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AN COMHCHOISTE FIOSRÚCHÁIN I DTAOBH NA GÉARCHÉIME BAINCÉIREACHTA

JOINT COMMITTEE OF INQUIRY INTO THE BANKING CRISIS

Déardaoin, 23 Iúil 2015

Thursday, 23 July 2015

The Committee met at 9.00 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.

or this part of the Central Bank Act? Is that fair enough? Okay, thank you.

Deputy Joan Burton: I had a general conversation, in which I raised issues in relation to matters which were developing in the Irish banking structure. I didn't have, if you like, a question-and-answer dialogue with the Central Bank Act in my hand because, bear in mind, Deputy, as we were constantly reminded - and still are - that the Central Bank is independent. So it was a conversation and a discussion in which, on behalf of my own political party, I put forward my concerns. But the Central Bank Governor did not respond as though that Governor was accountable to me because the legal position was that Governor was independent, and I could certainly raise issues with the Governor, which I did.

Chairman: Okay. Are you concluding, Senator?

Senator Michael D'Arcy: Yes.

Chairman: Thank you very much. Okay. With that said, I'm going to bring matters to a conclusion now. It's 4.30 p.m. I'm proposing to resume in one hour because members will need a more substantial break at this time. In doing so, I would like to excuse both Deputy Rabbitte and Tánaiste, Joan Burton. In doing so and excusing you, I would like to thank you for your participation with the inquiry today and for your engagement with it and to now formally excuse the witnesses.

I propose that if we could say maybe 5.25 p.m. to get back for a 5.30 p.m start. In that regard, the meeting is now suspended. Is that agreed? Agreed.

Sitting suspended at 4.31 p.m. and resumed at 5.52 p.m.

Castlethorn Construction and Chartered Land Group - Mr. Joe O'Reilly

Chairman: Before commencing public session, I would like to ask those in the public Gallery and other members to make sure that their mobile devices are switched off. So the Committee of the Inquiry into the Banking Crisis is now resuming in public session. At our next session we will hear from Joe O'Reilly, a founder of Castlethorn Construction and Chartered Land Group. This is one of several sessions in which the inquiry is focusing upon the relationships between property developers, companies and their principal financial institutions. From the outset, Mr. O'Reilly, I know you've been waiting for a while this afternoon to come in and, on behalf of the committee, I'd like to apologise for any delay and discomfort that that may have caused you today.

Joe O'Reilly has been involved in property development in Ireland for the last 25 years. He founded his company Castlethorn Construction in 1991. He is also the founder ... the executive chairman of the Chartered Land Group, which focuses on the development, management and operation of shopping centres and commercial office buildings in the greater Dublin area. Among their projects were the Dundrum Shopping Centre, the Pavilions Centre in Swords, the ILAC Centre in Dublin city centre, the Grand Canal Theatre and adjoining office blocks in Dublin Docks and the creation of a brand new town at Adamstown. Mr. O'Reilly, you're very welcome before the inquiry this evening.

Before hearing from the witness, I wish to advise the witness that by virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect to their evidence to this committee. You are directed by the Chairman to cease giving evidence in relation to ... 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. Therefore, the utmost caution should be taken not to prejudice those proceedings. Members of the public are reminded that photography is prohibited in the committee room. To assist with 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 this meeting of the Joint Committee of Inquiry into the Banking Crisis. You have submitted a witness statement. This is before the committee, will be relied upon in questioning and will form part of the evidence of the inquiry. So with that said, if I can now ask the clerk to administer the oath to Mr. O'Reilly please.

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

Mr. Joe O'Reilly, Castlethorn Construction and Chartered Land Group

Chairman: Okay, Mr. O'Reilly, thank you very much. And in ... if I can now invite you to make your opening remarks to the committee please.

Mr. Joe O'Reilly: Thank you, Chairman. Mr. Chairman and members of the committee, thank you for the invitation to appear here today before the committee of inquiry into the banking crisis. I have furnished the committee with a statement, which sets out of responses to the specific areas on which the committee has asked me to focus. I won't repeat the detail of the statement in my opening submission but will confine myself instead to some specific points. I'll concentrate on the time period of which the committee has asked me to address - the years between 2001 and 2008.

As my statement indicates, I've been involved in property and in property investment and development for the past 30 years. I've a professional background in construction surveying but in the later years, my studies were in the area of project management. Having worked with some of Ireland's leading property companies, I went on to form ... I went on to found Castlethorn Construction with my partners in 1989. Over the time, the company gained a reputation for developing quality homes in areas that were connected and serviced by quality infrastructure. These homes were built in locations where housing development was endorsed by local and national policy. In the period between 2001 and 2008, Castlethorn Construction built approximately 3,000 homes. Part V social and affordable housing was included in these schemes.

In 2005, I formally established Chartered Land, which is the retail and office property division of the group. This organisation owns and manages some of the most valuable and prestigious retail investments in Dublin, including Dundrum Town Centre. The company has a 50% share in both the ILAC Shopping Centre off Henry Street and the Pavilion Shopping Centre in Swords. With more than 500 tenants under management, these three centres support in excess of 11,000 retail and related jobs in the local economy. The commercial office portfolio of Chartered Land includes 150,000 sq. ft. of modern office space in Dundrum and 400,000 sq. ft. of offices at Grand Canal Square in the so-called silicon docks. Grand Canal Square, which has now been sold, is home to Facebook's European headquarters with a thousand employees and a host of other fast-growing and demanding large spaces users.

In addition to these investments, Chartered Land has secured planning permission to develop three co-located sites beside each of the retail investments. While these proposed developments didn't proceed due to the recession, we're confident that they will be delivered at a point in the future. In time, Dublin city centre proposal will make a significant contribution to the regeneration of the north inner city area. Some of our other developments include the Bord Gáis Energy Theatre and a retail-led, mixed use, commercial scheme of Grafton Street in Dublin.

It might be helpful to the committee if I outline our approach to property opportunities as a group. Firstly, it's important to recognise that large-scale property investment and development is a complex business. Our approach to investment was driven by a clear long-term strategy to develop, or acquire, internationally attractive premium real estate in the retail, commercial and residential sectors. These properties have to satisfy certain criteria. For example, they had to be close to major transport nodes and had to appeal to the target catchment population. Secondly, our focus was on prime areas in dense population in the greater Dublin area. We didn't undertake development outside the greater area or outside of ... outside the greater Dublin area or outside of Ireland.

Thirdly, our approach to development was very much guided by national, regional and local policy, whether in relation to housing, commercial or retail development.

Fourthly, our approach reflected detailed and sound research of possible investment and development opportunities. This was an exhaustive process, addressing both upside and downside risk. It involved input from planning, design, construction, development, property and finance personnel. Following initial appraisals, the assessment of each project moved to detailed in-house financial modelling considering different funding options, profitability and exit routes. We undertook detailed market research, modelled project demand for each investment or development. This involved engaging experienced property agents and international third-party experts. For development, the planning and development framework work relevant to each site was extensively reviewed with the input of our planning consultants.

Finally, our approach to assessing new projects was based on utilising the best advice that we could secure for each relevant discipline. We had, and continue to have, a strong internal team, but we have supplemented this expertise with external advisers and consultants, where necessary. This detailed process was key to the success of both Chartered Land and Castlethorn. Our attention to detail ensured that any decisions we made to proceed with new investments or developments were well-grounded, thoroughly researched and based on sound, objective business assessments.

During the period under review, we had borrowed from a number of banks, including AIB, Anglo Irish Bank, Bank of Ireland, KBC and Ulster Bank. In financing our properties, bank debt was complemented with promoter equity. Our approach to dealing with our lenders was based on formal engagement with each bank. At all times, we followed the normal process that applied for the assessment of any loan application. In my statement to the inquiry, I've outlined the approach that we employed, including our detailed engagement with the lenders to secure support for each proposal. I can say that, at all times, from a corporate perspective, our engagement with lenders was formal, professional and based on the appropriate and documented procedures. Loans were only sanctioned after ... or loans were only sanctioned following extensive engagement with the relevant lender and formal sanction by the bank's credit committee. The type of information typically to be provided with each application included: investment or development rationale; financial appraisals; projected cash flows; external planning reports and risk analysis; an independent asset valuation report; a legal title report; the exit strategy, supported by robust market research. Once a funder engaged, a term sheet was negotiated and solicitors were then appointed to draft the loan and security documents, while legal, technical due diligence was also conducted during the time ... during this time. Preconditions were agreed for loan drawdowns over the term of each facility, while loans ... while loan advances were subject to comprehensive financial and asset management reporting. In 2010, the economic downturn, our loans were acquired by NAMA. We began to work with the agency to maximise the value of the assets. For the past six years, we've enjoyed a professional relationship with NAMA and we worked hard to assist the agency to meet its objectives. As the committee will be aware, our loans are currently being sold by the agency in a loan sale process called Project Jewel. It's likely that the return to NAMA, when the loans are sold, will be a multiple of the figure that NAMA paid for these loans in 2010, and that the original capital borrowed, both personally and corporately, may be fully repaid.

I understand that the committee will be reaching some conclusions on the cause of the banking crisis, and, in this regard, you've heard from a wide range of witnesses with different views. What seems apparent now is that at the time of the crisis there was too much debt available for borrowers from too many banks. It's of note, for example, that there were 59 land transactions in Ireland in 2001, but this had risen to 260 by 2006. The problem was compounded by lending in respect of poor quality assets, where insufficient equity was invested. While both Chartered Land and Castlethorn did borrow in the period between 2001 and 2008, these loans were advanced following a thorough and full assessment of each proposal. Our debts were secured against prime assets, I believe this will be demonstrated with the Project Jewel, when Project Jewel completes.

