on the banking policy governance side in 2011, which, I think, were important, to allow us to move decisively and cohesively on the bank restructuring. I've explained the changes we made to the NTMA to change very much the governance structure there and I think I've also pointed out the key role that the so-called principals' group could make and the challenges of making that a more strategic, rather than an operational, forum.

I want to just finally deal, as a last point, with this important issue of the management of contrarian views. As I mentioned in my statement, I set out in detail for the PAC measures we had taken to reform the operation of the Department just before, or in fact just after I had resigned as Secretary General and that speech is included in the documents I know you have before you. I can't improve on the description by restating it in new words here. I would just repeat for you one paragraph of my speech last year, for those who haven't, and the public, had time to read it:

> For [this job] further embedding of a culture of openness, of internal and external challenge and peer review, of risk management and robust and innovative policy formulation is key. This is not easy stuff though. It requires ensuring adequate investment to have access to the best talent and information. It means learning to listen. It means embracing an environment often lacking in organisations across the world of open, free and honest debate and mutual trust where everyone's views are well received and cheap shots avoided. It requires the nurturing of talent so as to create the leaders of tomorrow who need to be instilled with a sense of creativity to develop policies for a changing world but also a sense of conviction and courage to be able to identify the next problem and shout stop, when it is needed.

It is hard to change tradition. In my written statement, I have laid out all of the various changes that we went through in the Department and I know Derek is coming on afterwards so I can perhaps just stop there now, Chairman, and let us go to questions and we can go on to the details of any of those changes, if we need to. Thank you very much.

Chairman: Thank you very much, Mr. Moran, for your opening statement and our first questioner today, with 15 minutes, is Deputy John Paul Phelan. Deputy.

Deputy John Paul Phelan: Thank you, Chairman, and welcome, Mr. Moran. We're a bit later starting I think than scheduled but you're welcome. A couple of things from your opening statement that I want to refer to at the start, and I want to quote you directly actually. You said, "My own [personal] experience was to suffer what I still consider to be unacceptable interference by the media into my personal life." I just want to ask you, how did that manifest itself - and how do you believe that that could be safeguarded against into the future - and did it impact on your decision to leave the position?

Mr. John Moran: It didn't impact on my decision to leave but it most certainly worried me about the people that were staying. You know, I ... I think people maybe remember the ... the situation, I was trying to ... or I had been having a debate about urban planning, and what we should actually have in terms of ... of the future development of ... of a country where there was most certainly a shift towards greater cities, globally, and what would that mean for Ireland. And I suggested that if we were to continue as we did back in the ... in the 2000s, to continue building with a ... a need for three bedroom semi-D houses, that that might in actual fact not be the right choice. But it wasn't my ... my point to make that decision, I just simply thought that that was a relevant debate because what I'd seen in other cities was that the quality of accommodation, in terms of multi-family dwellings, was much different. And I learnt fairly quickly afterwards that people had knocked on the door of one of my ... the apartment I have in New York to actually take photographs of it and I read the newspapers that weekend seeing photographs of ... of property I owned across the ... the ... in different locations. Without, of course, people having noticed that in the larger cities, in which I had stuff, I lived in apartments, not in three bedroom houses. So, it should have actually proven the point. But, that was, I mean, also something that was raised by my neighbour, who found that their back garden was also photocopied and stuff like that. And we thought long and hard at the Department about whether it was appropriate to file a complaint about that but in the end it was decided that that was probably not going to win. The Attorney General's office had to be involved in terms of actually having the conversations and, ultimately, what it showed to me was that the system was not built ... because it wasn't used to having those types of attacks on ... on civil servants and wasn't built to actually protect their rights to privacy.

Deputy John Paul Phelan: Do you have any views as to how it could be ... how such interference - unacceptable interference, as you say - could be-----

Mr. John Moran: Well, ultimately, it comes down to a responsibility by ... by everybody involved, including ... including ... sort of, you know, the ... the third column. But, I mean, you know, it was one newspaper, it wasn't them all, but I ... the reason I mention it here is that I think political representatives have fora all the time at which they have the ability to defend themselves. That is not necessarily the case with ... with people that are working in the public sector and, therefore, they are more exposed in these environments and need to be protected.

Deputy John Paul Phelan: Can ... can I follow on from that? You outlined a difficulty, as you see it, with the operation of ... of Cabinet meetings in terms of the availability of senior civil servants to contribute. How would you envisage Cabinet meetings operating if the list of people which you mentioned were to be all present and contributing? And, in effect, does the current system not allow for senior civil servants to be present on ... when particular issues are ... are being discussed?

Mr. John Moran: There's probably ... I mean, to be honest, you'd probably need either my predecessor or my successor, who are much more versed in the rules of Cabinet than I, to ... to say what is allowed or is not allowed, and I actually suspect if I looked that the system does not prevent some of what I'm saying, it's just the practice doesn't provide for-----

Deputy John Paul Phelan: Okay, well that's-----

Mr. John Moran: But I would answer your question by saying ... what could work differently, by saying that in 2011, when I first learned about this, I had come from the Central Bank, where we had been discussing the very issues of how to restructure the banks. There we met with the commission of the Central Bank on the night before the board meeting, we presented to them what we thought and, although we weren't necessarily there for the decision "Yes" or "No", there was a full interface with the ... with all the members ... of the people making the decisions. In Cabinet at the moment, a paper is presented based on discussions, which may or may not take place across different Government Departments, and only the members of Government are present, essentially, to actually make the decision. And when the bank restructuring was taking place, I was asked for two evenings to present that to the Cabinet as a seminar on the night before - a bit like the commission - but I was left outside the door of the Cabinet, on hold, ironically on a day when I had an awful lot of other things I could have been doing. But I was on hold in case I was needed.

Deputy John Paul Phelan: Okay. I want to turn briefly to a couple of general questions about IBRC, which we can ask general issues. And I want to reference a quote from *The Sunday Business Post*, 26 April 2015, Mr. Mike Aynsley, former chief executive, stated, and I quote, "I don't think it's a secret that I don't get on at all well with John.", end of quote. It's 26 April 2015.

Chairman: About the terms of reference there, now, if you're, kind of, putting-----

Deputy John Paul Phelan: No it's ... no it's a reference to his period ... the previous period-----

Chairman: I'll allow it for a moment but if it's-----

Deputy John Paul Phelan: Sorry, Chairman, this was ... this ... the question was sent to the inquiry and was legally proofed.

Chairman: Okay, fair enough, okay.

Deputy John Paul Phelan: Why do you believe he didn't get on well with you?

Mr. John Moran: He might have been talking about a different John.

Deputy John Paul Phelan: No, it was ... it was you.

Mr. John Moran: I ... I am very nervous here because I do believe we have actually got territory that ... that needs to go. I think I have said, and I think everybody knows, that there was a mandate for the bank, at the time the management team were appointed, which had changed as a result of decisions made by the Government, which were based on advice I made. And, in some respects, we had a different mission for the bank than perhaps was there before and that was likely to ... to lead to ... so, you know, discussions. There ... there is an awful lot more I could say about reasons for this but I have a fear that they're, Chairman ... I'm stepping beyond ... beyond where I can go.

Chairman: There's an inquiry that's dealing with those matters now.

Deputy John Paul Phelan: I'm ... I've no intention of bringing you into the commission of ... it's ... that's why I'm keeping it as general as possible. I have a further quote from as far back as October 2011, from the former chairman of IBRC, Mr. Alan Dukes, where he referred - it's letters that have been made public ... refers to bad blood between the Department and his management team which he said, and I quote again, "simply wants to get on with the job". Was that an accurate description of the relationship and did it ever heal itself subsequent to October 2011?

Mr. John Moran: Look, I'm ... I'm looking for legal advice here. I mean, to be honest, I have no problem answering these questions, in terms of things, but somebody's got to-----

Chairman: I ... I ... in terms of the terms of reference I ... we can go through personalities and the relationships ... were dealing with a systemic crisis and the pick-up in the aftermath. If the ... I don't know if it's important that even if the 11 of us get on with one another, once we do a job. So, unless if you can locate this back into the lines of inquiry, Deputy, I'll be asking you to maybe move on your questioning.

Mr. John Moran: What I can try and say, to be helpful, is that I think people need to understand that - and I'll go more general than any specific bank, right - some things changed dramatically over the course of the last number of years with respect to the banks. Mainly along two frameworks. The first was: was the bank in question, which could include PTSB, AIB, Bank of Ireland or whatever, being restructured and reformed to continue as a going concern or was it being wound down? And, based on that decision, then, what was the appropriate level of supervision - and I use that expression very loosely because we were by no means supervisors in the Department but we were ultimately representing the shareholder in terms of our trying to secure the best deal for the shareholders ... what was the right level of involvement by the Department in AIB, Bank of Ireland or, indeed, any of the ... any bank? And the level of that was dictated as much by the State aid rules and everything else and was encapsulated in relationships frameworks, which were set out. And, I think, I don't need to tell you, Deputy, that ... that during the course of a period of time shortly after 2011, because the mission of some of the banks had changed, the relationship frameworks needed to change for those banks too.

Deputy John Paul Phelan: Okay. I now want to ... well, actually, sticking again with the ... with the legally-proofed questions for IBRC, I want to refer-----

Mr. John Moran: The questions may be legally proofed but it's hard for me to legally proof my answers.

Deputy John Paul Phelan: Well, look it, I'm not trying to ... I'm not trying to catch you out in that sense, Mr. Moran. Liquidation of IBRC was discussed in an EMC paper, dated 10 October 2012 ... the transaction proposal ultimately planned to replace the promissory note with "long-dated Government bonds" and this was seen as vital to avoid a funding cliff in the near term. Can you comment on the reaction of the EMC to this paper and what was the alternative funding option to allow the appointment of a special liquidator to IBRC if the proposal hadn't got approval from the ECB?

Mr. John Moran: Yes, well I ... the papers actually include the October EMC paper and I didn't have the time to go back and look at what stage was this first, sort of, discussed at ... at the ... at the EMC. But I think it's probably helpful to understand, in terms of deadlines along the process, right, that ... that we had been dealing with the legacy, if I call it that, of a promissory note funding that had been set up for IBRC, pretty much from the beginning. Okay? I mean, I had discussions ... people think that this idea of a liquidation suddenly popped out of nowhere in the middle of that year. This was something that we had been discussing, we had been discussing all sorts of different options from back in 2010, that might actually sort of deal with how we would resolve banks, how we would deal with everything else, so lots of these ideas were moving around. The intensification that you can see in the papers from October onwards was an intensification that was driven by a number of things. There were budgets coming down the end of that year. There were implications of some of the decisions around what that would mean to the deficit. So there were an awful lot of moving parts in the process and there was an ongoing discussion every time we met the troika about how could we deal with the ultimate problem, which was that as Ireland would approach the exit of its bailout, we needed to be able to say without any reservation that its debt was sustainable. And the presence in the system of the promissory note, which was ultimately Government debt, had carried historical and therefore high interest rates, not representative of the rates at the time, was causing difficulties in that respect, both in terms of duration of the debt, sorry, in terms of the interest rate burden of the debt and also its duration and that's where it started. October, you can look at the EMC papers in November, you can look at December, as we got closer and closer to the budget decisions were to be taken whether or not we could do something on our own or we would continue with negotiations. Obviously, our Department weren't involved, it was done by the Central Bank, and I think actually what I would like you to take from the process of the papers you have hopefully seen is just how much thought went into all the various options. The decisions whether it might have been wise, unwise to move unilaterally, how we would deal with the ECB, what we may do with the other troika partners and the consultation with all the various stakeholders, leading ultimately to the decision in December, or sorry, in the beginning of the new year, once we actually had gotten to a much better place.

Deputy John Paul Phelan: Okay. As a follow on, there is a memo from the Department of Finance to Government dated 6 February 2013, regarding the IBRC liquidation and promissory note settlement, seeking a decision to set in motion the liquidation of IBRC. The direct cost of proposed liquidation is estimated by KPMG to be of the order of €30 million to €35 million. What process was there within the Department of Finance to verify this estimate and what steps were taken to ensure that KPMG's proposal was both reasonable and competitive?

Mr. John Moran: I feel like I'm back in front of the PAC, you know, given ... but I say that somewhat seriously Deputy, right. I mean, we're talking about the liquidation of an entity which, you'll also see in the papers, there were potential scenarios in which we would have lost €8 billion if the liquidation had been done badly, right. A process was undertaken. By definition, it had to be done without public procurement, given the nature of the decision, to try and take advantage of the rates that had been negotiated by other parts of the system. I think at the time NAMA, who were not actually under the same secrecy obligations when they were negotiating their rates, to try and negotiate the best deal with IBRC, or sorry, with KPMG. This is a liquidation which, even if it costs us €150 million, right, will compare to the cost of the liquidation of Enron, which was €700 million and Lehman Brothers, which was €2 billion or €3 billion, right. And if we achieve it for €150 million or €200 million and I'm not suggesting that KPMG should charge that much if they have not finalised their terms with their colleagues but I think, in the context of the end result, where we are actually talking now about a recovery of over €1 billion when we never expected to get recovery and we may have actually lost as much as €8 billion, I think it will be a job well done and spending that much money for a job well done is I think, something we need to do. And this is what I mean by, we need, in our broader system, to keep a context around these issues. They are very large numbers but there are equally larger numbers at stake.

Deputy John Paul Phelan: Okay. Briefly, in your opening statement I want to just put one more quote to you, "Another surprise was to discover that former governments seemed, at least so the story goes, to have discouraged [or] (even banned) the idea of meetings [between] secretary generals as a group to discuss policy unless [the] Ministers were present." Who told you that these meetings were banned or how did you come across that information and what impact did that have, in your view, on how Government operated? And was there a change in your time as Secretary General of the Department?

Mr. John Moran: I, Kevin, I think said earlier, "I won't invent a memory." I might have to do the same, I don't know when, I certainly asked the question because it was sort of strange to me, as a second secretary, that it was a bit strange that what I thought of as the people that were in the system leading the various Departments weren't getting together to discuss issues. It was made known to me by numerous people that, in actual fact, in the past the practice had developed. Maybe it's not a rule, maybe it should never have been there, but the practice had developed of discouraging what people referred to as the permanent Government from meeting separately. I am not saying it should be meeting, I am just saying that there is a question mark I would put out there. I thought it was strange that we didn't have those kind of meetings more frequently and actually my kind of suggestion here is actually it would be good to just get everybody in the same room, the Ministers and the civil servants periodically, like you would see in a company and actually just thrash out where are we going and what have we got to do.

Chairman: Deputy, a supplementary if you have one?

Deputy John Paul Phelan: No, that's fine.

Chairman: Thank you very much. Next questioner is Senator Sean Barrett.

Senator Sean D. Barrett: Thank you very much, Chairman, and apologies, Mr. Moran, for that electronic interruption. In that ... what turned out to be your farewell address to the committee on public accounts, where you quoted about the openness in the last paragraph in your own presentation. You also say a couple of pages earlier, back in 2012, like statements of being Irish when abroad, saying one word to the Department of Finance was something people avoided volunteering to others. This was not a comfortable place in which to drive policy innovation and implementation. I think Professor John FitzGerald when was in to us, echoed those sentiments. He said there was a cultural change in the Department of Finance in the last decade:

> It became more concerned about the politics of things and less interested in the technical detail. I would have had less interaction [with the Department].

You have raised such ... we could have the entire inquiry into reform of public administration but could you expand on those ideas that you had in that part of your paper this afternoon?

Mr. John Moran: Yea, well I, first of all, I described it earlier and I am really serious about this, as a huge honour to have been able to do what I was asked to do for the last couple of years. But it really did strike me, both at the Central Bank when I joined the Central Bank and again at the Department, that people that were involved in sorting out the crisis, some of whom had been there through the process and were working through that, some of whom were new, were at a stage where they wouldn't even say to a taxi driver that was taking them home at midnight or even beyond that where they had been working, for fear of the recriminations that they would get. And I guess my point is that if our system has come to that and we're not defending that, we're not defending that kind of effort that these people are putting in to, to in fact make the system work. And clearly, this system has worked because we have seen one of the best recoveries in terms of a post-crisis recovery and so the system can deliver. We need a sort of, you know, now as no longer a member of that system, and I think you as public representatives need to be defending that system as well. I mean, clearly it's not perfect; no system is perfect. What I meant by the, sort of, the problem is, one cannot have creative thinking and that type of environment that you want to have for innovation, where people are afraid and so we have to look and see what it is that actually creates that culture, that atmosphere, so people can actually take a risk. The first question I was asked when I did a presentation to a series of assistant secretaries shortly after joining - it was ironic because it was by somebody at the back of the room, right, was, what was my attitude to people that made mistakes. We had developed a system of people who were afraid to make even the smallest of mistakes and that's not the type of environment or type of country I think we need and it's not the Civil Service and the public administration that we want. If people make mistakes and people always do make mistakes, we have to sort of, certainly not hide them - that would be a bad idea - but we have to find out what we can learn from that and move on.

Senator Sean D. Barrett: Has the quality of decision making deteriorated, as some commentators would say, since the troika left? Did we lose something when that process ended?

Mr. John Moran: There is a difference between decision making and policy advice, right. So I think that's an important distinction that was made earlier, I think, and I would repeat that, right. What I made reference to there is at the time that we were going through the troika process, and I didn't know the system before so I think there are some very interesting questions for you in this context because, first of all, you had a Department where all the spending decisions, all the knowledge about the various Departments and what they do and the different sectors was also with the macro and that got split. What the troika process did was it in a way brought some of that back together again. It picked out the large structural issues that needed to be addressed - take the legal services Bill, some of those issues around mortgage arrears - and it put those in a context of meetings that were happening every quarter to actually look at where we were, take stock of where we were, what were we going to do over the next quarter, and the system knew what it needed to do and delivered. The question is that when you have both split the Department of Finance into two different Departments and you have also not got that sort of quarterly process of coming together in the same formal way, and as you know what happened at the troika ... it's not so much special to the troika, but the process was that, for a period of a week and a half, there were interviews with external people, both domestic and international. There were people who came in from outside knowing our system and we all sat down and took stock of what was actually the state of play with the Irish and, indeed, the European and world economies and what did we need to do for the next period and we set it out. And therefore that is missing, I think, in the ... I don't know, Derek will know more what they're actually doing.

Senator Sean D. Barrett: Thank you on that, and just to reassure you that an awful lot of new Members of the Dáil and Seanad were also elected to come up here at the same time to do the kind of reforms that you've been talking about. So it may be less pessimistic than ... than you illustrated there. Could I ask you about the joint programme for Ireland, the recapitalisation of €10 billion, banking support, €25 billion, and financing of the State, €50 billion, the €85 billion and the €17.5 billion come from the pension reserve funds. Could you fill us in on how those discussions took place with the EU and the IMF and yourselves?

Mr. John Moran: I can't entirely because obviously ... and it may not be obvious to the committee but during the period running up to the actual bailout, I was in the Central Bank as head of wholesale banks, so I didn't actually have any involvement in the conversations in terms of the original first programme. And, indeed, for the following year, even after I moved to the Department, the focus, as head of banking, would have been on only those parts of the troika programme that would have related to banking measures. It was after I became Secretary General that I would have led at least the Civil Service negotiating team for the broader, macro side. So, the actual debate, I think maybe Kevin went into it this morning, Derek may or may not have been involved, I think he was, so he may be able to shed a greater light on that.

Senator Sean D. Barrett: Did you, in your work in the Department, it's been put to us, see a corporate culture change in Irish banks from the ones which you would have grown up with? That's been said in ... a lot of times, not at this committee, but that, when they removed local managers, the thing went haywire and they didn't know who to lend to and then had to come into the Department of Finance looking for rescue. Did ... did corporate culture in banks contribute to this?

Mr. John Moran: I don't know if it's just an Irish thing. I mean, I think there was a culture ... I mean, people have acknowledged there's a problem with the ... I mean, I've said that to the European banking agency, and others, during the time of our Presidency, right. I mean, there's a ... there is a broader cultural issue that the financial services industry needs to get to grips with, in terms of understanding how it operates and I don't think that, that I would put Irish banks necessarily in a different space than what you see across the world. I mean, we see very-----

Chairman: Let me reframe that question for Senator Barrett, because it has come up here, is that you had traditional, conservative banks that lasted for sometimes ... almost millennium - well, certainly for centuries, and that, in a very short period of time, became maybe a different type of company and consequently ended up in a crisis or in a bankrupt or insolvent position.

Mr. John Moran: Oh, okay.

Chairman: Sometimes the culture, how financial institutions manage themselves-----

Mr. John Moran: That ... that helps.

Chairman: Yes.

Mr. John Moran: I think, in terms of the analysis - and again this is a sort of a purely personal view, right, I think it is only appropriate to take the sort of ... the culture at the banks together with the culture of the shareholders and the rest, right, and I don't think you can necessarily look at just what the bank management are doing without looking at what their shareholder representatives are also doing and we know very well from ... at least anecdotally in Ireland, that I think you would have seen that there was a lot of pressure on some banks, who were perhaps not growing as quickly as others, to be as good as the other guy down the street. And so the system didn't necessarily protect against that but I think you have to ... you have to look at both sides. What we did see when we started, which I can speak to more specifically, in the years 2011 and 2012, was that we found that the ability of the banks to actually underwrite loans had changed significantly from what I would have expected it to be and that the ... that became a real problem for us as we tried to get credit back into the system because they simply weren't able to look at cash-flow lending and that ... because they had relied so much on property collateral and that was certainly a big change, I think, for me in terms of what we were seeing and one that has been worked through in the last while but certainly caused problems.

Senator Sean D. Barrett: Should the capital ratios for banks be raised, doubled, even trebled?

Mr. John Moran: You can keep raising capital ratios as much as you want but we need to remember that that raises the cost of borrowing, right. The more capital you have to put across a loan, the more expensive the loan is, and that's actually some of the ... the debate in the Basel III rules. It may make the banks more safe, it may make them much more like utilities: the shareholders get less return but ultimately, for them to make money, they need to be able to pay back ... have a return on the capital.

Senator Sean D. Barrett: We've discovered, say, lapses in bank regulation. The system wasn't really working. Was that your experience when you moved in to do the rescue?

Mr. John Moran: I think a number of people have said that, right. I mean, I ... when I moved in to the Central Bank and would have been on the wholesale banking side, which was effectively the regulation of the IFSC, which is where I had been trying to, to ... and we went through a period during ... from 2010 to 2011, we identified maybe 20, 30, 40 different things we could change in terms of the way people were operating to actually come out the other side, you know, with a stronger regulatory system. I think, equally, the whole European system has changed and that has ... has made for much better sort of best practice sharing as well across the system.

Senator Sean D. Barrett: The ... you have, on your Vol. 2, page 20, the Department of Finance qualifications, which was the issue in the Wright report, as you'll recall, and it says there that in 2015, I think this refers to, there were 39 master's and one PhD in economics and, as you know, Mr. Wright felt that that was far too small a percentage, at 7%, and he mentioned, I think, 50%, 60% in Ottawa and 40% in The Hague. There was a parliamentary question subsequently, on 17 December, where the ... that showed that, back in 2008, that number was 44 master's and one PhD, so in fact we've lost five people with those qualifications while we're trying to develop a more professional Department of Finance that you've described, and taking part in more policy papers and so on. So, is the situation actually getting worse between 2008 and currently?

Mr. John Moran: I may be comparing apples and oranges here because the 2008 numbers were probably for the joint Department, so you may actually have to take the number you had for 2008 and divide it by two. I mean, that's rough ... roughly saying ... because some people may have ... are likely to have gone to the Department of Public Expenditure and therefore if they had been doing the same thing as we'd be doing, they're there. But I will say one thing, right. I mean, it comes back to what I said earlier, on the earlier thing, we have to make it attractive to work in the Civil Service, right. It's one thing to say that we want to have all these, you know, highly qualified people, but unless it is actually attractive to work there, there are options and people will go to other places and it was, at numerous stages, a disappointment to me, having changed our own recruiting practices, where we would actually have said - to a certain extent against resistance from the system - that at levels of assistant principal or above, we were going to have open competitions, which meant that anybody could apply whether they were in the system or outside or whether they had just joined last week or whether they'd been there two years ago, could apply to become an assistant principal or above in the Department and we got very few people. I mean, I recall that during the time we tried to get a chief financial officer and chief operating officer into the Department of Finance, what amazed me was I didn't get one female applicant, in a profession which has a very significant female participations across Dublin in terms of professional firms, partners at accounting firms and the rest, and that was to take up the role as the chief financial officer of the Irish State. And ... now there's something wrong in the system, I'm not saying ... blaming anyone ... but we also didn't also have a lot of male representatives who came in from outside. And so I think, you know, you have to look at these issues and you have to look at the qualifications and all the rest, but you have to look at it in a holistic way across the system, as to why is that.

Senator Sean D. Barrett: That's why-----

Mr. John Moran: It's not just because they're ... they run the risk of having their houses put on the newspapers, but there are, sort of, more important issues as to why we're not attracting the best into these kind of environments.

Senator Sean D. Barrett: Yes. The quote that I had from professor John FitzGerald at the beginning, he said that is ... that people were less interested in technical detail and more concerned about the politics of situations; that was John's description of .. of the people in the Department of Finance. Is ... was that a contributor?

Mr. John Moran: Sorry, can you just repeat what he said there?

Senator Sean D. Barrett: Certainly. John FitzGerald's quote, "There was a cultural change in the Department of Finance in the last decade. It became more concerned about the politics of things and less interested in technical detail." And, therefore, he said he would have less interaction.

Mr. John Moran: I wouldn't ... okay, I can't tell or speak for what exact period he was talking about, right?

Senator Sean D. Barrett: Yes.

Mr. John Moran: I mean while I ... I can speak from my experience, right, and I can speak from the experience of other people who actually did join the Department of Finance, whether it was even just as summer interns and whatever. The technical expertise and the technical experience that you get in this Department of Finance, and, indeed, in the Central Bank and others, is second to none, right? In terms of the difficulty of the questions that you're dealing with - we'll probably talk about some of them later, the questions that we faced in the bank restructurings - the burden-sharing, the rest of that, was second to anything I've ever experienced in any of the jobs I've had before. So there's no doubt in my mind that that is there, and people have a hunger for that. What I think shows that we also ... but things need to change. We also encouraged our economists, who in the past had been discouraged from doing that, to publish papers and put their names on them, so that the Department of Finance economists weren't at a disadvantage to economists at the earlier part of their career in other organisations because they may not have been getting any publicity for their good work, and allowing them to actually go and present their work, both to other agencies in the State and, indeed, to the broader public. That's what you need to do. And if you do that, guess what? The people that come in show just how good they are, and they get interested in the technical stuff. But there's also, and again I'm going to perhaps stray to areas that are important for you guys to understand, but also that you need to hear, the consumption of time that takes place in a Department of 300 people with the likes of parliamentary questions and the rest, that's what takes you away from the technical, right? I think we used to get something like 5,000 or 6,000 parliamentary questions. That's a lot of time for 300 people to actually go through that process. Now we can speed it up and we are putting in place an electronic system to allow that to happen, but you can't necessarily lay the blame on the people without understanding what are the demands and the competing demands because the one thing we know is the demand and the deadline for a parliamentary question is the first priority because you have to make it.