In terms of the crash itself, there was a failure to predict and anticipate the sale of the banking and property crises. On the property side, the talk of a soft landing was misplaced, particularly given that investment property values fell by 60%, with land values falling by as much as 90% in certain parts of the country. On the banking side, the capital structure of certain lenders was inappropriate for the nature of their exposure. There was an over-reliance on property based lending by some of our institutions, including some international banks, some who had been operating in Ireland for a relatively short period of time.

From my personal perspective and for the benefit ... and with the benefit of hindsight, I do regret that I did not foresee the extent of the banking crisis and the property crash. The severity of the crash took most property professionals by surprise, as it did the Department of Finance, the Central Bank and many respected international agencies. Looking to the future, we must ensure that the appropriate system of checks and balances is introduced to prevent a repeat of the failures in the period leading up to the crisis. Property investment and development has a significant role to play in the regeneration of our economy. The challenge is to implement policies which recognise the positive contribution that property companies make and which encourages, in a responsible way, the delivery of real estate, which contributes to employment, housing provision and a general economic growth. I'm sure that the report of the committee will help to shape these policies. Thank you, Mr. Chairman, for giving me the opportunity to address the inquiry today.

Chairman: Thank you very much, Mr. O'Reilly, for your opening statement. If I can now proceed on to invite Senator Sean Barrett to open questions. Senator Barrett.

Senator Sean D. Barrett: Thank you, Chairman, and I echo the Chairman's welcome to you here this evening, Mr. O'Reilly.

Mr. Joe O'Reilly: Thank you.

Senator Sean D. Barrett: You say in your statement that you made contributions to various political parties. I think page 10 has that you made €74,000 over a six-year period.

Mr. Joe O'Reilly: Yes.

Senator Sean D. Barrett: Was there any relationship between political contributions from the property sector and the regime of property tax incentives and reliefs such as urban renewal in the pre-crisis period?

Mr. Joe O'Reilly: No, all our donations were in response to request. We were ... all our donations with ... they were reactive; we didn't give donations unless somebody wrote to us or whatever.

Senator Sean D. Barrett: Are those kind of tax breaks which, as you know, have been a large part of the agenda here, are ... did you experience those in any other countries?

Mr. Joe O'Reilly: No, I've only knowledge of Ireland. And-----

Senator Sean D. Barrett: Okay, yes. Good, thanks.

Mr. Joe O'Reilly: Yes.

Senator Sean D. Barrett: Now, on page 5 you say that there were ... there's clearly too much debt freely available to too many borrowers. This led to a glut of inexperienced developers. Who were they and could you describe how they intruded?

Mr. Joe O'Reilly: Well, I think ... I think there are a number of developers who have been in the business for a long time with, with, you know, with a lot of experience, with an experienced platform that covered all different disciplines from chartered surveyors, you know, a very strong finance team, asset management expertise, project management expertise. What we seen was that a number of people came into the business ... they weren't necessarily ... they were in other businesses that changed into ... that changed into ... or they suddenly became a property developer overnight. They seemed to be able to get easy lending, which was a surprise to us given the ... given the processes that we've had to go through and so, you know, that, that, I suppose, I think somebody else referred to them as part-time developers. I think that's probably a fair reflection or fair-----

Senator Sean D. Barrett: But, on the other hand, a lot of very big people went into NAMA. It wasn't just the small fellows.

Mr. Joe O'Reilly: Yes. No, that's absolutely right, yes.

Senator Sean D. Barrett: Yes.

Mr. Joe O'Reilly: But all loans, if you had any property loans, they were all transferred into NAMA.

Senator Sean D. Barrett: On page 4, you're describing the lenders ... and we'll come to the banks presently. The steps taken by a lender when evaluating your proposal and it's quite comprehensive, all the items that you list there, and, you know, you paint them as pretty rigorous. Did those standards drop in a kind of euphoria in the property sector?

Mr. Joe O'Reilly: No, not from our side, not at all. We didn't see any of that. I mean, we ... our finance team still went through the same process. I think it's important to point out that we ... we ourselves had to ... we ourselves had to be satisfied with our own ... whatever proposal we were putting to the banks, we, first and foremost, had ... we were satisfied that that was ... that stayed within our own business model. The same ... our same strategy applied. We didn't change that just because there was the perception of so-called easier lending. We stuck to our model; we stuck to our strategy. We just ... we were involved in prime assets. We bought sites beside public transport nodes. So, you know, we stuck to that strategy. We didn't change on that.

Senator Sean D. Barrett: Did the banks change-----

Mr. Joe O'Reilly: Or we didn't change from that, sorry.

Senator Sean D. Barrett: Yes. Did the banks change? Because-----

Mr. Joe O'Reilly: Sorry?

Senator Sean D. Barrett: Did the banks change? Because they all went broke in a system where there hadn't been any bankruptcies for 170-180 years. Did you see a change in the corporate culture of banks in Ireland?

Mr. Joe O'Reilly: No. No, again ... again, I can only ... I can only tell you about our experience with them and ... so, again, that was ... you know, our relationships with them were formal and professional and we wouldn't have seen and we didn't see ... the people that we ... the people that we dealt with ... and maybe it was because the scale and the size that we operated with ... operated at, they were very professional and they were well informed, from what we seen.

Senator Sean D. Barrett: But other people must have had doubts, because their share prices were plummeting for a good while before the crash.

Mr. Joe O'Reilly: Yes, well, again, I suppose, that ... that was probably the ... that wasn't just an Irish ... and Irish banks. I mean, banks throughout the world, their shares plummeted.

Senator Sean D. Barrett: And what's your current situation? Since the crisis, what's it like trying to do business in the property sector in Ireland now?

Mr. Joe O'Reilly: Well, as you know, we're working ... we're working with NAMA and we have worked with NAMA over the last six and a half years. We've worked extremely hard. Our team has worked ... our team that ... our own team has worked extremely hard and, you know, we have ... we have ... our ... we set about ... once NAMA was set up, we set about working with them. Our engagement with NAMA, again, was very professional. NAMA had a good team of people employed and we got on well with them. We put in ... our business plan in place. We went from there and we followed what ... what their ... what they wanted of us. We done that and we've always co-operated 100% with them. And that was with the purpose of trying to recover as much money as we could and bring back as much value to our assets as possible.

Senator Sean D. Barrett: And you're expecting 100% on that, is that ... that in your concluding remark?

Mr. Joe O'Reilly: Well, to date, we've paid back NAMA about €600 million. Our loans are for sale at the moment. We expect to pay back the principal. And that's on a personal ... that's on personal borrowings and corporate borrowings. So, Deputy, I'll have to wait and see how that process turns out but we would be confident that we're going to go a long way towards that, yes.

Senator Sean D. Barrett: In all your experience in the house building, the Castlethorn part, we've watched here data that in the 1990s a house was two and a half times average income and at the peak it went up to 12. How did you see that process going? Were houses going to get more and more outside the reach of average people?

Mr. Joe O'Reilly: Well, that's ... that's obviously what happened and, you know, that was our concern and it turned out to be, you know, unfortunately, justified.

Senator Sean D. Barrett: We have various evidence supplied to us of €6,000 development levies in some counties and substantial tax levies implicit in the retail price of a house ... Ronan Lyons from TCD, whom you know from the *daft.ie* website. Is there any work going on between the industry and public policy makers to try to make the house price back to a more reasonable multiple of average earning?

Mr. Joe O'Reilly: Yes. There are a number of groupings. There's the ... Property Industry Ireland and the CIF - and, within the CIF, is the IHBA, which specifically focuses on housing. And one of our senior executives in Castlethorn is actually the chairperson of the IHBA so, he along with a number of other people, are absolutely looking at this and seeing how we can bring back ... and make houses more affordable.

I suppose, a bit like the point that you mentioned there, it was interesting just during ... you know, we've been in business from 1989. I suppose, during ... from the early noughties, you know, there were ... well, first and foremost, back in the late '90s there was the same issues there as we have today. There was a big demand ... or there was a big demand for housing and the supply issue was an issue. We weren't able to build as many houses as was required. That ... the Government at the time ... the Government at the time looked to get some external advice, it brought in Mr. ... Dr. Peter Bacon. He issued various reports and the reports looked at how they could accelerate the housing provision and he made a number of ... he made a number of recommendations, including looking at the provision of infrastructure. He brought in the whole, SDZ ... or SDZs was part of his proposal, which looked at accelerating the whole planning process. I'm trying to think of the third item. But, in any event ... oh, sorry, the other point was increasing densities and looking at a range of different house types and residential types.