Chairman: Thank you, Senator, I'll bring you back in ... in a moment, later on. Deputy Joe Higgins. Deputy, six minutes.

Deputy Joe Higgins: Yes, Mr. Moran, just on that very issue. I've no doubt that many people would feel that some Deputies put in unnecessary questions but, equally, a very high-profile controversy really revealed the fact that a Deputy had to submit about 20 questions before ... before getting the answer. Isn't that a waste of parliamentary time, giving insufficient answers that have to be ... come back to again and again?

Mr. John Moran: The only ... the only question I consider to be an unnecessary question, in terms of parliamentary questions, and we used to get some of those, are ones where the answers were already on our website, right? And we would actually respond to those, and people didn't want to do it initially, by actually pointing out if you go to this link you will get the information-----

Deputy Joe Higgins: Yes, but what about insufficient answers?

Mr. John Moran: -----I think anything else ... anything else ... I mean, I spent a lot of time in the Department trying to get the Department to publish a lot more information than had ever been the case before in order to actually get information out there so people could understand why we were making the recommendations we were making to Government.

Deputy Joe Higgins: Okay. Mr. Moran, while you were Secretary General, did your staff regularly engage in meetings on a European level? And, for example, with agencies like the economic and financial committee, EUROSTAT committee and monetary ... on monetary, financial and balance of payment statistics, and what was the nature of that interaction?

Mr. John Moran: Yes, I ... yes, I mean ... also I had the, you could say the advantage or the disadvantage during the period I was Secretary General, that we also had to run a Presidency for six months. So the level of engagement we had with Europe was, obviously, very significantly more than it might otherwise have been. But I think ... and, again, these details are in the annual reports that we have published, we have actually listed in those the number of meetings that were going on, the number of visits we were arranging, and the reports back. I mean, the Department staff are involved not just in, sort of, meetings like the European Investment Bank, not just the official parliamentary-type ... I'm sorry, ECOFIN-type discussions. So you have a financial services committee, you have committees that actually deal with the ... with the economic side. You have the people in the permanent rep in Brussels actually engaging in working groups. And we were also, beyond that, actually volunteering to lead efforts. It was a member of the staff in the Department that is now the chair ... or at least I think he still is ... by the time I left he was certainly the vice chair of the financial services committee of Europe, because of the level of participation, which is unusual for a small country because, remember, the UK does the same thing but they do so from a very different base.

Deputy Joe Higgins: Thank you. Would it be incorrect if somebody interprets some remarks you made today and previously that you minimised the role of the banks' property speculation and profiteering in building up this huge bubble that disastrously crashed in 2007 and 2008, legislated, of course, for by a political establishment?

Mr. John Moran: No, I didn't try to minimise it at all, I just tried to put it into a context, right? We had a ... two things happening at the same time, right, in terms of what went on in Ireland. What I was trying to explain is that if we didn't have the vulnerabilities in our fiscal situation, which didn't need to be there just because there was a property bubble, right, we could have not had our tax revenues based on stamp duty. We could have had the same level of property sector taxation on ... which, rather than being a transaction-based stamp duty, could have been a recurring property tax. One thing I would have known and my predecessor would have known is that, despite the crisis, there would still have been income related to property coming in. It would have dropped because the values would have dropped, but we would have still had something. Instead we had zero.

Deputy Joe Higgins: Yes.

Mr. John Moran: And so what I was trying to say was that I think it will probably surprise people to think that if we're paying over €7 billion of interest, that less than €1 billion of that interest is related to bank debt, right, because I think the dynamic of the discussion around our crisis, which is what I said at the beginning, has been all about the property developers, the speculators and the rest.

Deputy Joe Higgins: I think it will be pointed out though, Mr. Moran, that, you see, a huge amount of the borrowing was because of the irresponsible actions of the banks in crashing the economy and then the burden was still put on ordinary people. But, because of time, I want to move on and ask you - it ... this happened in your time and your advice to the Minister - do you think it's right that Bank of Ireland and Allied Irish Bank, after being bailed out by the people, should have these deferred tax assets - Bank of Ireland €1.2 billion, which means it will earn €9 billion in profits before it pays a penny in corporate tax, and Allied Irish Banks, €3.24 billion, which means it will earn €20 billion before paying a penny in tax? Is that just in view of what the people have suffered to bail out these banks?

Mr. John Moran: If I was in front of the PAC, I would be able to say this is a policy matter, I don't have to describe the answers, right. You're essentially dealing with a rule and by applying it specifically to the banks, you can make it sound different than others. I think every person who runs a business, whether it's a small shopkeeper or a larger business, knows that they should pay tax when they make money, and the system for a long time has said that if you have a loss in one year and the following year you get some recovery of that, we don't charge you tax until such time as you've made back up your losses, right. And that applies to every business, whether it's a small shopkeeper, a plumber, or whoever else. If he makes ... if he loses money for two or three years, the recovery years are not going to be taxed, because they fill the hole of what he had already before, okay? And that's the rule that we're talking about here. Now, apply that to banks, it doesn't seem quite as fair, because the banks lost an awful lot of money and that means that in that recovery period, we may not be able to charge them tax, under the existing rules, until such time as they're kind of back to zero and making a real profit. But I didn't make the rules - they're the rules chosen. And that's what's actually happening there. What was a decision was that there would actually be a form of levy that would actually take some level of taxation from the sector, just to make sure. Actually, frankly because it was never going to be paying an awful lot of tax for a long time. But, actually ironically, the DTA of which your talking about has perhaps saved the State, because if we get value for that, or some form of value for that from the capital calculations of the banks, right, then we may not have to put in more money into the banks than we actually owe, and yet meet the regulatory approval.

Chairman: Final supplementary, Deputy.

Deputy Joe Higgins: Finally, Mr. Moran, you indicated at the beginning the necessity of a clash of ideas and challenging ideas. Statements I've heard attributed to you and even today might indicate a belief in a capitalism that is red in tooth and claw. I'd be interested in seeing what your attitude is if you look at the sweep of the last ten to 20 years in the financial sector internationally. Nyberg said, I quote, "the paradigm of efficient financial markets provided the intellectual basis for the assumption that financial markets, left essentially to themselves would tend to be both stable and efficient." What happened?

Mr. John Moran: Well, I don't know if this inquiry is about me or about the banking sector, right? And I encourage the clash of ideas but we're just not going to have in two minutes the time to debate whether or not we should have a capitalist world or anything else. I think everybody knows that the need was there for greater regulation of this sector, okay. As people have understood that it was necessary to regulate many other different types of sectors, okay, not just banking over the course of things. And lessons have been learned, and the question to me is really, have we gotten to a point were recognising that ... and I don't make the rules, right ... that the decision is that we have a particular form of society that we're operating in at the moment, have we put enough protections in place? Do we have a regulatory system that will actually help to stop these issues, if they're going into space that they shouldn't go into? We'll have to have this conversation afterwards.

Chairman: You can indeed, up in the lobby later on. Deputy Michael McGrath.

Deputy Michael McGrath: Thank you, Chair, and you're very welcome, Mr. Moran. You put some context in your witness statement around the whole issue of burning bondholders and, and I appreciate that. But can I put one specific question to you, and that is at the end of March 2011, when Minister Noonan was preparing to go into the Dáil and announce his statement on the restructuring of the banking system ... did Jean-Claude Trichet, as President of the ECB, threaten that the funding support for the Irish banks would be withdrawn if the Government went ahead and imposed losses on bondholders in Anglo and Irish Nationwide?

Mr. John Moran: I think, if I recall correctly, Deputy, you may have been in the Dáil on the day we announced the banking restructuring.

Deputy Michael McGrath: Yes.

Mr. John Moran: And you may also recall the delay at the beginning of the announcement.

Deputy Michael McGrath: I do.

Mr. John Moran: The one thing I learned that day, was never print a Minister's speech on double-sided paper ... right, because up to the point in which the Minister left Government Buildings and went across to make the speech, we had probably two or three different versions of a speech, waiting to see which page, I can't remember if it was page 3 or 4, or 4 or 5, we were going to have to put into that document, which was fundamentally related to the conversations that were ongoing up to that last minute about whether or not we could have done, or at least indicated to the markets that the ECB would have been in agreement to the burden sharing in Anglo. Because, for the reasons I set out in ... in my written statement and a little in the oral statement, our advice at the time, having debated this backwards and forwards, was that if we were doing that unilaterally, the prize, however politically for the, you know, attractive that might have seen, the prize that would have been generated in terms of cash, relative to the disadvantages that we might have suffered, didn't make it worth while doing. And, as I said, for those who don't remember, weren't in the room, the reason I said about the speech is because we actually stapled the Minister's speech, when we did print it the wrong way, and he read it and realised he was actually reading the wrong page twice. So, if you watch the video you'll see that he had to go back to read back page 3 or 4, I can't remember. But ultimately it was a negotiation that was going on to the minute before, or indeed probably the minute after, the speech should have been made.

Deputy Michael McGrath: That doesn't answer the question, Mr. Moran.

Mr. John Moran: He wasn't, he wouldn't-----

Deputy Michael McGrath: It was a fairly straight question.

Mr. John Moran: He wouldn't have been happy with us doing burden sharing.

Deputy Michael McGrath: Did he threaten-----

Mr. John Moran: And he was making that very clear.

Deputy Michael McGrath: Did he raise the issue of withdrawing the funding support for the Irish banks if the Government went ahead and imposed losses?

Mr. John Moran: Well, I wasn't on the call, so, first of all, I can't actually say exactly what he said on the call to the Minister. But I have outlined in my statement the toolkit or, if you want, the threats or the implications we could have had in Ireland at a time when there was probably about €150 billion ... or €130 billion or €150 billion, I can't remember the exact number, of ECB funding or Central Bank funding in the Irish banks.

Deputy Michael McGrath: I appreciate that you weren't a party to the conversation, but what is your understanding of the answer to the question I was putting.

Mr. John Moran: My understanding is very clear. If the Minister, when he put down the phone, had been able to do burden-sharing with the agreement of the ECB, we would've used a different speech.

Deputy Michael McGrath: Is it your understanding-----

Mr. John Moran: And that would've allowed us to actually put down a process of actually doing burden-sharing with them which would, for all the reasons I've said, be very difficult, right, because we had already had a commitment to put €29 billion, plus all the interest on it, into Anglo. So in order to burden share with senior debt holders at that time, we would've had to still show that the hole in the bank was sufficient to have allowed us to burn through effectively the equity, or rewrite the law.

Deputy Michael McGrath: Yes and that's all context and that's all in your statement, but again, to go back to the question, is it your understanding that there was a threat or not to withdraw the funding support for the Irish banks in the ECB?

Mr. John Moran: I wasn't on the phone call and I'm not going to ascribe words to people that weren't there. I can certainly tell you, and you can draw your own conclusions from that, that we had a Minister and a Government who were very anxious to take a decision to burden share with the bonds ... or with those bonds. And the only person stopping them, essentially, as far as I could see at that stage, was the person at the other end of that phone call. And I don't think that our Minister, had he been given the go ahead to do it, would've changed his mind about the burden-sharing at that point.

Deputy Michael McGrath: And was there a record kept of that conversation? Or notes recorded?

Mr. John Moran: I actually don't know.

Deputy Michael McGrath: Okay, because, on page 5 of your statement, you refer to the context in which the decision was made not to proceed with the burden-sharing and you say that the funding implications to the banks and their retail depositors of a withdrawal of Central Bank funding support had to be considered, amongst other issues.

Mr. John Moran: Absolutely. And, I mean-----

Deputy Michael McGrath: So that's a live issue.

Mr. John Moran: -----part of what ... I guess, some of what I've tried to do in the written statement, right, is I've also tried to explain the processes that we adopted in the Department around decisions. And this was probably only two or three weeks after I had joined the Department, right, so it's probably more obvious when you look at some of the papers you see on the subsequent decisions on IBRC. Our job was to try and establish all the possible scenarios that could've arisen around decisions, in terms of giving advice to the various decision makers at the time. And it is not possible for me to have asked the Minister ... or, sorry, suggested to the Minister the scenario around borrowed burden-sharing you're talking about without actually spelling out to him that one of the things that we were very exposed on was the amount of ECB funding in our system.

Deputy Michael McGrath: Do you think that might've been spelled out to him a little earlier on?

Mr. John Moran: Well, he was only in the role-----

Deputy Michael McGrath: In a conversation that he had?

Mr. John Moran: Oh ... but, it also, I mean-----

Deputy Michael McGrath: We'll ask him that when he comes in.

Mr. John Moran: Yes. It comes up later as well. And I don't think, again, you ... perhaps, everybody understands this. It may not have been withdrawal. It just could've become very expensive, right? And a 1% or 1.5% increase in the cost of ELA or the ECB funding to the Irish system would've been €1 billion or more a year, at that time. And we were talking about a potential prize of however much you can get out of €3.7 billion. So, all of this has to be taken into the context of the decision making. If it was a question of having €56 billion of, you know ... where our senior creditors in the bank at the time, then you may have had a different, sort of, you know, set of scenarios to look at.

Deputy Michael McGrath: And is it your understanding that the phrase "a bomb will go off [not in Frankfurt, but in Dublin]", was used in the conversation? Was that ever recited to you?

Mr. John Moran: I have most certainly heard that expression used numerous times since, but I've never ... I don't have any recollection of the Minister turning around to me and saying ... and it was used.

Deputy Michael McGrath: But the Wright report, Strengthening the Capacity of the Department of the Finance, was issued in 2010, which contained many recommendations which were described as urgent, as you know. Prior to your appointment, what was the level of implementation on these recommendations? Do you have any comment on that?