But, I suppose, during that period, the other thing that happened was we brought in social and affordable ... Part V was brought in during that period. But instead of the local authorities being able to increase the provision of infrastructure or finance infrastructure - that actually didn't happen - so what they did was they then levied ... there was more and more levies put on to ... they increased the levies during that period, with a view to trying to get that infrastructure and to have the resources to provide that infrastructure. So it was a combination of them trying to collect more money from new homes and then a combination of them asking developers to put that infrastructure in as well. And, you know, just ... there's a lot of issues there in relation to the provision of new homes. Like, new homes covers ... like, the person who buys a new home, they're actually unfairly penalised because they have to pay for ... they contribute to ...

to social and affordable housing. The second-hand market, for instance, doesn't provide any income or any finance towards the provision of social and affordable. They also pay, in the levies ... the levies are not ... we'll say, there's section 48, section 49. Section 48 and 49 - section 48 isn't specifically for that development or that site that's being developed, it's for a broader range of finance for the rest of the county. So, new, new home purchasers are being penalised in a number of different ways. But in any event, we are looking and we are trying to get those issues, coming back to your question, Deputy, we are trying to, to inform and resolve the-----

Senator Sean D. Barrett: And thank you for that, and particularly for the people watching in, is there a target? Are we going to try to get five times average earnings of a house price or-----

Mr. Joe O'Reilly: I think the Central Bank have, have, have intervened there and the Central Bank have actually stated it's 3.5 times income, Deputy, combined income.

Senator Sean D. Barrett: Did we build too many shops? I see your shopping centres are very successful but did we build too many?

Mr. Joe O'Reilly: Well again ... it's a bit like, did we build too many houses? We, we were building 90,000 houses at the peak; it's all a question of where we built our houses. You know, Dublin, Dublin required, sort of, 15,000 to 20,000 houses. We, we got there somewhere close to the, you know, 2005, 2006. The problem was, on the housing side, that a lot of the houses weren't built were they were required and in the same way, it's the exact same thing, it's the, it's the identical situation in relation to shops. So, we have built shops and, and shopping centres where the demand wasn't there, where people didn't do the proper research, the catchment, you have to ... when you're, when you're looking at a shopping centre, you have to understand what the catchment is, you have to understand what the potential spend is in that catchment. And from that then, you analyse and you're able to determine the demand. The demand then in turn helps you to, to identify what the turnover ... that turnover then helps you establish what the business model is and that all feeds back into, that all feeds back into what your business strategy and your proposal is likely to be.

Senator Sean D. Barrett: A global one on the two sectors we're examining; what measures should be taken to make sure the banking sector never goes through the same crisis again? And what measures, and you've outlined some, should be undertaken to ensure that the building sector never makes the same mistakes again? Can we take the banking one, perhaps, first?

Mr. Joe O'Reilly: Well I think the banking thing, I think the banking is being dealt with in a number of different ways and it's not for me, and I'm not an expert on this, but there are a number of things. The Central Bank has intervened in relation to the provision of housing and the, the level of mortgages that people can take. And I think that's, I think there, there ... you know, there, I think that's well intentioned. I'm not sure I agree with how they have done it and I'm not sure I agree with all the elements of it but certainly the principle of it is good. The, the banks themselves, in terms of, as I understand it ... and I'm trying to remember the exact term but the, the level of deposits they have is reflected on ... or the basis of, and the level of deposits reflect the amount that they can lend.

Senator Sean D. Barrett: Indeed. No, you're right.

Mr. Joe O'Reilly: I'm trying to remember the actual term, anyway, it doesn't come to mind.

Senator Sean D. Barrett: Yes. So, less wholesale funding.

Mr. Joe O'Reilly: Yes, exactly.

Senator Sean D. Barrett: And-----

Mr. Joe O'Reilly: Basel, the Basel, sorry that's it, isn't it?

Senator Sean D. Barrett: Yes, okay. And in relation to the-----

Mr. Joe O'Reilly: Oh sorry, the housing.

Senator Sean D. Barrett: Was there too much hype or euphoria in the, in the building sector?

Mr. Joe O'Reilly: I, I think again ... I think again there was a, there was a perception that building and development was easy and that it was quick, that there was quick money or quick bucks to be made on it and that was ill-founded. So, I think you've asked me there in terms of ... how can the building and how can we ensure that standards and how can we ensure that we have a professional industry? So, again, through what is happening at the moment and, and the Department of the Environment are involved in this, is that there's an organisation or a grouping being set up at the moment, it's called CIRI, it's Construction Industry Register Ireland. And that, that is a group that's been put in place, with an independent board, which every developer, every contractor, every builder will have to be registered with and there'll be certain governance around it. So I believe that that's well advanced at the moment. I'm not sure that it's totally there but I know that it's ... I know Castlethorn-Chartered Land are actually members of it and I know that it's being rolled out at the moment, so it's well advanced ... I'm not sure it's been officially ... in fact, I know it hasn't been officially adopted by Government but it is being advanced.

Senator Sean D. Barrett: What's the-----

Chairman: Just one second, Senator, I think there is phone interference, I'm being informed of it, so if I could ask members there in proximity to speakers and so forth to turn off their phones please. Senator.

Senator Sean D. Barrett: The final one from me. What was the biggest mistake, not you but Ireland, made, Ireland Inc. made in all of this crisis which had such dreadful effects right through the economy?

Mr. Joe O'Reilly: Yes, again I'm not hold myself out to be an expert but what is obvious is I think we joined the euro, I think, back in ... back prior to the euro we were able to control the level of activity in the market by adjusting our interest rates or whatever. We lost that control in the euro, we didn't put in place ... we didn't place ... we didn't seem to put in place any measures to control the inflation, particularly in the property sector.

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

Chairman: Deputy John Paul Phelan.

Deputy John Paul Phelan: Thank you, Chairman, and good afternoon, Mr. O'Reilly. You said there in answer to the last question, I think, to Senator Barrett, that we didn't seek to put in place any controls as regards inflation. You're talking "we" in terms of the Government or who is the "we"?

Mr. Joe O'Reilly: Well, I'm talking about Ireland Inc. yes.

Deputy John Paul Phelan: Okay, do you think ... I was interested in your comments again to an earlier question that he asked where you said that you ... he posed the question "Were you concerned about the huge increase in house prices from two and a half times income to 12 times?", and you said that that "was our concern". We've had evidence from other people who were involved in development that they may have had similar concerns. I'm just interested to know did you ever express those concerns or is that something that you're just looking at with hindsight now?

Mr. Joe O'Reilly: I suppose, honestly, yes. You know, what we did about it, I suppose, within the industry we spoke about it but, you know, did we have access to Government, did we have access to the Finance Minister or whatever, Department of Environment and you know, we worked through the CIF or the through the IHBA or whatever and that's probably as far as it ... we went.

Deputy John Paul Phelan: So did you think that the level of house price increase was not sustainable? I suppose it's, kind of, an obvious question.

Mr. Joe O'Reilly: No, it wasn't but, I mean, there was so much happening at the time you know, we had ... Ireland ... I suppose some of this was being justified by the fact that Ireland had fallen behind or it didn't, for instance, have the same ratio of houses per thousand population as other countries, so we were supposed to be on a catch-up. So I suppose that was one of the justifications. We were ... we had a lot of foreign direct investment in the country, which was creating demand for factories, for offices, etc.; we had a lot of migrants come in so they were looking ... they obviously had to be housed, so there was a big demand for rental accommodation. During the period, salaries were increasing, there was social partnership. There was a lot of issues there where, you know, wages were increasing and people had more disposable income and-----

Deputy John Paul Phelan: All right, I'm sorry, I'm not trying to cut you short. You made the point fairly well. I just ... I suppose, as somebody who is a businessman, you have said that you were concerned about the rate of house price increase. Did you believe, like, that that was a sustainable rate to run a business into the future, that you could sustain those prices and that your business could survive long-term on the back of what was a really concentrated house price increase, you know, compared to where we had come from in the previous 20 years?

Mr. Joe O'Reilly: Yes, well, not trying to avoid your question but some of this all relates back to if house prices .. if people have to pay more houses ... or a higher price for houses, well, they're going to have to have a higher salary and there's a point at which the ... and it did happen, the competitiveness factor of our country becomes into question. So, of course, anybody would have to have concerns about that. And there was quite a debate about that, so you know, we're not in business for making a quick buck and disappearing. We've been in it for the last 30 years. I'm hoping that we'll have an opportunity to be in it for I don't know how many more years but certainly, certainly I'd like to think another ten, 20 years. So, like, this is ... the idea of the market going up and down, and experiencing what we've experienced over the last six and a half years, or experiencing what the country, and the pain and the damage that has been done to the country, that's not what we want. We want to be in a business that the curve is certainly on a gradual basis, not peaking and troughing.

Deputy John Paul Phelan: Briefly, then, to maybe draw you out a bit more on another point from Senator Barrett in relation to deposits and the new, the new rules from the Central Bank on deposits: you said that, and I want to quote you correctly, “it was well-intentioned” but you didn’t agree with all aspects. Briefly, what do you mean by that?

Mr. Joe O’Reilly: Sorry, I just missed the first part?

Deputy John Paul Phelan: The new rules from the Central Bank with regard to deposits-----

Mr. Joe O’Reilly: Oh yes, sorry, yes.

Deputy John Paul Phelan: You said it was well-intentioned but you didn’t agree with all aspects of it. Briefly-----

Mr. Joe O’Reilly: No, I think that from a Dublin perspective, I think the ... it’s a ... a new purchaser is allowed to borrow up to 90% on a home worth up to €220,000 ... I think that figure is just too low for Dublin. It doesn’t reflect what the cost of providing a house in Dublin. In fact, it doesn’t reflect what it costs to provide a house anywhere in the country.

Deputy John Paul Phelan: Okay. Again, to reference something that, I think, you said earlier in one of my first questions. You spoke about access to Government. Senator Barrett spoke about the political donations - €74,000, I think, is mentioned in your statement, to the main parties, and some independent politicians, between 2001 and 2008. You said that “we”. Is “we”, again, your development companies, or “we” being your family, or is it corporate donations you’re talking about?