Mr. John Moran: I think that ... when I approached the Wright report, and, I mean, we've actually talked about this at various PACs in terms of what was ... the first problem with the Wright report, when you actually - if I take the first day I joined as to what I had to do - was that it actually applied to a different Department, right. So it applied to a combined Department of Finance. So there's a lot of issues that come up in the context of the Wright report actually were somewhat moot by the time they came to us.

The second thing I would say is that my background, when I looked at the Wright report, was that ... and my response to the Wright report at the time was, while it had a lot of very good recommendations about the Department, it perhaps didn't get into an issue that was really important from my perspective, which was the framework and the culture around, sort of, risk and analysis of risk and the rest of that process. And so we took that as a good starting point in terms of where we wanted to go, but it was by no means our practice of, sort of, saying this is what we've got to do in the Wright report, and this is all we're going to do. Our restructuring of the Department, which, of course, was begun then relatively quickly after I started, was all around the concept of creating a ... what I refer to as a corporate centre, right? It was putting the control functions, both for the Department itself and for the broader economy, into a space where they weren't crowded out by the policy-making decisions. So people who have ... and you've been exposed, I'm sure to an awful lot around this table, of thoughts about how banks should work and things like that, but this concept that the front office, if you call it that, the policy making is in a different space to the people who are the watchdogs, the second line of defence, and that's not addressed, to my mind, in the Wright report. And, therefore, what I had to do was to blend that together with where we're going. I think the stuff that we talked about, the MAC and stuff like that, I agree with a lot of what he said, but I think that, fundamentally, we were trying to move it very ... into a different space and, again, they are the core issues to my mind, some of which Mr. Wright actually refers to, but the MAC, as I'm sure now everybody knows around this table, I certainly didn't when I joined, stands for an advisory committee. So, by definition, presence at the MAC table suggests that you only give advice to the Secretary General who runs the Department, and you probably only really give that on your own area of specific interest. And that ingrains this concept, not just in the Department of Finance, but I gather across all Departments, of, sort of, independent silos in a Department. As opposed to moving towards what I think the Civil Service reform plan certainly had when I left ... this ... more of a concept of a management board where everybody participates. And so there wouldn't have been a conversation about, sort of, some of the budgetary matters, some of the rest, without actually having a full discussion with everybody of the senior team.

Chairman: Okay, thank you very much. Senator Marc MacSharry.

Senator Marc MacSharry: Thanks very much, and welcome, Mr. Moran, thanks for being here. You were Secretary General of the Department for two years. What significant changes were you able to introduce in that period that changed the system?

Mr. John Moran: We stopped wearing ties, but I was told I was supposed to wear one when I came here today. It was in ... in the rules.

Senator Marc MacSharry: Well, there's a few of the TDs following suit.

Mr. John Moran: I wasn't sure, so I decided to err on the side of caution. And I joke about that, but I'm actually very serious. What I ... well, first of all, the Department and I kept this under the radar screen from the Department of Public Expenditure until I put it in out Vote but we actually hired 100 people into a team of 300. So despite the fact that nothing has changed, almost a third of the people in the Department, even by the time I left, hadn't actually been in the Department when I joined. So that changes things very significantly, by definition, because it allows new thinking to come in, it allows people to get promoted, it allows people to actually, sort of, you know, adopt different challenges, and finally get a bit of space to actually think.

Senator Marc MacSharry: And they were all at different levels or-----

Mr. John Moran: All different levels, both at the management team all the way down, down through the system. I think the other thing that probably was a significant change, and I should probably grab my speech and just ... because I tried to summarise them all in one line at the end, and if you need to take notes, you can just refer to that at some stage ... I think the other thing which we didn't finish, but I think again it's an important issue for me, was, sort of, you know, the whole, sort of, concept of technology and using technology, right? There was no budget for technology before I joined the Department. And, you know, we found ourselves even during the couple of weeks after the bailout certainly at a significant disadvantage to any of our international colleagues with the technology we were using and how we could access information. And that is something that, frankly, I would say is not going to happen easy. If you read that speech very carefully, that I gave to the PAC, you'll notice that I actually asked the PAC to support my successor in the very significant investment that he was going to have to make in information technology because it's a big spend, to actually get the right type of information you can mine, the right types of data, the right types of documents and be able to pull stuff up, you know, and that. You, kind of, put the information, the cultural change, the breaking down of the silos; and the other thing that I think was interesting for me - and I announced this quite early on, actually, when I did the ... the strategy - was training.

There was officially a training budget there but people didn't actually think that they could use it. They weren't using whatever was there for IT and they weren't using what was there for training. And we have moved the Department, in terms of HR, I think, very significantly. Derek will probably talk more about it later, if you need to, but, you know, our PMDS - it's a matter referred to in the Wright report - I think the Department was bottom of the table at the beginning of my term, mainly because everyone was dealing with the crisis and they didn't think this was too ... that was an important issue. We made it a leadership requirement and we went from 32% compliance on PMDS forms - now, I'm not saying the quality of the forms, it was just even completing them - to 100%. You know, we managed, sort of, people, sort of, you know, that were under-performers in the Department and it became, sort of, an issue so we started doing peer review of all of our colleagues, as part of that process. And we were leading - I think, with a very few other Departments - that process through ... throughout the time we were there.

Senator Marc MacSharry: What sort of way should ... you mentioned difficulty with officials not speaking to each other and the Ministers or having off-site, kind of, brainstorming sessions on policy and so on. What, sort of, way would you see ... and what sort of platform should be provided for the senior officials to express themselves, without undermining the democratic platform of the Minister on policy?

Mr. John Moran: I would put everybody in the same room, right.

Senator Marc MacSharry: Okay.

Mr. John Moran: I mean, I think ... I think you can do it. I mean, I'm not suggesting you take away the decision-making forum, that's the Cabinet, right, I'm just saying the thought process - understanding the different sides, understanding the different options - I think is fine. I think we've made a lot of progress, at the level of the State, on risk assessment. It's now a risk assessment ... we've a risk ... I mean, during my time, with myself and John Corrigan, a risk officer was appointed at the NTMA, there was one appointed at the Department, I think there were others. We made ours a member of the management team, rather than just a junior official, right, and we have a risk committee. That can all feed up. I think it would be a useful exercise, once a quarter, to actually just look at all the risks with the Government and the senior officials.

Senator Marc MacSharry: You describe a system which is almost like a set of pigeonholes, each pigeonhole representing a Department, with very little interplay between each. I mean, on your departure, do you feel that, this system interacts flawlessly now or are there still walls that separate pigeonholes out?

Mr. John Moran: As long as you have separate buildings, you'll have separate walls and different things. I mean, actually, there's just lots of people as well, right. And I'm not just talking about the Department of Finance, I'm talking about the broader system. I've raised some issues. I think they can be dealt with differently and it could be helpful. I think, I'm just, sort of, saying you come into an environment out of large organisations, right - in Zurich we had 68,000 people, so it was comparable to the size of some of the public sector - and you see it operating differently in terms of how the ... there were still silos, there were still different areas but there was an effort to bring people together to have a common, sort of, purpose and I think that's really ... but I go back to technology, I mean, it could be a huge way of breaking down those issues. I mean, we'd got to a point, by the time I'd left the Department - which was in a relatively short period of time - where people were starting to use, you know, laptops or, sort of, tablets they were using, sort of, you know, video conferencing backwards and forwards to each other, so if they were in a WiFi zone in Brussels, they could WiFi back to even their assistants or to their team back here and have a conversation. And that was happening over a relatively short period of time. If you could move the system on two or three more years in terms of that, we would ... you would potentially transform all this, with chats, with all of the new technology ... just have ideas flowing around.

Chairman: Thank you, Senator. If I could maybe just come in with a question or two myself there at the moment, Mr. Moran. And, upon taking up your position and coming in to the role that you had, did you see your role primarily as dealing with cleaning up a banking crisis, or a banking legacy issue, or a fiscal crisis, or, in terms of which were the bigger challenges, was it the outlying banking debt or, as you indicated to ... in your discussions with Deputy Higgins, there was a structural deficit there that had to actually be fixed? In terms of the macroeconomic management of the country and stabilising the economy and dealing with the priority issues, was it a fiscal crisis or a banking crisis was the bigger difficulty?

Mr. John Moran: Well, in my particular situation, it was the banking crisis, right, and by definition, my role ... the Central Bank had required me to look at the broader banking system and to decide with the Commission and the Governor and, indeed, ultimately the troika and everyone else, what recommendations we could make to the new Government about the banking stuff. So, when I joined the Department, I joined as head of banking and, therefore, the biggest priority I had for the first couple of weeks was the PCAR process, then I had to discover my friends, sort of, start looking at the other banks in the system and move through the processes and I would never have, you know, seen and certainly not foreseen at that stage that I would have had to be responsible for the economic side of things, so only a year later.

Chairman: Okay. And in terms of the structural shortfall that was there, what was that sum that you were correcting on a year by year basis as head of finance? There was a structural deficit.

Mr. John Moran: Well, I mean ... it was 7 ... I'd be misleading if I gave you the numbers ... about 7% or 9%, I think, was the underlying structural deficit.

Chairman: And in billions, how much was that?

Mr. John Moran: You multiply that by €170 billion and you know ... you're into, sort of, you know ... I don't want to try and do this in my head because I'll get it wrong and then I'll have ... but, I mean, you're talking somewhere, sort of, €10 billion or something like that a year. I mean that's how this was building up so quickly-----

Chairman: Okay.

Mr. John Moran: -----right, because you ... you ... the point I was trying to make is that even if you get a windfall from a bank or something like that, it only happens in one year. If you don't take out the recurring deficit, you have that every year, so a deficit measure of €3 billion, if you don't make that adjustment, in three years you've added another €10 billion to the debt and it keeps going ... it's not stopping-----

Chairman: And that brings me to my next question. In terms of fixing difficulties with the structural deficit, which you've just indicated was not dealt with on a compound basis, as you just outlined, was there potential for that to actually to become a bigger financial sum than the legacy debt from the banking crash?

Mr. John Moran: It already has. I mean the legacy debt from the banks, looking forward a little bit in terms of what we're ... I gather ... I mean, I'm not on the numbers any more but from what I hear in the newspapers and that, it is expected, at least, that we should broadly speaking wash our face on the pillar banks between one ... some pluses and minuses across them. The ongoing banks will probably recover as much capital put into it, which essentially means the legacy debt is the promissory note and the bonds that replace that, so that's €30 billion. The legacy debt, if you want to call that, that is being accumulated with the deficits run, despite the measures taken even before 2011, to try and reduce that relatively quickly, is going to be over €100 billion, you know, and so that's three times the other number. So that's why I say this and I'm not saying that they were the wrong decisions; that was to protect the vulnerable, that was increases in unemployment and the rest but we need to keep things in context.

Chairman: So, in that regard, can I maybe just bring you to a question: was there correspondence circulated that you may be familiar and or may have a sight of ... correspondence in around September-October 2010 because there was this exposure ... that the country needed money to pay the bills every week ... forget about how bad the mortgage had actually become inside the banks. Civil servants need to be paid, teachers need to be paid. There was income and outcome that had to be dealt with. So, was correspondence in around September-October 2010 from the ECB leading ... or alluding to key funding by the ECB to Irish financial institutions that this could potentially be jeopardised, if Ireland didn't enter a bailout programme? So ultimately, the money that we needed to meet that structural deficit would not be available to Ireland, if we did not proceed into a bailout. Do you have any insight into that?

Mr. John Moran: First of all, I haven't seen any of the papers, right, but I may be able to help answer the question by ... in the following way, right, which is that the funding that was being given up to that point in the system was actually funding being given to the banks to make sure that the banks had liquidity so that the ATMs didn't stop, right, and, to be fair, so that an awful lot of the other creditors that were already in the system could also be repaid, right? The funding of which we are talking about is the money that we would have needed to raise on the markets to ... or taking it from the pension fund in order to pay the pensions and the wages the following month. This is the Greek dilemma, if you want, right. The banks are potentially being supported by the ECB, but who is going to actually pay the wages of the civil servants, the unemployment benefits and the rest? And at the time that we were going into the bailout and I don't want to be quoted on the number but I have the magnitude, I think, right. Our cost of funds had gone up to about 14% and there is no way in which the State could have continue funding itself at that level-----

Chairman: Funds are-----

Mr. John Moran: -----for a period of time. Because, we are now at something like 3% or 4%, right, and the debt is sustainable. At 14% it was most certainly not. And the markets could see that. And that's why it was 14% because if we had not had an alternative supply of funds, which could come in at admittedly at too high a rate because the structure of the bailout was wrong in the first, at the beginning, right. But it was certainly a lot cheaper, at that cost of bailout money, than any alternative. And the other, the only other alternative we would have had at that stage would have been an immediate stop of the deficit, which would have meant savage cuts on, on public services.

Chairman: Okay. The question I am asking you, we know that the banks needed the funding and we knew that we had a shortfall, which is then ... and you use the analogy of being similar to the Greek dilemma. The question I am putting to you is that we ... funding was needed for both and was the requirement for one funding potentially jeopardised or would ... was the ECB alluding that if you didn't enter a bailout programme that you would not get the funding that was required at the day-to-day operational level?

Mr. John Moran: I think the whole thing was connected. But Kevin, or somebody who was directly involved with it, would be better able to ... to fire in. It would almost be hearsay if I were to sort of-----

Chairman: Well, I don't want hearsay.

Mr. John Moran: I don't want that.

Chairman: Deputy Pearse Doherty.

Deputy Pearse Doherty: Yes, we could have a long debate here and you're most welcome. Fáilte, John. I'll start with just other questions. I may have time to come back on some other comments. But can you ... can you comment on the issues that for the troika to tackle ... how did the negotiations progress to agree the memorandum of understanding and outline the key differences between the troika and the Department of Finance on the discussions?

Mr. John Moran: As long as I can talk about the later ones, rather than the first ones.

Deputy Pearse Doherty: Yes, yes that's fine, you weren't there for those ones.

Mr. John Moran: I mean, we had the debates all the time, right. I mean, I mentioned one in my statement, right. I mean, there was certainly a big debate which I would have been more involved in at the beginning, which was the speed ... what was a reasonable speed for the deleveraging for the system to take place? And the trade-off was most certainly the following, which is that the quicker we had to dispose of assets, the more likely it was that we would have gotten a bad deal for them, particularly because we didn't have a quantum of assets in the earlier days in markets that were working well like the United States to be able to get there. And the UK example I gave, which I can't remember was it €30 billion or €40 billion of ... of UK mortgage assets that were put into the non-core book of some of the banks. It was in our mind then, we had Barclays Capital with us at the time, luckily enough, giving us advice. It was impossible because there wasn't liquidity in the market to actually get enough buyers of those assets, even in the UK at that time. So that was ... the debate starts there, right. We went through a series of debates across the ... the course of the next months, I remember participating in, some were around what we should be doing about the minimum wage and one thing was to reduce them and one thing was not to do that. We had the obvious discussions about the interest rate where the programme as set up at the outset contained this principle of sort of moral hazard, which is, don't give the country an interest rate that looks attractive or they might stay on the bailout and so we'll charge a penal rate, I think it was 6%, and so the negotiations had to take place to try and point out that actually we'd have by far preferred not to be on the bailout and have the troika every month or every quarter in the process and ... but it was actually not helping Ireland to be charging a penal rate. As soon as we could get out of it, we would have moved.

Deputy Pearse Doherty: And what about the absence of any growth-related measures in the programme?

Mr. John Moran: But there are growth-related measures. One of the first things that I think we negotiated that ... I mean it didn't happen, sort of, with me specifically involved but I was in the Department was all about the jobs initiative. It was changing the ... the VAT rates so there would be no down, which was clearly a measure. Fundamentally, what happened in the troika programme, and again you see this in the debate going on at the moment about Greece, is the creditors cared, as did we, about the ability to repay the debt. So the debt had to be sustainable, okay. The initial interest rate structure of the programme, such as it was decided, didn't help on that front. And it was relatively quickly understood that would no more help here than it did in Greece and in Portugal and that actually the way for solidarity to take place was to allow funds to pass through to the ... to the programme countries at roughly the cost that the European partners could actually borrow them. The second thing that was agreed was that if the individual countries could identify measures that they wanted to substitute, then that would be a conversation we could have, especially if we could show that it was actually a structural change that would contribute to growth.

Deputy Pearse Doherty: John, you were still ... Mr. Moran, you were still saying, in April 2012 from the evidence we have, that as part of the sixth annual review, that the programme was at serious risk owing to the absence of growth related measures to counter fiscal consolidation. That was in April 2012.

Mr. John Moran: And ... and ... and it is the case, to the extent that the success of the programme, right ... needed , and I can't remember the specific, and I know it's in the papers, but I mean they ... they do blend a little bit, right? Some of the type of questions that we were negotiating was if we were going to sell assets, sell State assets, which was actually part of the original programme, what could we do with the proceeds? Okay? And we wanted the ability to use ... and that would have been frankly the ... the ... this, I mean the way these things work by this stage, we have the troika come in to our large conference room, we have a good debate, we have a conversation with the Ministers, we keep going through the rest of the week, we come back at the end with the Ministers and hopefully we have managed to take issues off the table, and if we haven't, they are the ultimate negotiators on the last ones. A lot of the discussions are setting up for the requests that we have agreed, with the EFC and with the Cabinet earlier, going to be the important issues. So it may very well have been that that particular review was one of the ones where we were trying to get the ability to use the money from the sale of State assets to actually spend it back into the economy.

Deputy Pearse Doherty: Okay. In relation to the liquidation of IBRC, there was a direction order issued by the Minister on request of the Department of Finance that was to wrest the control, take the control away, from the board of IBRC into one individual. It's state ... said in page 46 that one of the concerns would be for the uncontrolled withdrawal of credit and deposits given the rumour and controversy that ... about the imminent liquidation. Did the Department ever investigate whether there was uncontrolled withdrawal of credit or deposits? Because you were obviously caught off guard here in relation to this and came in with this order to prevent it happening but up until then, up until about 4.30 when the order was ... took effect, did ... did you ever investigate that, if that happened or not?

Mr. John Moran: People see conspiracies in places where they never exist, right, and, I mean, we weren't caught off guard, with all due respect Deputy. The process of liquidating the bank was that at the point at which we may have announced we were liquidating the bank, the board would still have been in place, and the board would have not been able, at that point with - depending on what signs or what decisions had been made with respect to the promissory note and the rest - they may not have been able to continue trading under the obligations they had. And they may have had to try and seek, as the board of a company that existed, a winding-up order of their own. Not the one that ... that I've explained to you on the night if I recall ... you know in terms of the legislation that we actually passed to liquidate the bank. So this was a safety mechanism, not caught off guard, this was drafted I can assure you with legal ... lawyers had prepared that long before-----

Deputy Pearse Doherty: Can I just ... can I direct you to this ... direct you to page 46 and it says, and this is the direction order, it says:

> The publication of the Bloomberg story has generated, or has the potential to generate significant rumour, controversy and doubt in the market and the public mind as to the financial stability and solvency of IBRC.
>
> There is a significant risk that such rumour, controversy and doubt to the financial stability and solvency or IBRC may in turn lead to an uncontrolled withdrawal of credit and deposits from IBRC.

Now ... and it's ... can I just finish here, the story broke on Bloomberg and this is why the direction order was issued to do that. And there's other documentation to suggest that this was not planned ... to the Department of Finance schedule in terms of liquidating IBRC. And as somebody who was there on the night, and you briefed us at about 11.30 and we had the legislation in the Dáil on the famous prom night ... the public are under the view that this wasn't a planned event at that time by IBRC, that ye were caught off guard as a result of a leak that made its way into the media.

Mr. John Moran: I ... I kind of suspected we might go there, right, so if you'll forgive me, and I don't know if you have these papers, and if you don't then we can-----

Chairman: We don't really have time for this because I was going to ask you this question anyway.

Mr. John Moran: We can, sort of, talk about planning, right, in terms of IBRC. Because I think it's important to understand, sort of, the way things were. And I ... I understood, from the conversations yesterday, there are some documents in the Department that couldn't have been released. I talked about the ... the choices we may have taken in terms of unilateral actions. And the ... in those documents you'll see very considerable long lists of the risks and the pros and the cons of various actions. And it has always been in the documentation that, at a point where the public might believe that the bank is about to be put into liquidation, that there is a significant risk to the assets that ultimately belong to the State. And this is no different, I mean ... bank are probably harder, because you can move your money a little faster, but if you put a furniture shop into liquidation, there's a serious risk that people are going to go and want to go in and take back the furniture they've paid deposits for, right? And the assets of the ... may not be in ... in accordance with liquidation. So, that was the backdrop. Whether it was a Bloomberg story, whether it was a press leak, whether it was just somebody speculating as a creditor, the same risk existed, and that is reflected in all of our documents.

For those that don't think we were actually prepared, right, this is the decision tray for what we call the "red restructure", right, which had a whole load of different choices that we would be making, depending on what would happen along the way. Right? This is actually the pack that I was given on that day, which ... it actually didn't include the meeting with you originally, because I wasn't going to be doing the briefing, with all the telephone numbers of the people who we were supposed to be ringing, as this day went through, with all the people we wanted to tell, because we didn't want this to be a surprise. We wanted all the stakeholders to know we had it all planned. And these are the pages that actually outline all of the things that were gonna happen.

Now, with the best planning in the world, we weren't going to be able to figure out whether it was going to be Reuters or Bloomberg or *The Irish Times*, or whoever, that might have got wind of it. But one of the other concerns was that if the Minister had gotten a phone call from the board, asking him whether or not he was planning to put the company into liquidation on that day, he couldn't have lied. Right? And if he had told them that he wasn't necessarily ... or, sorry, if he had told them that he was maybe doing that, and withdrawing the support that the State had given to them, which was the only basis on which they could trade, they would of have had no option but to do a liquidation. And that we needed to protect against.

Now, we weren't suggesting that they were going to do anything other than what they would have to do under the laws of the Companies Acts in Ireland. But the protection, which was set up, wasn't just being caught out. The protection was that we had a system that we could put somebody in to, in effect, take over the obligations of the directors, who could be directed by the Minister not to do what they couldn't otherwise be directed-----

Deputy Pearse Doherty: But, John, it ... it sounds that, you were, Mr. Moran, sorry, it sounds that-----

Mr. John Moran: You can call me John, that's okay, I spent a while committing everyone else in-----

Deputy Pearse Doherty: Yes, it sounds that ye were waiting for a leak so that the public could be aware that you would trigger this. I'm not-----

Mr. John Moran: No, no, we-----

Deputy Pearse Doherty: I'm not ... I didn't ... I didn't question you in saying were you ... were you ... didn't ... you didn't have the necessary planning in place. What I was saying is that ye were caught off guard. That this wasn't to your timeframe, I would imagine, given the documents that we have in front of us-----

Mr. John Moran: If ... if I could-----

Deputy Pearse Doherty: And the question-----

Mr. John Moran: Yes.

Deputy Pearse Doherty: -----the specific question was, given that the team that was working an Operation Dawn ... and that that information had seeped out, as far as the newsagency Bloomberg, and the concerns that are raised here in terms of withdrawals and credit, was there an investigation carried out by the Department of Finance to ascertain was there credit or deposits withdrawn from IBRC in the days running up to the liquidation of ... to the point where ye actually liquidated it?

Mr. John Moran: I ... I do ... I couldn't talk very specifically, right, but I think Ann's coming in later, you could ... you could also ask her, she'll have time to prepare, to check. We were trying to monitor it as best we could, right? But remember we didn't have ... we weren't running the bank, right, so at best, I mean, without actually raising a hare in the bank itself, we were asking them for their daily, sort of, liquidity deposit numbers. It may have been, and I don't know because maybe they were getting that as a matter of course from all the banks so as not to ... to have that information, but without necessarily raising an issue. On the question of timing, without any question, we would have preferred, in effect, to have done this a day later. Because a day later was when the European Central Bank board was meeting to actually address the issue of the conversion. And, had that happened, and we would have actually been able to do things differently. We were prepared, if we needed to, to actually split the two into two measures, right, which was the liquidation of the bank ... what that meant in terms of the transfer of the security into the Central Bank and then finalise the arrangements in terms of the replacement of the bonds or, sorry, the promissory note, for the bonds that was occurring. But you're right, if we could have planned this and if we could have controlled all the elements, we would have preferred to have been able to have had the discussion you and I had about the legislation the following evening, once the ECB had taken their decision or whatever it was to unanimously note what was going to happen.

Deputy Pearse Doherty: I don't want to be right, it is not even another question, I just want an answer to my question that I asked.

Chairman: The reason I am facilitating this is that this is new information to this inquiry. A lot of stuff is around the guarantee, some stuff is around the bailout programme, but the ... dealing with the promissory note in IBRC is an important gap in this inquiry's work. So I will let you finish now and I do know Mr. Noonan's is coming back. Deputy Doherty.

Deputy Pearse Doherty: The question really isn't about the timing and all the rest, I think we were splitting hairs about whether off guard or unaware or unprepared. The question is that the project that ye were involved in had leaked. It had leaked to the media.

Mr. John Moran: As these things do.

Deputy Pearse Doherty: As these things do and in your direction order it raises concerns about uncontrolled withdrawal of credit and deposits. The question I have is, given that the imminent liquidation of IBRC began to seep out to certain parts of the public, did the Department of Finance ever investigate whether there was credit or deposits, approvals or withdrawals from IBRC that were probably questionable in the couple of weeks, not questionable as in dodgy but you know, in a couple of days before the liquidation of IBRC? This is something that was put down in a parliamentary question, after the liquidation of IBRC ... was not answered given ... so I am hoping that the banking inquiry can get to this point.

Chairman: We have to move on and get to Mr. Moran.

Mr. John Moran: I don't know the answer to your question, I certainly don't remember the answer anyway even if I did know it at the time. If I have a way of finding out, I will try and figure out the answer. This I think was written, a standard text, to a certain extent, because I think if you had been a depositor with IBRC or if I had been, and you had thought that there was a liquidation you would have actually, even if the board was still in power, you would probably have withdrawn your money and we did not want a run on any bank. This is more precautionary than anything else. Your question which is, did it actually happen is a factual one, I would have thought somebody can check that up and I can't answer the question.

Deputy Pearse Doherty: It was not did it happen, did you investigate it? Was there investigation?

Mr. John Moran: There was a team of people working on this and nobody raised a concern to me about it, either because they didn't do it or because actually nothing unusual was happening. I don't know which it is.

Chairman: Thank you very much, Mr. Moran. We need to move on, Deputy Eoghan Murphy ... apologies, Deputy Kieran O'Donnell.

Deputy Kieran O'Donnell: Mr. Moran, can I just follow up ... you made a reference earlier in terms of IBRC that when you came in that there was a change, you decided to propose to the Government that there would be change in the mandate of IBRC, which had previously to continue as a going concern. What was the change in mandate and when did you put that proposal and how did that manifest itself?