Mr. Joe O’Reilly: Corporate donations, yes.

Deputy John Paul Phelan: Did you have any level of personal relationship with any Government Ministers, or any of the office holders, we’ll say, in the State over the last, over the period which we’re inquiring into?

Mr. Joe O’Reilly: No, not really. I mean, from time to time, you’d meet political people at various functions or whatever, but that was it. I couldn’t say I was very close to anybody, to any of them.

Deputy John Paul Phelan: Okay.

Mr. Joe O’Reilly: I’m sorry, just in relation to the political donations, this was, you know ... we were a relatively large company, relative to the Irish situation, so we operated in the four different boroughs within Dublin. And typically, say, for instance, take something like Dundrum, we would be active in the chamber of commerce in Dundrum. We would be active with various voluntary groups, with educational groups, with sporting groups, so, like, the amount of money that we would have given to, on political donations, would be a fraction of what we’ve given to the community, voluntary groups, charities, etc.

Deputy John Paul Phelan: So your or your companies wouldn’t have ... or would you have, been making, we’ll say, representations to members of Government over those periods concerning-----

Chairman: I’m still getting reports of telephone interference. Is there any chance, Mr. O’Reilly, that your phone is switched on, even if it’s-----

Mr. Joe O'Reilly: No, it's definitely not mine, I've switched it to airplane mode-----

Deputy John Paul Phelan: Likewise.

Mr. Joe O'Reilly: -----like I was asked to do.

Chairman: It's probably the best mode to be in.

Deputy John Paul Phelan: Mine is airplane mode, I can assure you, as well.

Chairman: All right, thank you.

Deputy John Paul Phelan: Sorry about that, Mr. O'Reilly. Just briefly again, any representations to members of Government on, we'll say, issues, similar to the one with regard to Central Bank deposits, but, you know, other development issues that would have occurred over that 15 ... like the Part V process we've heard details of, representations that were made to Government on that issue, details when Mr. Ahern was here of meetings of fairly high-powered, serious developers. You weren't listed on that list, in Government Buildings.

Mr. Joe O'Reilly: So, no, any representation we'd have made them through the IHBA, the CIF, subsequently with Property Industry Ireland. Like, say, the finance people, would have, they'd work to their own ... or talk and meet and I presume they would have made representations through their own professional bodies, but it was that type of approach.

Deputy John Paul Phelan: Okay. If NAMA hadn't been created, do you believe that you'd still be running the companies, your own companies and owning the property portfolio that you do?

Mr. Joe O'Reilly: Well, who knows? I mean, that's ... it's a hypothetical question, Deputy. But, like, I believe that the quality of the assets that we had and the fact that these assets have performed during the recession ... so, the value of the assets was obviously impacted by the financial crisis and by the property crash but the actual assets ... the business that ... the business that is the assets and the business that is created around the assets, that actually performed right through the crisis and, in fact, we probably ... the business is actually substantially improved during the process, believe it or not.

Deputy John Paul Phelan: Okay. Can I ask - I meant to ask it earlier - did you yourself enter into personal guarantees against any of the loans that your businesses would have taken out over those-----

Mr. Joe O'Reilly: I suppose the first thing ... the first part of it that ... the answer to that question is that that all ... you know, I did have some personal borrowings, I did have corporate borrowings. So, in relation to some of the corporate borrowings, I did have some PGs. Those PGs so ... so, just in terms of the hierarchy of ... the first thing ... the first element of lending and the first element of security is the asset itself and then you go from the asset then to the ... you go from the asset then to ... you know, for instance, in terms of an investment property, the bank would secure the rent roll, they would secure all bank accounts and then, after that, there'd be an element ... or a PG would then ... would then follow.

Deputy John Paul Phelan: You mentioned the sale of some of your loans and assets, indeed, in ... I can't remember the actual name that you put on it, so I'm going at the present-----

Mr. Joe O'Reilly: Project Jewel, yes.

Deputy John Paul Phelan: Yes. After the sale of ... of those and other loans, do you hope to be released from any personal guarantees that ... that you may have?

Mr. Joe O'Reilly: Well, yes, that's what I said: that I hoped that ... well, sorry, I'm confident that ... and, you know, I'm confident that when Project Jewel is complete, that I will be released that ... you know, as I ... my view is at the moment that all the principal that I owe will be repaid, both personal and corporate.

Deputy John Paul Phelan: Do you have the fear that some other people who may be in a similar position to yourself have that some of your loans may be sold to a firm that want to ... to call them in, effectively, and take your business away from you?

Mr. Joe O'Reilly: That's a risk ... that is a risk, Deputy, yes.

Deputy John Paul Phelan: Okay. Can I ask, in relation to your own overall operations, which aspect of your businesses has proven the costliest, I suppose, the ones that have had the worst return during the period of the crisis?

Mr. Joe O'Reilly: Well, I suppose, our investment assets ... they have ... they ... like, two things that has happened. When the crisis hit, obviously the ... or not obviously, but what happened was that ... that the level of discount in relation to our assets was quite severe. But what is interesting is that as the Irish economy has got back on its feet and as the Irish economy has recovered, those assets have recovered as well and that's one of the main reasons why we'll be ... why we are in a strong position and will be in a strong position going forward in terms of the repayment of our debt. In terms of just answering your question, where the weaker part of ... where the weaker part of our assets is sites at the moment. So in terms of Chartered Land ... fortunately, Chartered Land is primarily an investment property company with prime assets. The proportion of sites within Chartered Land is about 15% or 15% to 16% which, again, would be for major property companies and looking and comparing those to, sort of, to plc companies, that's probably close to where those plc companies operate. So, the fact that our assets have ... have recovered is testimony to the strength of the assets and to, you know, the fact that the site element of it is a smaller proportion. On the residential sites, the residential sites are recovering but they haven't recovered to the same degree as, say, for instance, investment assets.

Deputy John Paul Phelan: Okay. Just a quick follow-up. Have any of the ... those loans or those assets recovered value to the value of the original loan or?

Mr. Joe O'Reilly: Yes and I mean and in relation to, again, our investment assets, they have.

Deputy John Paul Phelan: Okay. In relation to your opening statement again, and I was trying to remember what page it was on, I was taking a note of it earlier. You said that ... kind of herald as an achievement your expectations that the sale of the loans in NAMA will reach a value well in excess of what NAMA paid for them. As somebody who, I mean, I don't know you from Adam, but you're a businessman, how do you feel about the fact that effectively, taxpayers' money has had to have been invested into your business? Some would argue maybe to keep it afloat, you might argue that it could have stayed afloat anyway but effectively, it has been put into that business to keep it afloat for the last six or seven years. How do you feel about that? Do you have anything to say to the taxpayers of the country who are hard-pressed enough and might have some reservations about that?

Mr. Joe O'Reilly: Well, I ... there's two ... there's two aspects of that. One is, I suppose, we have worked for the last six and a half years and we have fully co-operated with NAMA in relation to the recovery of the value of those assets. And, I suppose, again, coming back to it, the ... our business strategy and our ... the regime that we put in place and the quality of those assets is testimony to that business strategy and to the fact that we knew ... we knew what our market was, we understood the market. We stuck to that strategy so we ... as of, you know, if you look at Dundrum at the moment, if you look at some of the characteristics in relation to Dundrum. So, for instance, if you look at the rent roll that has produced, if you look at even the consumer spending, so I reckon, give or take over the last ten years - Dundrum was open ten years last March - so I'd say within that ten years and sort of, give or take, it was about ... consumer spending it was about, in that period, it was about €5 billion. So if you take it ... so if you take the VAT that was collected in that period or the VAT that would have been paid out of that €5 billion, probably the Irish Exchequer took about €1 billion out of that in that period, in those ten years. If you take it that there was about six, 5,500 people employed in Dundrum, that equates to about €35 million PAYE, PRSI tax being taken out or arising out of that employment. So over the ten years, that's €350 million.

Deputy John Paul Phelan: I'm not trying to interrupt you now, but my time is kind of running out but so you are saying that because you pay tax and because the people-----

Mr. Joe O'Reilly: No, no, I'm not-----

Deputy John Paul Phelan: -----you employ pay tax-----

Mr. Joe O'Reilly: -----I'm not saying that at all, Deputy. I'm just saying that, that of course, and I'm just answering your question, of course, NAMA gave us that breathing space to ... and that period to allow us to be able to recover those values.

Deputy John Paul Phelan: Okay, okay, that's fair enough. I think you've answered it. I want to refer to a report which was published in *The Sunday Business Post* on 15 March 2015, where it showed that you owed Anglo Irish Bank €1.5 billion. In hindsight, do you think - or your businesses I should say - do you think, firstly, was it sensible for a bank to have so much loaned to a particular business?

Mr. Joe O'Reilly: I think ... I think the level, obviously of debt sounds high there but you have to look at the quality of our assets. You have to look at again, all our assets were prime assets. So Dundrum, you look at ... you look at our commercial asset, you look at Grand Canal Square which was sold, you know, a very large figure recently and achieved one of the highest ... achieved one of the highest sales levels in the country for some considerable period of time. If you look at the quality of our assets, so debt, debt equals the quality of the assets-----

Deputy John Paul Phelan: Okay-----

Mr. Joe O'Reilly: -----and the security of those assets and so-----

Deputy John Paul Phelan: But from a business point of view then, to put it the other way, was it good business practice for your businesses to have their borrowings so concentrated in one individual institution? I know you may have other loans in other institutions, but €1.5 billion in that one, from a business perspective, do you regret that?