Mr. John Moran: With the passage of time, I couldn't give you the exact dates but I do recall over the course of the period from the signing of the bailout to, I guess, the end of March, which is when the peak hour was in 2011. What we did ... which at the time I was at the Central Bank ... was we tried to take all of the banking system and in a sense make sense out of it, not necessarily just because of historical legal entities, but looking at what the system needed in terms of size, what it needed in terms of type of lending, and where were the potential for that to occur. There had been up to that point I think, certainly an understanding that the mission that had been given for Anglo's management team - property more so than the IBS, I don't know anything about that - was that they should try and do what, effectively, Jeremy and the team had done at PTSB very successfully, which is to clean up the bank and move it onwards. Because of the nature of the business plan and the business activity, where it wasn't significantly a retail bank and everything else and all the rest, our analysis was, as taken to the commission of the

Central Bank, taken to the troika and ultimately to the Government, that the Irish banking sector would not necessarily benefit from having the exercise of trying to make that bank into a working bank into the future. We may have been right, we may have been wrong, I don't know, but that was ultimately, the analysis was-----

Deputy Kieran O'Donnell: You took a proposal to the Minister which went to-----

Mr. John Moran: Yes. I mean, it was ... the PCAR process, or, sorry, the BlackRock, or whatever you want to call it-----

Deputy Kieran O'Donnell: But I suppose, in the limited time, what I really want to know is how did that ... did you ... was your proposal that Anglo would be wound down earlier?

Mr. John Moran: I'm saying this, but I'm actually trying to think as you ask the question whether the decision had been taken before that Government ... the new Government came in or afterwards but, essentially, part of the plan that was being developed in the early months of 2011, and, I think, adopted by the new Government, was that those two entities would be wound down not with ... we would not have a phoenix come out of the ashes of the entity and we would combine the two of them into essentially what became IBRC in the same way as we were merging EBS-----

Deputy Kieran O'Donnell: What timeframe had you in mind that IBRC would be wound down?

Mr. John Moran: At the time, the bank's management team were looking at ... now looking at a new business plan to see how to do it and, of course, things were flexible, right? I mean, the ... we were in a very ... there were certainly very dynamic sands in the markets. The US had become a very, sort of, a much significant ... a much more significantly acceptable market in which to sell assets, by even 2011, because of the QE that was going on.

Deputy Kieran O'Donnell: Well, then just two quick things.

Mr. John Moran: Yes.

Deputy Kieran O'Donnell: Did you ... like, the other banks you were looking to wind the assets down over a longer period of time and the troika wouldn't push you on that, whereas IBRC was quicker, and could you, in terms of the reorganisation of the pro note, did IBRC have to be liquidated for that to happen?

Mr. John Moran: There's a couple of different questions in that. The timing of the deleveraging of the other banks was essentially part of the bailout programme. It was agreed, if I recall correctly, over three years and that was designed to repay the excess, sort of, ECB funding that was in the system and that was actually, I think, part of the original discussions we had.

Deputy Kieran O'Donnell: Yes.

Mr. John Moran: The IBRC side could have taken eight or nine years. I mean, ultimately, it depended on where the ultimate ... even at the liquidation of IBRC, our assumption, working assumption, was that some of the assets may have had to transfer to NAMA to be wound down over time-----

Deputy Kieran O'Donnell: And ... and-----

Mr. John Moran: And the technical point is that-----

Deputy Kieran O'Donnell: On the promissory note.

Mr. John Moran: -----is that we ... there may be a way of doing what we did without liquidating IBRC, but certainly months and months of our research, we couldn't find a way to find that sweet spot in between what would have been a breach of the treaties, in terms of monetary financing, and the need to restructure the debt so it became low interest debt over a long period of time, other than by liquidating the company.

Deputy Kieran O'Donnell: Okay. Can you comment on the quarterly review meeting held with the troika and work programmes up to the end of 2013? Can you comment on the key difference in the rationale, including certain Government Departments overspending certain years, and, in that, can you say were there missed opportunities during the troika programme in terms of reforms for Ireland and Europe in your view, or not?

Mr. John Moran: Sorry, I missed a little bit there. Comment on the?

Deputy Kieran O'Donnell: Comment on the------

Mr. John Moran: It was a reference to the Department.

Deputy Kieran O'Donnell: Comment on the key differences in rationale, including certain Government Departments overspending certain years. It's basically during the troika bailout programme.

Mr. John Moran: Yes, but when you say-----

Chairman: The root question is: can you comment upon the quarterly review meetings held with the troika and the progress and reforms in work and programmes up to the end of 2013?

Deputy Kieran O'Donnell: 2013. That's it really, yes.

Chairman: And then comment upon the differences in rationale, including certain Government Departments' overspend in certain years. And what Deputy O'Donnell has asked then, has there been opportunities in reforms that were not picked up during that period?

Mr. John Moran: Okay.

Deputy Kieran O'Donnell: Missed opportunities.

Mr. John Moran: Yes. I guess the first place to start is that when we were running the troika programme, in a sense we were agreeing with our lenders what were, in their mind, the most important things they wanted to have done in the system and they were always ... and I think it's actually referred to in Ajai's or Craig's testimony, which I know you've circulated to me, there were always robust discussions at every one of these quarterly meetings about what actually we would be signing up to do. And that was fundamentally because we had started on the process that if we were going to say we were going to do something, it was because we thought it was a good idea and we thought we could deliver it in the timeframe required, because that was the credibility that was built up over the programme. Now, the other thing that was happening, in complete parallel you might say, was that we also had other things we were doing but we weren't going to let them become troika programme commitments. I can certainly recall ... having said numerous times ... because when we would mention these to the troika, they would suddenly think they were also good ideas and they would want to impose them as requirements in the programme. And we would refer to that as being penalising the good performers because, one, we were coming up with new things to do and, two, because we had done our lists from before, they certainly thought that they wanted to add anything. So we had numerous issues that we would be working on at the same time to improve stuff, for example, the creation of the strategic investment fund. That was never a requirement of the troika programme, but it was huge in the macro scheme of things in terms of the power and the firepower we were putting in to potentially investing into the economy, to create the growth that actually was mentioned earlier. But it wasn't a programme ... a troika programme. There are always opportunities that were probably missed. I mean, you know, we spent a lot of time doing the medium-term economic strategy trying to identify what actually more we could be doing in terms of the ... the system. But, I think, broadly speaking, we got to a reasonably good space and now there's an opportunity to do the rest.

Chairman: Thank you very much. Deputy Eoghan Murphy.

Deputy Eoghan Murphy: Thank you, Chairman. Thank you, Mr. Moran, you're very welcome. Excuse me. Just to continue on from that line of questioning from Deputy O'Donnell, you said earlier that the structure of the bailout was wrong at the beginning. So, just to be clear, what are you talking about there when you talk about the structure of the bailout? Are you talking about the rates and the pace of the adjustment? Do you mean wrong for Ireland or ... just to clarify that?

Mr. John Moran: No, no. What I meant by that specifically and, I mean, there was an adjustment to the amount of time to do the adjustment anyway of one year, but what I meant specifically was that the ... the ... and if you'll forgive me, because I don't know the exact ... the numbers, but let's just, to make it easier to understand ... give ... put two numbers on it. Let's assume that the interest rate that was being charged to us on the bailout was 6%, okay, and it was set at a level that was effectively two or three percent above the cost of funds of the European partners ... and the reason was is that they had a fear that if we actually got cheap money, because Ireland was never going to be AAA in the short term, that we might decide that this was something we should stay on and we keep on it even though the country recovered. The ... the IMF rules are slightly different, they actually apply a surcharge at a certain point, so the interest rate steps up so that you don't stay on it. Our sense was that if you ran our numbers, on a 6% number, which was really creating a 3% benefit - and again I ... I'm ... I don't want to be quoted on the 3% but-----

Deputy Eoghan Murphy: In the general-----

Mr. John Moran: ----the benefit ... the benefit ... the margin that the European lenders were getting was now a profit to those governments and it was designed to stop us from wanting to stay on the programme. We had no reason to want to stay on the programme. But more importantly, by giving us the benefit of their cost of funds, at the rate at which Europe could borrow them, it meant that our ability to succeed increased significantly because for each year that we were on the programme debt, we now could find ourselves in a ... in an environment where our debt sustainability was better. And that was why ... and the length of it and everything else ... that was why the interest rate reductions and the maturity extensions were all part of that negotiation.

Deputy Eoghan Murphy: But sticking to that point, then, on the interest rate reductions, I mean, what lead the way for that change in thinking with our troika partners, that actually it would be more beneficial to have a lower rate, nearer to the cost of borrowing, to help us out of the programme quicker? Was it in an initiative from the Secretary General of the Department or where did it come from?

Mr. John Moran: The way in which ... I mean, I, kind of, refer it to in my written statement and, I think, actually Kevin, because I saw some of his testimony this morning, would've referred to it as well ... our approach - and to his credit, he would have had lead that Department at that time - was one of building up a level of trust with the troika partners -sharing the problems, understanding where we're going and figuring out what, frankly, we might do differently. The bailout was discussed in an element of secrecy, less people involved, less thinking about it. As I said in my own statement, people were learning, right? You even get ... a couple of months down the road, you start rerunning the numbers, you start looking at it. We knew how much the PCAR was going to be, we knew how much we were putting into the banks, that meant we had a credit of €10 billion we hadn't used that we might ... thought we might have used. You rerun the numbers, you say, "Jesus, this is ... we can get here but were not going to get here easily and why don't we actually ask for this recovery?" Part of the process is actually building up credibility. If we had gone in on day one looking for that, I don't think we would have gotten it. Once we had done the PCAR, once we had actually ... not burden shared with the Anglo ... banks, right, then you start to build up a relationship with your lenders. And you build up an openness, while at the same time, politically, and indeed with .. the staff, Jim O'Brien and the others, they were reaching out to European capitals across Europe, trying to build friends because what happens is you have 18 people making a decision.

And if you have all 18 on your side, you get a change. If you have all 17 against you, you don't. And so, you know, this comes true. The reality was is that the crunch point that year, if I can recall it correctly, was around the Greek situation. But part of it was that the seeds had been sown from here. We'd spoken to Portugal. They knew it as well. They were having the same conversation. So this revelation, if you want, or the mist, the fog slips over this issue, and suddenly people say:

> That's helpful. Now, what can we do to help out Greece? We can do that but we can't do that without actually giving it to the people who were talking about this for the last couple of months anyway.

And everybody benefits at the same time.

Deputy Eoghan Murphy: Okay.

Mr. John Moran: And that's the European process, but our tactical approach, which was, by contrast to some others perhaps that are ongoing at the moment, was to build a relationship of trust and mutual understanding with the troika partners. So they were on our side for this conversation, because these were, ultimately people, who wanted it to succeed.

Chairman: One minute, Deputy.

Deputy Eoghan Murphy: Thanks, Chair. Moving on later then through the programme and on to the, say, the promissory note situation, which was discussed earlier, how important was the change at the top of the ECB to helping improve that situation for us and maybe improve our ambition in relation to getting something done and getting something done sooner rather than later?

Mr. John Moran: It's hard to pinpoint one particular issue, right? I mean, I didn't have a very long kind of history ... well, no, sorry, in a sense, I wasn't in the Department for most of the previous situation, right, you'll appreciate. I think it is a combination of a lot of other issues. Right, you have to recall that by the time we got to ... no, but, just, by the time we got there, we had a whole series of troika people, including the ECB officials, who were coming here once every quarter, with whom we were interacting all the time, who had become supporters of what we were trying to do. So there were more people in the system, both in the ECB and elsewhere, anxious to try and find a solution to that problem. I mean, there were declarations about finding resolution of the Irish banking debt. I mean, this was all iterative. Ultimately, there was a ... a ... a ... a new President of the ECB, who was willing to entertain things that perhaps others wouldn't have entertained in the past, who has shown since then, frankly, on a European scale, that he's willing to entertain things that, perhaps, people would have said were impossible four or five years earlier.

Deputy Eoghan Murphy: Do you recall going on a meeting to Frankfurt-----

Chairman: You're out of time, so we'll just take a supplementary.

Deputy Eoghan Murphy: Yes, Chairman. Yes, ... going to Frankfurt, I think, was in July 2012 perhaps, with the Minister. And I think it was the first meeting or first delegation to meet the new President, and it's been reported that following that meeting then, there was this new reflection on ... I think the quote might have been, "This is someone we can do a deal with." And then that's when things went into process in terms of doing something with the promissory notes. Would that be a fair reflection of the outcome of that meeting?

Mr. John Moran: I think that was a good meeting. You know, I mean, we had a very open discussion. There were some kind of ... as these things happen ... right, I mean, we're not remembering the specifics of it. I mean, you get a particular position on both sides. You make your points and then you gauge, as in any negotiation, whether you think you've actually gotten some people to understand where you're coming from.

Deputy Eoghan Murphy: Okay, thank you.

Chairman: Senator O'Keeffe.

Senator Susan O'Keeffe: Thank you, Chair. Mr. Moran, in your statement, you say:

> the sad reality was that the acute lack of fiscal capacity at Government level removed flexibility in easing the impact of the problems. The fiscal rectitude we are experiencing since was a necessary result of the terrible and perilous structure of Ireland's fiscal profit and loss.

Now, I know you have discussed this to some extent. But what would you say ... do you believe we've passed that point or are we still in a case of an acute lack of fiscal capacity?