Mr. Joe O'Reilly: Well, I suppose at the time it ... and I think you can go back to what we thought was right at the time, and it's easy in hindsight to look back at it and say we could we have done things differently. At the time, that particular bank offered us the most competitive rates and the best deal that ... the best banking arrangement that we could get in the marketplace.

Deputy John Paul Phelan: So you'd do it again if you had it back again?

Mr. Joe O'Reilly: I think, Deputy, I'd certainly do things differently the next time round, yes.

Deputy John Paul Phelan: Okay. Briefly, then, in relation to another point that was raised by Senator Barrett, where you spoke about inexperienced developers. I think ... I can't remember what page it was. You said that there clearly was too much debt, too freely available and too many borrowers that led to a glut of inexperienced developers, many of whom traded in a short-term horizon. You've answered what you thought, I think, inexperienced developers were, but do you believe then that inexperienced developers, if they hadn't been lent this money, that we may not have had the property crash and the banking crash that we've had? Is that the implication of what you're saying? Because we've heard a lot of evidence that really the crash, rather than from the small operators, was from the over-concentration of the big figures, like I've mentioned, in a few individuals and individual businesses?

Mr. Joe O'Reilly: I think the point is that I think I would feel, and I think a number of people would have felt, that it's really ... what was different about this particular crash was the size and the severity of the crash, so, like again, within the crash ... our normal crashes, our normal property adjustments would be somewhere between up to 20%-25%. But I think there was a view taken that because of the quality of the lending against inferior assets, secondary assets, tertiary assets, etc., and the locations in which some of this lending was done, what I mean is not prime, not lent onto prime assets-----

Deputy John Paul Phelan: I understand the point you're making, and then this is my last little follow-up on this, but it would take a lot of those operators to have a borrowing of €1.5 billion, such as your firms had from Anglo?

Mr. Joe O'Reilly: Yes, well, I'm not sure that that's the case. Some of them had substantial borrowings as well, Deputy.

Deputy John Paul Phelan: Some of them may have had, but I'm not ... you spoke about the smaller operators specifically, I think, earlier on, and-----

Mr. Joe O'Reilly: You know, I think it's the smaller operators.

Deputy John Paul Phelan: Okay.

Mr. Joe O'Reilly: I think it wasn't just the smaller operators, it was the guys that came in-----

Deputy John Paul Phelan: Late?

Mr. Joe O'Reilly: Late, yes, exactly, yes.

Deputy John Paul Phelan: Fair enough, okay. Can I ask ... I've a number of questions that I must put to you. Based on your dealings with the Irish banks in the pre-crisis period, did you get the general impression that maintaining and growing market share was a dominant driver in lending practices? And did you observe increasing competition between them for business with you and your businesses?

Mr. Joe O'Reilly: I'm not sure. We weren't privy to what their business strategy was to maintain their market share or grow their market share. It wasn't something that I was familiar with.

Deputy John Paul Phelan: Okay. Banks were under increasing pressure due to interbank competition to offer incentives such as - and we've mentioned a few of them before - non-recourse loans, interest-only and roll-up ones as well. In your experience, were such practices common among the banks in Ireland? And did the situation differ greatly from practices in banks in other jurisdictions?

Mr. Joe O'Reilly: Sorry, Deputy, that banks would offer incentives?

Deputy John Paul Phelan: Those types of incentives that I mentioned there, non-recourse, interest-only, roll-up, lower interest rate margins, interest holiday periods, those?

Mr. Joe O'Reilly: Yes, again, from our experience with them we would ... we didn't see that. We seen that the banks----

Deputy John Paul Phelan: Okay.

Mr. Joe O'Reilly: The same level of rigorous assessment of our loans and ... so we ... I can't say that we experienced that.

Deputy John Paul Phelan: Okay. As the profile of your own businesses or business grew, and the size of your portfolio grew, did you observe a relaxation in lending criteria?

Mr. Joe O'Reilly: No, we didn't.

Deputy John Paul Phelan: Okay. NAMA applied a discount of 5.25% to the long-term value of acquired properties to cover due diligence, which was 0.25% and enforcement at 5%. In your dealings with the Irish banks, how would you rate the extent to which the banks sought robust legal documentation? And was reliance on solicitors' undertakings commonplace or rare?

Mr. Joe O'Reilly: I'm ... I'd be pretty sure that in terms of the security that our loans had, they were all ... there was no issue there. There was not ... no imperfections in them. We had a professional internal team, an external team advising us and I'm 99%-100% sure that there wasn't any of those issues in relation to our loans.

Deputy John Paul Phelan: Okay. Thank you.

Chairman: Thank you very much. Deputy Pearse Doherty.

Deputy Pearse Doherty: Go raibh maith agat agus fáilte an tUasal O'Reilly. Can I ask you, you refer in paragraphs 3 to 5, on page 5 of your statement, to a multi-bank loan agreement for the Dundrum Town Centre involving six banks, with Anglo as the agent for the other five lenders. How did this arrangement come about and, from a developer's viewpoint, what are the particular advantages and downside risks with this type of funding approach?

Mr. Joe O'Reilly: Yes, Deputy, well that came about by ... at the time Dundrum Town Centre was a major project and the scale and the size of it was just too much for any one bank and their governance wouldn't have allowed that. So it was ... there was a number of banks brought together, as you have mentioned, so that was called a syndicate of banks and it was headed by Anglo Irish Bank. So there was a process there where Anglo would have informed all of the banks in relation to all of the governance issues in relation to the protection of that loan and working within the facility agreement, working within the ... while the loan was being drawn down, ensuring that we ... ensuring that all the milestones or whatever the criteria was and whatever the requirements were within that facility, that they were all adhered to.

Deputy Pearse Doherty: And is it you that went around to the six banks looking for loans or did some executive in Anglo start phoning up the other five banks saying "Will you give Joe O'Reilly some money for this development in Dundrum?" or how-----

Mr. Joe O'Reilly: It was a combination of both. We would have presented to each of the banks as an opportunity to get involved in that syndicate.

Deputy Pearse Doherty: Yes. So there was ... or there was a ... there'd been a senior executive in Anglo Irish Bank approaching other banks to lend to you. Is that ... did that happen in this regard?

Mr. Joe O'Reilly: Well, as I say, it was a combination. We had to present our business model to each of the banks and then they had to decide whether they wanted to get into that syndicate and, indeed, whether they were happy with Anglo as the lead bank.

Deputy Pearse Doherty: Okay. You talk about ... on page 6 of your statement, I think, that your borrowings on 30 September 2008 was €2 billion. Is that your entire borrowings? Does that include ... or is that just one company? That's the only company you have, is it?

Mr. Joe O'Reilly: No. That's ... that's Chartered Land and Castlethorn's borrowings, yes.

Deputy Pearse Doherty: Okay. Would there be other companies that would have had borrowings as well in your name?

Mr. Joe O'Reilly: No, not other companies, no.

Deputy Pearse Doherty: Okay. So €2 billion of borrowings at 30 September. Did you enter into borrowings from any of the guaranteed institutions after that point? In the months ... I'm not talking up until last week, I'm talking about ... you know, did you enter into borrowings with the institutions after that point?

Mr. Joe O'Reilly: Sorry, no, this is post the guarantee?

Deputy Pearse Doherty: Post the guarantee. You've given us the figure for ... on 30 September 2008. So between then and the end of the year, were you still drawing down more borrowings from the financial institutions that were guaranteed?

Mr. Joe O'Reilly: No. Again, if I understand the Deputy's question ... so up to... this would have been our borrowings up to the time that NAMA took over our loans.

Deputy Pearse Doherty: Okay. You've given ... on your statement, page 6, it says "The total outstanding par debt attributable to my ownership interests was €2bn at 30th of September 2008." So the question I am asking you is: did you enter into additional borrowings from financial institutions that were guaranteed between 30 September 2008-----

Mr. Joe O'Reilly: Today?

Deputy Pearse Doherty: -----not today ... and the end of the year, for example?

Mr. Joe O'Reilly: Again, I ... my understanding is that - and I would have to go back and check that Deputy, I don't have that information - but I believe that that is the level of borrowings

Deputy Pearse Doherty: Okay. And would you have borrowed from any of the financial institutions between that date and the entry into NAMA?

Mr. Joe O'Reilly: Any of the NAMA banks?

Deputy Pearse Doherty: Yes, any of the NAMA banks?

Mr. Joe O'Reilly: No, again, I'm ... I'm ... I think that that's the figure.

Deputy Pearse Doherty: Okay. That's fine, from recollection. That's fine. And just to clarify this here, because there's been a lot of talk about what would be paid back and what won't. So, €2 billion is what your outstanding debts were at that point in time. That wouldn't have been all to NAMA banks would it, or would it?

Mr. Joe O'Reilly: Two billion euro would be ... €2 billion would be our debt to NAMA banks.

Deputy Pearse Doherty: Okay, to NAMA banks. So when we're talking about what will be paid back or not - and you talk about your assets reaching their values - so are we talking that €2 billion is going to paid back? Is that what we're basically saying, or is that you've been basically saying?

Mr. Joe O'Reilly: That's what I'm hoping, yes.

Deputy Pearse Doherty: Okay, and are you aware of the haircut that was applied to your loans from NAMA?