Mr. John Moran: Well, it depends. I mean, the ... a question I got asked when I was at my last PAC, I think ... the thing ... because we were coming up to the banks' stress test, was whether I thought we would need more capital for the banks and was that going to cause this major problem. And ... it was in advance, right, so I had no idea what the answer was, but my answer, if I recall correctly, was that we might have needed more capital in one or other of the banks, but if we did, it wouldn't be of a magnitude that would cause a problem to the State, right?. So I answered it that way. I mean, the information that's there now with respect to sort of our banking sector would suggest, and, indeed, previous sale ... or recent sales of PTSB would say it's been validated now by others, other than just the regulator, that we don't at least have to worry about a hit to our fiscal coming from the bank situation, right?. We have, as I pointed out in this statement here, the reality of the situation even still in 2015, is that we are spending more money than we are paying into the system, you know, so the taxpayers of Ireland and ... and the rest, and our other revenues are still lower than the amount of money we're spending, even no matter how bad we may think elements of the public sector are and how much investment is needed, we are still putting debt onto future generations for us to live in 2015 and 2016 right? So, we have to be very careful in that scenario that we don't do anything that causes difficulties, we are-----

Senator Susan O'Keeffe: What kind of things might we avoid in that case?

Mr. John Moran: One has to look at, to be honest it's, it's useful because there are lots of European controls now anyway, right, in terms of the amount you can increase expenditure and everything else. But, but there is a path that has been set out, which is to get to a position where we're no longer borrowing money to keep the lights on and I think that's one that we should continue to, to keep doing. And look at, the example I give in, in my statement is that when you are building 50,000 or 60,000 houses and you only need 25,000, lots of things are happening in the economy that is not sustainable, it won't continue all the time. And you actually find yourself with an awful lot of payroll taxes coming in, in those years. And you could sort of consider those almost to be windfall gain, you may still need to build those houses on that time but it's not going to happen all the time, sort of a blip in the system. If people are selling an awful lot of houses at the time your capital gains number goes up. If you could take that money and put it aside, so that when you actually start building 25,000 houses again and those 25,000 houses and all the people are now on the unemployment list, you draw down on that money to pay the wages. That's what I mean by building these rainy day funds up, right, we aren't in a luxury at the moment of having those rainy day funds but we do need to protect against, and I said this, I think, at something before I left. We do need to protect against the fact that interest rates could go back up. You know, that will put a significant pressure on the expenditure side of this, this, this calculation for which we have no control, necessarily.

Senator Susan O'Keeffe: When you, you had joined the Central Bank and you'd been there I think about three months when the troika, if you like, came, came to town and people talked at the time of the shame and the embarrassment of the troika coming to town. When you were at, when you arrived at the Central Bank, was it clear at that point that that was the inevitable outcome, was there work in progress for the troika to arrive or did it come as a shock to you in the way that it came as a shock to some members of the public?

Mr. John Moran: I think a lot of people talked of the seventh floor of the Central Bank, in this room-----

Senator Susan O'Keeffe: Yes, they have.

Mr. John Moran: ----- and, and to his credit, Patrick and Matthew did tend to operate the, the seventh floor, as I gather, used to operate before, so we would actually go up and down a lot more. I would say that I'd probably, no more than anyone else in Ireland, knew anything about the bailout, and I certainly didn't know anything about these, the, the official level of discussions-----

Senator Susan O'Keeffe: So it wasn't obvious-----

Mr. John Moran: -----that were going on. The closest I was at the time, at the time involved, was when we were doing the legislation ... but as you should be doing, because it was one of the items I mentioned these 20 or so, or 30 items that we thought we should put in place and look at to improve Irish banking regulation. And we were looking at changing depositor protection, we were looking at resolution legislation at the time and just what that would look like. And it was only when we, in fact my staff were actually asked to go and present that, that that's when I first met the troika officials.

Senator Susan O'Keeffe: So you didn't, you, like everybody else, didn't know exactly what was coming?

Mr. John Moran: I was regulating wholesale banks and chasing them down for what they needed to do.

Senator Susan O'Keeffe: Okay. Were you part of the, the decision that ... the head of Bank of Ireland would, would receive that payment of €843,000 and the Governor of the Bank of Ireland would be paid €500,000? Were you part, did you have any act in part of that in your job as Secretary General?

Mr. John Moran: Well, we would have produced papers, I mean, I think we talked about this earlier, in terms of who gets what, right. I mean, we would have been presenting the facts and the situation to the, to the Minister with respect to any complication and, and ultimately, the decision would have been made by him.

Senator Susan O'Keeffe: Okay. So .. but you would have presented it as an appropriate thing to do?

Chairman: That's a bit leading now.

Senator Susan O'Keeffe: Well, I'm asking, is that what you did? Did you recommend it, I'm sorry, did you recommend it in your papers? Or did you recommend against it?

Mr. John Moran: First of all, I think it's important to note, and in particular in respect of Bank of Ireland, right, is we were a minority shareholder. So, a number of the other shareholders had appointed members of the board ... they actually had appointed members of the board and they were, in effect, under their governance structure recommending these. So our role was whether or not the Minister would agree to it or not. And it was, I mean I'm not that sure of the details, but as far as I know, these were, at least one of these was a pre -existing commitment, it was a pre-existing salary, so the question was whether it would be reduced or not. At least if it was post-2011, if we're talking about something before 2011, I wasn't even there.

Senator Susan O'Keeffe: No, no, I'm talking about in your time.

Mr. John Moran: Yes, well then, we'll say ... the current CEO was already CEO, so he would've been on a salary. The question would be whether we would've voted for his salary each time it would've come up to the board. I think that's what you're talking about.

Senator Susan O'Keeffe: Okay. Yes. I have one more question.

Chairman: Okay, question now, Senator-----

Senator Susan O'Keeffe: I have ... because that took quite a while. In terms of ... at the time when you called for banks to offer some kind of assistance towards mortgage arrears, you talked about, you know, the problems that people were facing in November 2012 ... you were Secretary General of the Department by then. Did you feel you got the response you wanted, were you happy, or why did you intervene and say what you said if you weren't sure you were going to get a response?

Mr. John Moran: Well, I ... for some reason I had October in my head, but maybe I made another speech then-----

Senator Susan O'Keeffe: I have November listed.

Mr. John Moran: Yes, I mean, my first recollection of being public on the need for dealing with the Irish debt problem was at the bankers' federation, because I had all the bankers in the room.

Senator Susan O'Keeffe: Sure.

Mr. John Moran: What I didn't realise was that Fiona was going to make her speech right after me as well, on the same day, in broadly, the same space, which was useful because it meant that both the regulator and indeed, the shareholder, were saying that without debt relief, you were not going to get the economy to work. And she had come at it, perhaps, from a slightly different perspective. Our perspective was exactly what I think actually people wanted us to do - which was we were looking at the balance of interest and we were saying that the classic problem we now had in Ireland was an excessive debt problem. And as long as you had that - whether you had it in households which wouldn't be spending, whether you had it in companies which couldn't grow - the banks needed to actually solve the excess debt problem of their customers. Not just because we wanted to give away the taxpayers' money, but because, by doing so, the economy could start working again. And, guess what, with the economy working, it was actually in the interest of the banks, because their profits would start growing as well.

Senator Susan O'Keeffe: Did you feel your intervention made any difference?

Mr. John Moran: I hope so. But I know I made a lot of private interventions as well with them, at the same time, to make it very clear that the shareholder's perspective was that ... was not what maybe some shareholders may have said, "Just don't give any money away," ... was that we thought, from the broader perspective, it was actually in the interest of both the economy and the individual banks to just get on with it. And I think what has happened - and you'll see it in the context of people ... some of the people we hired into the system ... one of the people we hired in to manage PTSB, had a particular expertise in debt management and therefore was able to actually lead in many respects, in terms of the better technology processes. What we didn't appreciate, perhaps, at the time - and it only became obvious - was the lack of preparation that had been done at the levels of the banks and the inadequacy of their systems to actually be able to deal with customers.

Chairman: Thank you. Senator D'Arcy. Ten minutes ... or six minutes, Senator.

Senator Michael D'Arcy: Thank you, Chairman. Mr. Moran, you're welcome. In your statement on page 2, you say:

> Had we not had to fund large fiscal deficits for 2010 and [...] thereafter, the State's negotiating power with the [...] markets or indeed with the European and IMF backstop funders would have been [...] different. It might have helped to avoid being shut out of markets and to have avoided a troika bailout entirely.

Was it the deficit and the deficit over those coming years or was it the banking crisis that led us to being shut out of the markets? Or both?

Mr. John Moran: I think it was both. I mean, the ... ultimately what the markets were saying when we were shut out ... I mean, we weren't, I suppose in some ways, shut out, we were just going to be borrowing money at 14%, right, but it's self-fulfilling, because if you borrow at 14%, you now need to pay more interest expense. They were saying, "You cannot repay your debt and we can't have confidence if we give it to you that you will repay it." What could've happened, is if we weren't running a deficit at that time, the ECB had a primary responsibility to keep the banks running. As long as the banks were solvent, the ECB had to continue giving their funding so the ATMs would've kept working. What was important, and the reason it was difficult, was finding money to pay for the ... what you refer to as the deficit, what I refer to as just keeping the country running.

Senator Michael D'Arcy: Mr. Cardiff told us we were borrowing money previously at 15%.

Mr. John Moran: Well, I ... 14%, 15% ... I'm not sure. I don't think ... we may not even have borrowed at all. This may have been just what the rate was on a Bloomberg screen at the time.

Senator Michael D'Arcy: It was 8% at the time of the bailout, not 14%.

Mr. John Moran: Okay. Well, I mean, it went up to 14% then at some stage.

Senator Michael D'Arcy: And the-----

Mr. John Moran: And again it depends. He may have given you a ten-year rate, I may have given you a two-year rate, as-----

Senator Michael D'Arcy: Sure. And the interest rate that was agreed with the troika was 6% ... almost 6%.

Mr. John Moran: Yes. And what we thought it should have been afterwards was 3%.

Senator Michael D'Arcy: Can I move on, Mr. Moran, please? I want to ask your view and your opinion about NAMA, and, you know, there's some discussion now about write-downs in the banks. The NAMA write-down was €42.5 billion. How much of the €42.5 billion write-down will the taxpayers see back?

Mr. John Moran: Honestly, Deputy, I have no idea. I mean, I haven't been in the Department for a year and a half, so I certainly haven't got any of the figures. I mean, I've no more figures ... you probably have more figures than I have with respect to that. I mean, my understanding, and this is only just from-----

Senator Michael D'Arcy: Sure.

Mr. John Moran: -----public comments is that at least it looks like there will be something back, which wasn't obvious before.

Senator Michael D'Arcy: Something of the discount or-----?

Mr. John Moran: No, I think that there may ... NAMA may end up getting to the end of the thing-----

Senator Michael D'Arcy: A profit? Okay.

Mr. John Moran: -----with making a profit.

Senator Michael D'Arcy: And can I ask your view about the NAMA profit? We're being told it might make €1 billion profit. But that's after the almost 60% write-down. Can I ask your view on that?

Mr. John Moran: Yes, the assets were probably bought at the very ... at a reasonable price. I mean, I think if you end up in the context of the markets we've had recently making a profit, while a very large number, right, in the absolute, but as a percentage of that it shows that the process that was actually gone through, right, to apply the discounts was done with a very ... you know, was actually quite accurate in the background. Had they bought them at 60% and we were looking at them making a deficit of €20 billion we'd be having a very different conversation, because the money would have gone to shareholders of the banks.

Senator Michael D'Arcy: In your own opening statement, you touched upon the vulture funds, Mr. Moran, and can I ask your ... how appropriate it is that the assets are now going to the market at the write ... at the written down rate, and that some of the funds have them for 12 months, 18 months, and double their money in that short period?

Mr. John Moran: Yes, it's actually an interesting question, right? It's a bit like the debt relief one we just had, right? In 2011 and 2012, and I can't really speak to what was happening in '09 and '10, right, nobody wanted to invest in Ireland, right? I mean, they wouldn't buy even the Government's debt. They most certainly weren't going to put money into the building of the infrastructure of the country, right? And our dilemma was that in order to stop freefall of the asset value, of which we were actually a very significant owner, right, we had to find a way in which we would have investors and buyers willing to come into the market to buy up Irish assets. And our banking system didn't have the capital to be able to fund that, right? We're talking about the net cost of the capital, but we most certainly would be having a different conversation if you were asking me what we would have done if we had put another €30 billion of equity into the Irish banking system in order to generate capital to be able to buy these assets, or fund people buying the assets. So our dilemma, as indeed always happens when you have a market crash like that, is you have no idea where the floor is, but what you do know is you won't find it until people are able to buy the assets and willing to buy the assets. And so the first success in the Irish recovery was proving through the course of 2011 that, unlike some other jurisdictions where they had put assets for sale but actually not sold them, that we were, in fact, going to sell the assets, because that encouraged investors to come in. Now, the irony of that ... it's actually not so much an irony; it's just actually a particular good result, is if you look at the scenario that have been said for the liquidation of IBRC, even in October 2012, I think it is, when the calculations were done, there were scenarios in which the liquidator thought he may have a deficit of €8 billion in the IBRC liquidation. Now, we had that obligation already because everything had been guaranteed through the system. So by having the assets improve across the whole country in terms of value we actually also gained because NAMA's asset value went up, and the IBRC value went up. And the other thing I would say which was in question - and I'm going to tread carefully here because I don't want to step into the commission of inquiry issue, but it's an important, sort of, system-wide thing - we had to sell assets across the world that, actually, if we had held them on for four or five years we would have made a bigger profit, right?

But our choice in terms of the advice to a Government was:

Do you want your capital invested in assets in the United States or in Poland or elsewhere? You might make money, which might help pay some of the, you know, the funding of the State, or do you actually want to invest the available capital you have, in Ireland, by building schools and hospitals in Ireland, or do you want to be a real estate player in the United States?

And that's the choice, right, so the choice when you're faced with a recovery mission that we had to do, was we ended up owning an awful lot of assets, an awful lot of banks, that we didn't actually, as a Government, really want to own. And our choice was, how do we release the capital-----

Senator Michael D'Arcy: Mr. Moran, in terms of the Irish assets, I mean, your argument is fine about assets in London and New York and Chicago, but I'm talking about the Irish assets that have gone to the market, from NAMA, with the write-down and they're being sold 12 months later, 18 months later, at twice the money. Is that good business for the Irish taxpayer, of which ...? We keep hearing, " NAMA's going to make a profit". Of course it's going to make a profit after a 60% write-down. Is that good business?

Mr. John Moran: Well, first of all, the decision is different ... there's a different forum makes these decisions, right-----

Senator Michael D'Arcy: I'm asking your opinion-----

Mr. John Moran: What would my opinion and my advice be? As I said, I don't think that, in constraining situations, that it is a good idea for a Government to be using its valuable capital, right, to be involved in activities it doesn't need to be involved in. We all know that over time, if we hold on during a recovery period, you may get more by selling later. That's actually why people have bought, because they expect to make a profit. Now, if you can sell in 2015 or in 2014 at the real price of that time, we won't have any investors in our system; I mean, we're sort of getting into a debate that I suspect I'll have with Deputy Higgins, I mean, this evening, you know, as to what is the role of government and what, in fact, should it be doing. I mean, your ... I think the suggestion you're making is that if the Irish Government could, it should own as much real estate in Ireland as it can, through this recovery period, it should own all the banks, because the banks will be worth more if the economy recovers-----

Senator Michael D'Arcy: Sorry, I'm not saying that-----

Mr. John Moran: But that's the implication.

Senator Michael D'Arcy: No, no, it's not, that's your interpretation.

Mr. John Moran: Okay.

Senator Michael D'Arcy: What I'm trying to find out-----

Chairman: Deputy, you're out of time so ... I'm not opening another line of questioning.

Senator Michael D'Arcy: Sorry, Mr. Moran made a statement ... said I made a statement. I'm asking his view about vulture funds coming in here, flipping assets for twice the money, in a short span.

Chairman: And you wish a comment upon that.

Senator Michael D'Arcy: A comment, please.

Mr. John Moran: There are lots of people in Ireland who in the last two or three years have probably bought a house and sold it at a profit, right? I wouldn't consider them vulture investors. There are lots of Irish people who have bought assets, there are REITS that we set up in order to get capital into the Irish system, the shareholders of which are maybe Irish people as well as foreigners. Our question, and your question is, do you want to have a system that encourages private investment into the system or do you want it all done by the Government? Because in a rising economy, asset prices go up. The more assets a Government can hold, the more profit it will make. NAMA is just one example of the assets, right, if we hold the shares in AIB in a rising economy, it will go up. If we hold it for 50 years, it will probably be worth more than it is today. But at some stage I'd prefer, if I was being asked by the Minister and the Government, I would say, "If we could release that capital, although we will release the future profit, let's spend that on building schools and universities because that's the business of government." But I may have different views on what the level of government is, and the involvement and the size of government is, than you may have, and I'll just simply express my advice. And, and you will find, and it's not, I don't think, as I said earlier, helpful to be talking about vulture funds, we are talking about investors without which we wouldn't have office space, without which we wouldn't have housing, and we're talking about a housing crisis in this country. We need to have people wanting to come in and invest. They're not doing it in Greece, which is why their economy is reducing in size and people are suffering. So, anyway, it's a personal view, but-----

Chairman: Thank you very much. I'm going to bring matters to a wrap-up there, Mr. Moran, and I just want to get one feel for your understanding of the troika dynamic and the different relationships that each partner brought in your engagement with them, through the Department of Finance. And maybe if I could look at that at two levels. You touched upon it at one level with Senator D'Arcy in the opening line of questioning with him with regard as to what would be the contested interest rate that Ireland would be paying. Maybe if you could comment upon what the three different partners' view was, by your familiarity, as to what the optimum or preferred interest rate would be in terms of the higher rate and the lower rate? And if you could give some indication as well as to the implementation of the programme in regards to its timeframe and other conditions that might have been met as to where there would have been differences between the troika partners?

Mr. John Moran: Okay. I don't to be very fair ... I don't remember who had what position on the interest rate issue, right. So, I think I'll try and answer the thing in a little bit more general way, okay. The troika programme was effectively staffed by counterparts to ourselves from the various institutions, right, and I think I could say that in terms of the relationships we had with them without exception, I think they were all as anxious to find a programme that worked as we were and certainly, they were there ... my office, of course, was across the road from The Merrion, so I could kind of keep an eye on ... when they were working late as well as ... as when we were working late, they would see us.

But what I meant earlier by the reality of the world is that when the IMF rolled into town, they bought straight away a photocopying machine they were ready to go the following Monday. The Commission have told me since, they didn't realise that you should have done that and they didn't realise how they were going to photocopy because this was the first time they were doing this. And we had to sort of ... actually in the Irish programme find a way to get this to work and the Portuguese used to kind of copy us in various things.

Our principle of negotiation was that ... the room wasn't much different to this ... they used to sit on one side, we would sit on the other ... is that there were times when you had to be particularly firm with all three. There were times when you had to be particularly firm with one or the other. The rows I recall that probably, you know, had some of the bigger differences of views may actually have been around things like the banking side. For example, there was a big debate for quite a long time about the need for Ireland to have a stress test of its banks in advance of that of the European, sort of, system. And you would find, as you do in any way of life, that when you have three people negotiating against you, there is a skill that you have to deploy across your own team at different levels of trying to make sure who's on your side the most and whose not because obviously, their interest was also to come back on the Monday morning and I can't remember ... I think I saw it in some papers described that they were trying to decide their process over the weekend and come to us on Monday. We were trying actually to make sure that if we had one of the teams or two in our camp a little bit more than the other, we would take advantage of that and there would be bilateral conversations and trilateral conversations. And it changed depending on the issue. I mean there were some ... the Commission tended to be a little bit more focused on some of the structural issues because that's what goes into the excessive deficit procedures. The IMF were certainly very focused on things like the sustainability of debt and I think the ECB folks probably looked at the banking sector a little bit more than the others. Does that help?

Chairman: Okay. Thank you very much and I'm just going to wrap up with the leads there now, please, and the first lead up is Deputy Phelan then followed by Senator Barrett. You have three minutes each to deal with any supplementaries or outstanding matters you want to deal with. Deputy Phelan, you're first.

Deputy John Paul Phelan: Thank you, Chair. Briefly, Mr. Moran, as somebody who is often portrayed as an outsider to the Civil Service, after your arrival to the Central Bank and subsequently into the Department of Finance, did you ... well, firstly, did you believe that you had an advantage or disadvantage because of your private sector background in entering those positions and, particularly, becoming Secretary General of the Department of Finance? And secondly, did you encounter any ... I don't know how to put this diplomatically ... internal opposition or difficulties as Secretary General of the Department from maybe people who had served for longer in the Civil Service?

Mr. John Moran: The first one is quite easy, actually, because I had the great advantage of not knowing how anything worked. So, I was likely to do things differently. Not because I didn't want to do it any differently but I didn't realise that it should be done in a particular way. The .. I had the advantage as well of having colleagues in the Civil Service who knew how things should work and were, I think ... hopefully I will look back and see that I didn't make a mistake anywhere along the way because they were protecting me and making sure that we weren't doing anything that ... that was wrong. And ... and I think that, sort of, in a way that ... that the answer is in there, right? We moved, while I was in the Department, to a situation where we brought the NTMA team into the Department specifically so we had the ... the corporate finance guys from the NTMA physically in an open-plan area in the Department. We integrated the ... the people that were going to stay with the Department as civil servants into that room. They worked together. And so, I think, you found that there was a bit of fear at the beginning as to what does this all mean and is this a change ... but that by integrating the two teams, I think, we actually got a lot of buy-in.

I think that the other thing that I would say in terms of going into the system first - and, again, I have been saying this for some time, right - it was grossly under-resourced. That's the first dramatic, sort of, impact that you probably had when you ... when you walked into the... into the system. And at the Central Bank at the time, it was already changing. But at the Department of Finance, it had most certainly not at that time. And that's on all fronts. I mean, that's just the ... the support for doing your job, the ... the fact that there wasn't a ... what I call a corporate centre. So that a lot of time was being spent ... a lot of the, actually we talked about it earlier, the technical expertise was being spent doing relatively administrative type tasks and then repeating them because actually nobody knew that they had been done somewhere else. And so ... so the structure needed to change in the ... in that respect.

You know, I think inevitably when you come in to a situation and you find that there are, sort of, different ways of looking at it you can see it differently. What I can say is I don't ever recall a situation where anybody said, you know, "We don't, sort of, welcome you into the system." But I would comment on one or two things which are, sort of, perhaps not even surprising and they weren't done in any ... any sort of bad faith, but people used to refer to the fact that they were ... had recently joined the Department, they were there less than three years, right? I don't think in many other organisations - if you have actually lasted three years, you've probably done quite well, right - you would still consider yourself not part of the system, right. But that was as much the people coming in perhaps, as the people being there. What ... what we did find was that there was a growing integration of the system. But what worries me is, what I said earlier, which is if you go in, you find that you are doing all this fantastic work but is there enough support to be able to do it, for people to actually stay? And I don't think we should, sort of, assume that transiency in terms of staff means that they are not welcome. It may just mean that they realise that there are better places, potentially, in terms of support to work.

Chairman: Thank you very much. Deputy Barrett. Senator Sean Barrett.

Senator Sean D. Barrett: Thanks very much, Chairman, and thanks again, Mr. Moran. We've looked at this in this committee, Mr. Moran, at, you know, changes in corporate culture among bankers, auditors, builders, bank regulators, better relationships with the EU and the ECB and so on. And while supporting what you tried to do in the Department of Finance, I could name three projects today where not an ounce of cost-benefit analysis has reached me. So the old world still lives in the way public sector decision making takes place. I'd be delighted if the Department of Finance was, you know, analysing projects-----

Chairman: Senator, don't be speaking now, you need to be asking questions.

Senator Sean D. Barrett: So, have we changed enough in those corporate cultures? Thanks, Chair.

Mr. John Moran: Well, first of all, I've no idea what three projects we are talking about and I think I'm ... referred to earlier of the separation of ... of a previously existing Department, right? Most of the cost-benefit analysis, I think, that should be in the system should be done by colleagues in power and they should be equally requiring the Department of Finance to do it. So, you know, with the kind of culture I am talking about, with all ... with respect, is to me the more important one is it's the kind of things of, you know ... I used to just sort of walk up to people's desk. The other senior managers would do that, they wouldn't ask them to be summoned. There was, I hope, a greater equality. I mean, it's actually funny around the table here. You know, I spent quite a lot of time convincing people to call me John and not Secretary General, right? But that was important to me, that we weren't using titles just for the sake of titles because somebody who calls you Secretary General all the time or even Mr. Moran probably treats you differently than somebody who calls you John. And they may not actually say things to you just quite as easily, you know. And that's the kind of culture change I'm taking about ... that's the kind of culture change I was talking about earlier you know. It was mentioned, and I mean it's only testimony - I look like I actually watched all of Kevin's testimony this morning, but I ... I was kind of just picking up documents and stuff like that over in the thing - you know he made reference to the fact that civil servants expect to be kept waiting four hours for a meeting. That shouldn't be happening.

Senator Sean D. Barrett: Was it necessary ... you don't like the split in the Department you say, was it necessary though to do that, to have two Ministers for Finance at a Cabinet?

Mr. John Moran: I think it worked very well, I mean let me be clear. I think that during the period of the crisis that worked very well, but where it is necessary, and I'm not saying you have to put it back together, I'm saying it would be useful to analyse that scenario to make sure that there is an infrastructure, or a forum or whatever it is, that allows what used to happen before within one Department, one Minister, one Secretary General who actually had a much greater understanding of the whole thing, to be able to do it. And the example I gave in my written statement was the housing sector, because that's what you've been looking at. We have housing sector problems at the moment, we've had them for two years, they're what I was talking about when we were talking about repossessions stats. But it's split up all over the place, some of the banking stuff is in the Department of Finance, some ... how do you bring all that together in the current structure, that's just what I was saying in terms of finding a way to do that. And maybe the separation, which is contrary to the Wright report, is actually not a good idea - but I'm not saying it can't continue, you can find an alternative way of making sure that you understand that's there, and bringing it together.

Senator Sean D. Barrett: Thank you very much. Thanks, Chairman.

Chairman: Thank you very much. I'm going to bring matters to a conclusion and in doing so I'll be thanking Mr. Moran for his contribution today, but I want to invite you to make any final comments or remarks that you'd like to make before we conclude, Mr. Moran.

Mr. John Moran: No, I think given what I just said about keeping somebody four hours I am conscious that my successor is probably standing outside the door for the last maybe quarter of an hour longer, I probably should leave it there. I think I've said enough.

Chairman: Okay, thank you very much. With that said I'd like to thank Mr. Moran for his participation today and for his engagement with the inquiry. In doing so the witness is now excused. I don't want to suspend the meeting for a moment, I want to go into private session just to deal with some time management issues to see where we're going to go for the remainder of the evening. So, if I can just facilitate the excusing of Mr. Moran from the room and if we can just come back very, very briefly into private session, we'll see where we are for time management for the remainder of the day. Thank you.

Sitting suspended at 6.12 p.m. and resumed in private session at 6.15 p.m. Sitting suspended at 6.20 p.m. and resumed in public session at 6.39 p.m.

Department of Finance - Mr. Derek Moran

Chairman: So I'm calling the meeting into public session. Is that agreed? Agreed. The Committee of Inquiry into the Banking Crisis is now resuming again in public session and, as