Mr. Joe O'Reilly: I'm not aware of the exact figure but I'm ... you know, I'd have a fair feel for it, yes.

Deputy Pearse Doherty: Okay, that's fine. In relation to Brendan McDonagh ... Brendan McDonagh was before the banking inquiry and he gave evidence in relation to dealing with developers and how NAMA was established. And you talk about the efficiency in terms of NAMA. Mr McDonagh talked about, and I'll quote him, he says, "Probably about €300 million of that additional security, debtors decided that they would transfer them to third parties, friends, relatives, rather than hand them over to banks or NAMA." And then he talked about additional assets that were ... that weren't declared to banks, or NAMA. But in relation to ... and not breaching any confidentiality between yourself and NAMA, what's your view of that statement from ... NAMA developers that they would have transferred €300 million of assets out of the hands of banks or NAMA?

Mr. Joe O'Reilly: Well, I suppose the NAMA legislation had a specific requirement ... or it had a specific requirement in it that each debtor would do ... would look back on ... for the previous five years to see exactly was there any transfers or any transfers to family members or whatever. So it was within that five-year period prior to NAMA being set up.

Deputy Pearse Doherty: And were you party to this? Did you ... were you involved in this yourself or was this some other developer?

Mr. Joe O'Reilly: Well, what I've done is and, again, if the Deputy understand that I'm still in NAMA-----

Deputy Pearse Doherty: Yes.

Mr. Joe O'Reilly: -----and I'm subject to certain confidentially ... confidentiality.

Chairman: I need to ask you to come back a small bit there, Deputy, okay?

Deputy Pearse Doherty: Okay. No if you're ... if you're ... well, the question was more in relation to anyway the fact why would developers - as I mentioned earlier on, I'm not asking you to breach your own confidentiality with NAMA - but why would developers transfer €300 million of assets out of the hands of ... away from NAMA's reach or the banks' reach, which had to be unwinded by NAMA, either voluntary with the developers in terms of the requirement that they asked a number of developers to do to fill in the forms and say what assets they put beyond reach, or threaten them with the ... not threaten them but using the powers within the NAMA legislation that could actually unwind them legally?

Mr. Joe O'Reilly: Well, I think on the same day Mr. McDonagh said ... stated that, I think, a substantial number of borrowers had co-operated and had done that willingly.

Deputy Pearse Doherty: But the question is: why would ... what was the motivation for developers to transfer those assets to friends and family members, as Mr. McDonagh gave evidence to the committee, in your view, speaking generally?

Mr. Joe O'Reilly: Well, again, generally, I ... again, I can't speak for the ... on a general basis, I don't know.

Deputy Pearse Doherty: Okay, okay. Mr. O'Reilly, you said ... you say in your statement, on page 10, that "our business is embedded in the greater Dublin community". Apart from the banks, what other State or city institutions would have dealings with in the course of your business?

Mr. Joe O'Reilly: State or other institutions?

Deputy Pearse Doherty: Yes.

Mr. Joe O'Reilly: Well, we obviously deal ... we obviously deal with local authorities, we deal with all stakeholders, right across the board.

Deputy Pearse Doherty: How important was that relationship with the local authority in Dublin, where your business was focused, and did you have a relationship with the city manager as part of that relationship, or dealings with the authority?

Mr. Joe O'Reilly: Well, we were in business for 20-odd years. We have a track record. We have built over 9,000 houses. We're ... you know, I believe we have a good reputation as a developer. All our ... every ... every development we did, we completed it, or up to the crash. See it's ... you know, it's ... some of our developments weren't finished completely, but, you know, we ... we're in business for quite a number of years and we have a good reputation and, you know, that means that I would hope that we had a certain level of respect within the various local authorities.

Deputy Pearse Doherty: Mr. O'Reilly, I'm sure you're aware of commentary that's been-----

Chairman: Deputy, we should move on. This is the last question.

Deputy Pearse Doherty: Yes, commentary that's in ... there's just a final one after this, if you indulge me, but commentary in relation to the national monument site in Moore Street-----

Mr. Joe O'Reilly: Yes.

Deputy Pearse Doherty: -----something that is very close to a lot of Irish people's hearts, which was a listed building which was suggested that it was allowed to go into a state of disrepair.

Mr. Joe O'Reilly: Yes.

Deputy Pearse Doherty: And all of the association, as a NAMA developer, what do you say to people who don't like what's happening at this point in time; who ... that it's ... was owned by a NAMA developer that was rescued by the State; that ... what do you say to the families of those who stood up for Irish sovereignty back in 1916 who have issues with that development? And you mentioned that development in your statement and that's why I ask you the question.

Mr. Joe O'Reilly: Well, I think the contrary is the reality. I mean, first and foremost, in ... I'll remind the Deputy that there was a planning permission in 2000 that actually demolished those four buildings so, when we came along, applied for planning permission, we acknowledged that those four buildings were to be kept. We only actually took possession of those four buildings in ... I think it was approximately, and I'm not ... and this is approximate, Deputy, we took possession of those four buildings in 2008, approximately 2008, right? So, when we took those ... when we took possession of those, the roofs were ... had caved in. We had an enormous amount of money and NAMA supported us in spending money to bring those buildings and to stabilise and maintain those buildings and we've maintained them since. And what is ... as you know, the State is buying, or purchasing those buildings.

Deputy Pearse Doherty: Yes.

Mr. Joe O'Reilly: And they are ... and the intention is that it will become a commemoration centre so, for instance, the original proposal was that No. 16 would be the commemoration centre. We work with the powers that be and with the local authority, with the Department of Arts, Heritage and the Gaeltacht not just to have 16 as a commemoration centre, but the other four buildings, 14 to 17, so I absolutely believe that we ... our intervention has been positive there. We rescued the buildings. In the buildings, as I say, when we bought them, the roofs were ... they were in a dreadful condition.

Deputy Pearse Doherty: Okay. The final question - and I appreciate this - is can you outline to the committee your relationship with ... or if there was a relationship with the former Minister for Finance, Mr. Brian Lenihan, and the Lenihan family, and particularly, if there was a relationship, can you talk about any contacts you had with the individual in the run-up to the guarantee, the establishment of NAMA?

Mr. Joe O'Reilly: I didn't have a relationship with Mr. Lenihan. I'd no other relationship with him, no more than anybody else, so ... no more than any other Minister. So, we built homes out in his constituency, out in Castleknock. We were involved in the SDZ out in Adamstown. And again I'm standing to be corrected at this ... at this stage, but I've a feeling that Mr. Lenihan was a junior Minister for Children. And, at that point in time, we did have a meeting with him in relation to education provisions in ... for Adamstown. So, again, I'd say that we had a professional relationship with him, no more than we would have had with any local TD or any Minister, in relation to, you know, any area we operated within.

Deputy Pearse Doherty: And no contacts in terms of-----

Mr. Joe O'Reilly: So, prior to the set up of NAMA, absolutely not.

Deputy Pearse Doherty: Okay, thank you. Appreciate it.

Chairman: Okay, thank you. Deputy Joe Higgins.

Deputy Joe Higgins: Yes. Mr. O'Reilly, you're aware of David McWilliams, broadcaster and economic commentator, I take it?

Mr. Joe O'Reilly: I'm aware of Mr. McWilliams, yes.

Deputy Joe Higgins: McWilliams, yes. He gave evidence to this inquiry and in the course of the evidence, he played a statement that he had made in October 2003 on RTE "Prime Time". And I'd like to quote it to you and ask you for a comment on it. He said:

> The Irish housing market is a scam. It is an enormous financial swindle that could potentially confine an entire generation of young Irish workers to years of bad debt. Far from being a reflection of economic vitality and fundamental demand the housing bubble is, in the main, a vacuous financial confidence trick that has been foisted upon us by an alliance of banks and the landowners.
>
> Today, in Ireland, the price of the average house is close to ten times the average wage. This represents an economic failure on a monumental scale. Behind this nonsense is excessive and irresponsible lending from our financial institutions. The situation would be laughable if it were not so serious.

Would you agree with that statement?

Mr. Joe O'Reilly: Well, I think Deputy John Paul Phelan asked me a question in relation to ... sorry, asked me a question in relation to, you know, the fact that people's salaries they ... and, as Mr. McWilliams said, ten times. That absolutely was not sustainable, and, from that point of view, I would agree with him. So somebody's salary-----

Deputy Joe Higgins: This-----

Mr. Joe O'Reilly: -----ten times salary would be mad.

Deputy Joe Higgins: Mr. O'Reilly, this statement was made in 2003. This wasn't made with the benefit of hindsight when many people became wise. So there was still four or five years to go of the property bubble. It wasn't probably just a third of the way up at the time.

Mr. Joe O'Reilly: Yes.

Deputy Joe Higgins: Did developers like yourself not consider at that stage where things were going? And did it give you pause for thought?

Mr. Joe O'Reilly: I suppose we operated within the system, and the system was we were the house builders; we provided the houses; the banks provided the loans or the mortgages; and that's the system ... that was the system.

Deputy Joe Higgins: Is it a just system or was it, Mr. O'Reilly, that this combination of bankers and developers, between you, would see the price of an ordinary home between 1996 and 2006, on figures given to this inquiry, increase each year by the equivalent of the average industrial wage? That's each year. Is that, apart from the sustainability or lack of sustainability, is it just that young, working people would be under that pressure?

Mr. Joe O'Reilly: I think the first point is that everybody should be able to afford a home and everybody ... there's no question about that. I think, Deputy, you have to go into a lot of other macro factors in relation to what was driving the price of land, what was driving the price of houses, why banks were doing what they were doing, etc., etc. So I mentioned earlier on, for instance, it was 100% mortgages. That was clearly wrong. We weren't in control of our own fiscal system. You know, we had joined the EU, we didn't seem to have put into any play ... anything in place to put a brake ... or to put some brakes on how our economy was expanding. So there was ... you know there was 101 pieces, there was 101 different factors, all combining to the market becoming inflated and overheated.

Deputy Joe Higgins: And, Mr. O'Reilly, the ... at the end of the day, when the bubble crashed, there are many figures that, in the media, would be said to be dramatic. One was that in March 2009, the top 13 debtors owed Anglo €14 billion and the total bailout cost, €64 billion, by a few hundred people, and you would have been among the top people in that. Is it right that a few private individuals and bankers or banks or companies in search of profit maximisation have that amount of power in society that can literally wreck an economy for millions of people?

Mr. Joe O'Reilly: Well, first and foremost, again, from a macro point of view, and I don't want this to sound flippant, but we, we didn't borrow from the Irish taxpayer, we borrowed from private or from public banks. So, you know, from that point of view, that's the answer to that question. In relation to ... again, as I said, and I mentioned to ... to the ... a number of ... or to some of the other questions from the Deputies, from the other Deputies, I think from ... I can only speak from my point of view and only speak from our organisation's point of view, is that quality of the assets that we had supported ... the quality of the assets or the ... the ... or that the loans or the lending to ourselves and to our organisation was ... was secured against some of the best assets in the country.

Deputy Joe Higgins: But, Mr. O'Reilly, with respect, I mean, you said in your statement "[We are the] most successful residential property developers". With €2.8 billion debts going into NAMA, are you in denial?

Mr. Joe O'Reilly: Sorry ... I'm in denial about?

Deputy Joe Higgins: About the reality of what bankers in association with the developers ... the state they have left this economy and people in. And you refer to yourself-----

Chairman: With that line of questioning now, Deputy, that-----

Deputy Joe Higgins: Yes, but I'm-----

Chairman: -----this is not a court of law.

Deputy Joe Higgins: -----querying that Mr. O'Reilly describes in page 2 of his statement, "[the] most successful residential property developers."

Mr. Joe O'Reilly: I don't know that I actually said ... well, I ... I don't think I said we were the most successful.

Deputy Joe Higgins: Well, anyway, it's words to that effect. We ... I haven't time, but it's-----

Chairman: If we rely on a quote it better be in front of us if ... Deputy. And the witness needs to be informed of it. What page number are you on there, Deputy?

Deputy Joe Higgins: Sorry, I've lost my-----

Chairman: Yes, okay, I'll give you a bit of time.

Deputy Joe Higgins: I'll ... I'll ... I'll send it up to you before the end, Chair-----

Chairman: Okay, good man.

Deputy Joe Higgins: -----because-----

Chairman: Here we go.

Deputy Joe Higgins: -----to ensure that it is there. Yes. Mr. O'Reilly, because of ... time is ... is nearly up, are you ... now, you said you borrowed not from the taxpayer, from private banks.

Mr. Joe O'Reilly: Correct.

Deputy Joe Higgins: Yes. Why should ... why was the taxpayer then lumbered with picking up the debts that you borrowed from private banks?

Mr. Joe O'Reilly: Well, again, I didn't have any involvement in that and that was a decision that was made at EU level, where ... or was made at Ireland Inc level-the EU, so that came down to, I suppose, what was considered as ... or, as I understand it, the Irish State wasn't in a position ... or the ... as I say, that wasn't our ... that wasn't my decision or our decision.

Deputy Joe Higgins: Do you understand why ordinary people out there, who have suffered massively as a result of the crash, with the austerity, for example, the unemployment, the forced emigration, do you understand why they feel very, very bitter towards developers and bankers who were central to this?

Mr. Joe O'Reilly: Absolutely. Absolutely. And ... of course, I do. And all I can say is that over the last six and a half years, we have worked extremely hard, as has our ... as has our entire organisation, to try and recover as much of that value as possible and that's what I'm ... that's what ... that's what I'm absolutely saying, that we have recovered, and working closely with NAMA and with NAMA's assistance, we have recovered a substantial amount of that value.

Deputy Joe Higgins: Mr. O'Reilly, there was a developer in here yesterday who said that he was a victim - a victim of the whole situation that developed. Do you see yourself as a victim?

Mr. Joe O'Reilly: No, I don't.

Deputy Joe Higgins: Okay.

Mr. Joe O'Reilly: And I don't see myself as a victim simply because, at the end of the day, I think, as you inferred, business ... a person would be very fortunate to go through their business career without having some ups and downs or without having some turbulence and, you know, that's it. We had good periods, bad periods and, hopefully, there'll be some better periods again.

Chairman: Last question, please.

Deputy Joe Higgins: Yes. Just to clarify the quote, Chair. Page 2, "Founded in 1989, Castlethorn Construction is one of Ireland's most successful residential property developers". Just for-----

Mr. Joe O'Reilly: Yes, one of Ireland's most successful. You said the most successful, was that the point?

Deputy Joe Higgins: Yes. Well, I did. So-----

Mr. Joe O'Reilly: I'm never ... I wouldn't have that level of arrogance, Deputy, to say something like that.

Deputy Joe Higgins: Yes, but would you agree, Mr. O'Reilly, that you mightn't have that level but you're going in that direction, certainly by making a statement like that. Mr. O'Reilly, can I ask you-----

Mr. Joe O'Reilly: Well, if I'm not to say it nobody ... somebody else mightn't say it, so-----

Deputy Joe Higgins: Yes. Just two very short questions, I'll put them together because I'm out of-----

Chairman: Please, Deputy, please.

Deputy Joe Higgins: Yes. You refer in page 8 of your statement that given the risks involved, lenders sometimes lay down key milestones where finance was issues for site acquisition, performance milestones, etc. Can I just ask you in a general way if that was commonplace for the type of lend that you were involved in and if that was commonplace practice? You've gone into it in some detail but just to elaborate. And the last point I'm ... you were asked about the cost of a home and that and you gave a lot of information but I'm ... could you give us ... you gave cost information of the site, etc. Now I do appreciate there are a lot of different variations but, for example, the houses you were building in Blanchardstown in the mid-2000s, for example, where you had the land from years previously. You said in your statement that in that case, the return would be quite large. Could you give us an indication of, say, if you had an average three-bedroom home, what would the fundamental cost of the site be? Well, let's leave the site out, of the construction be? And then because you had the land from previously, what kind of a profit would you make per house? Is there a typical figure you could give us?

Mr. Joe O'Reilly: Well, I don't want to get into ... that's sort of commercially sensitive, but what I can tell you is what's relevant today ... is what it costs to build a house today. And to build a house today is somewhere in the region of a three-bedroom semi that you refer to is somewhere up to €280,000 up to €300,000. And I have to say that, and again just to understand, that that's only the cost of building the house. You have to put in the infrastructure and you have to ... people just think about, you know, what they see within the ... just the house and the front garden, the back garden, if there's gardens, or the front area and the back garden. They forget about the roads, they forget about the, you know, the surface water, sewer, the foul sewer. They forget about the water. All of those costs that have to be incurred.

Deputy Joe Higgins: Right.

Chairman: Thank you very much. Deputy McGrath.

Deputy Michael McGrath: Thank you very much, Chair. Good evening, Mr. O'Reilly. Can I start by asking you about the valuation process that the banks would've undertaken? The Central Bank in a 2012 report, which I don't expect you to be familiar with, made the point that credit institutions were often negligent and imprudent in the manner in which they requested property valuations. Can I ask you to comment on that, that as part of the loan application process, when valuations of security, for example, had to be undertaken, did you observe any difference in the rigour applied to valuations sought by the Irish banks, and I know you dealt with a number of non-Irish banks, like KBC and Ulster, which is ultimately owned by RBS. Can you comment on that?

Mr. Joe O'Reilly: No, again I ... again, we would have seen the same level of process and rigorous process. So, from our point of view, we would have valued our own ... we would have put our own business plan together. We would have then brought out ... we would have then brought in external advisers and, in some cases ... in most cases, in fact, they were valuers. So they vetted what our assumptions were. If the bank was interested in our proposal, they would issue a term sheet. That term sheet then would move to a facility agreement. Going from a term sheet to a facility agreement, usually the banks would have brought in an independent external valuer and that would have been the same with the foreign banks, with KBC or Ulster Bank, the exact same thing-----

Deputy Michael McGrath: A broadly similar process among all the banks that you dealt with, okay. In the pre-crisis period did you or management colleagues believe at any point that a property bubble was in the making, or did you generally rely on the soft landing theory?

Mr. Joe O'Reilly: I think, ultimately, we relied on the soft landing theory. We didn't ... I mean we just looked at what was happening and what had happened in previous adjustments. And our view was that there was somewhere ... the adjustment would be somewhere between 20, 25, 30%, perhaps, but not at the scale that-----

Deputy Michael McGrath: And when did you believe that an adjustment of that order was inevitable or became likely? Like in the second half of '06 when prices probably peaked and begun to turn, did you believe then that there was going to be a contraction in prices?

Mr. Joe O'Reilly: Probably, yes. I think that '06 seemed to have marked the period in which a lot of property-related assets seemed to peak.

Deputy Michael McGrath: Okay. Can I ask you about the establishment of NAMA? And, as you know, it was announced first of all by the then Minister, Brian Lenihan, in April 2009, but the legislation was not signed into law until November of that year, so there was a delay because of the legislative process that had to be gone through. So can I ask in the interim phase, can you describe the impact on the relationship that you would have had with your existing banks at that time, the impact on the impending establishment of NAMA, and the prospective transfer of your loans across to NAMA? And did that time lag have any particular effects on your business during that time? And, of course, it came at a time when property values were collapsing.

Mr. Joe O'Reilly: Well, it was a time of uncertainty and I suppose the reality was that we had ... you know, fortunately, we had ... a majority or a substantial part of our portfolio was income producing. So ... and while there was certainly a lot of strains in the market, we continued to asset manage that portfolio and we continued to ... you know, I suppose that our focus changed from doing anything in terms of continuing on with the development to consolidating. And that consolidating, as I say, in relation to our commercial side, we just continued to asset manage and drive the business from that point of view. And we were very successful. In relation to our residential, we set in track a process of trying to finish off everything we could, bearing in mind that money was tight then, and we wanted to ensure that our developments were left in a state that-----

Deputy Michael McGrath: Okay.

Mr. Joe O'Reilly: -----that residents and people who moved in there wouldn't be left in the so-called "ghost estates". So we wanted to finish our developments. So that's what we focused on.

Deputy Michael McGrath: Can you just clarify the group structure for me? So Chartered Land is 100% owned by yourself, and Castlethorn Construction you share with two co-investors. And then is there a parent company? And are they all sitting in the one group? Can you just explain the group structure, please?

Mr. Joe O'Reilly: Chartered Land is outside of ... it's a stand-alone company. It's owned by me, 100%. Castlethorn is separate; it's a different entity with two partners.

Deputy Michael McGrath: So no legal relationship between the two entities whatsoever? So there isn't a group structure around either entity?

Mr. Joe O'Reilly: No. There ... Chartered Land is on its own---

Deputy Michael McGrath: Stand-alone company?

Mr. Joe O'Reilly: Stand-alone company. Castlethorn ... Castlethorn is ... again, it's a separate entity that ... you know, there would be certain other companies within Castlethorn but they ... they're all within that group.

Deputy Michael McGrath: Okay, within the Castlethorn Group?

Mr. Joe O'Reilly: Within the Castlethorn Group.

Deputy Michael McGrath: And would you have formed a new corporate entity for each development, for example?

Mr. Joe O'Reilly: Not necessarily.

Deputy Michael McGrath: Okay. And ... and just to clarify the ... the total value of par debt attributable to your ownership interests, as you put it, was €2 billion at the end of September 2008. So is that 100% of the Chartered Land debt and your share of the Castlethorn debt?

Mr. Joe O'Reilly: Correct, 100%.

Deputy Michael McGrath: Is that what it is?

Mr. Joe O'Reilly: That's it exactly, yes.

Deputy Michael McGrath: Okay, and does it include personal borrowings as well then?

Mr. Joe O'Reilly: It does include personal borrowings, yes.

Deputy Michael McGrath: It does. So the par value of what went across to NAMA which was attributable to you-----

Mr. Joe O'Reilly: Exactly. It's €200 million - 100% - that's it, Deputy, yes.

Deputy Michael McGrath: Okay, if you included the ... the ... the share of your co-investors in Castlethorn, it would have been somewhat higher then?

Mr. Joe O'Reilly: Somewhat higher, yes.

Deputy Michael McGrath: Okay. And when you say that €600 million has been paid back to NAMA, you're not talking about cash flow generated there which NAMA has kept from a rent roll, for example, you're talking about actual paying back of debt. Just to clarify.

Mr. Joe O'Reilly: No, no, absolutely. I will clarify that, happy to clarify it. So we're talking about in the region of about €400,000 ... or €400 million actual asset repayment and about 200-250 in terms of rental.

Deputy Michael McGrath: Okay, so about €400 million is ... is reducing the actual principal balance of the debt-----

Mr. Joe O'Reilly: Yes.

Deputy Michael McGrath: -----and about 250 is cash flow generated-----

Mr. Joe O'Reilly: Correct.

Deputy Michael McGrath: -----which would then be retained by NAMA by not offset against the loan balance. Okay and the €400 million is going against the €2 billion-----

Mr. Joe O'Reilly: Correct.

Deputy Michael McGrath: -----not the greater amount which includes your co-investors. Just to clarify that. You dealt with a number of different banks. Chartered Land was heavily dependent on Anglo for 65% of its borrowings. Castlethorn to a lesser extent, 25%, I think Ulster, you say, was the lead lender to Castlethorn. What differences were there, in broad terms, between the different banks and their approach to lending? Why would Chartered Land, you know, have been so dependent on Anglo? Two thirds of your borrowings with one bank - albeit a specialist property bank.

Mr. Joe O'Reilly: Well, I think that's it, it was a specialist property bank. I think ... we had dealt with ...we'd dealt with Anglo from ... I ... and, again, I'm subject to correction on this but in a small scale in the mid-'90s ... on our ... and the business with them would have grown somewhat. But what was ... what was ... the main reason for ... for ... that the level of business that we did with ... with Anglo was just based on the fact that they understood our business model, they understood exactly what we were ... what were about in terms of retail and that came about by ... you know, that didn't happen overnight. It ... it ... it-----

Deputy Michael McGrath: Okay. And was their loan approval process as rigorous as the other banks?

Mr. Joe O'Reilly: Absolutely, absolutely.

Deputy Michael McGrath: And how long typically would it have taken before you'd get approval in principle or ... or a ... a verbal assurance that the bank would be interested in supporting a project?

Mr. Joe O'Reilly: Well that ... that ... that varied and ... well, for instance, in the case of Dundrum, Anglo weren't ... didn't or wouldn't ... didn't have the capacity to do that on their own. So, certainly, we would have gleaned from them that they were positively disposed towards what we were ... what we were ... what our business strategy was but it was very much dependent on bringing in other banks. So, I mean, at the end of the day the reality of it is, it only became a reality ... or it only became well ... again ... it only became a reality when all of the banks and all of the funding that we required was ... was available.

Deputy Michael McGrath: Okay, thank you. Thanks, Chair.

Chairman: Okay, thank you very much. I just want to deal with one final question and then we'll start wrapping up with you, Mr. O'Reilly, and if ... that's if the leads are ... inviting to come back in ... I'll actually close in that case.

Mr. O'Reilly, the ... in the second last paragraph on page 3 of your witness statement you say that in future developers ... and I'll then revert to your quote, it's just a short line so ... it says that "in future [developers must] ask [sorry] act with greater prudence, responding to market demand with product that is economically sustainable." What changes, if any, would you propose to make your business model to make more economically sustainable compared to the model in place during the pre-crisis period?

Mr. Joe O'Reilly: I'm sorry, maybe just a bit louder. I just can't hear you.

Chairman: Sorry, I'm just maybe away from the mic. In the second last paragraph, on page 3 of your witness statement, you say that in future developers must ask ... must act with greater prudence, responding to market demand, with product that is economically sustainable. So what changes, if any, would you propose to make your business model to make it more economically sustainable compared to the model in place during the pre-crisis period?

Mr. Joe O'Reilly: I suppose that what I'm referring to there is a general comment, it's not just specific to ourselves. What I'm referring to there is that any business is only as good as the ... understanding the market, and in order to understand the market, you have to have done your research. And that research then forms the basis of what your business model will be. So I think what I'm referring to there is that there's no point in building shopping centres where the demand isn't required. There's no point in building houses where they're not required. So, you know, I suppose I'm being a little bit arrogant there in the sense of saying, well listen, our business model has always been based in Dublin, it's where we .. where it's the largest population, and it's along that lines, yes.

Chairman: Okay, thank you very much. I'm going to bring matters to a close, Mr. Reilly. In doing so, I just propose that we will suspend for a few moments then just to go into a private session to attend to one single item after this. In that regard, is there anything you'd like to say by means of closing comment or statement, or remarks, Mr. O'Reilly?

Mr. Joe O'Reilly: No, I think I'm ... thank you for listening today. I think the only comment I would make is that, look it, there is going to be ... there is a requirement for change and I think this particular Government, and certain aspects that they're looking at, will hopefully help ensure that this doesn't happen going forward. I think there is a big demand for housing going forward, there's a big demand for offices going forward. The level of finance that's going to be required for them is enormous given the ... given where we find our banks today. So, for instance, if you look at, if you take it that I think the report at the moment is that we need about 30,000 houses. If you take it just as a general figure, that's ... that requires ... say the building costs of a typical house is €300,000, that's a requirement of €9 billion. And that's only for the financing, there's mortgages required for that, so even at, you know, an 80% LTV against that, it's just a phenomenal figure. So, again, I think the issues surrounding how we resolve the ... where we find the industry today is not going to be easy to resolve.

Chairman: Okay. Thank you very much, Mr. O'Reilly. With that said, I'd like to thank you for your participation this evening, with the inquiry and your engagement with it, and your co-operation as well in regard to our time management of our engagement with you today. With that said, the witness is now excused.

So I'm proposing a five-minute very, very short break.

Sitting suspended at 7.33 p.m. and resumed in private session at 7.40 p.m. The joint committee adjourned at 8.28 p.m. until 9.30 a.m. on Wednesday, 29 July 2015.