

THE TRIBUNAL RESUMED AS FOLLOWS ON TUESDAY, 25TH JULY 2000,

AT 10.30PM:

CHAIRMAN: Mr. Coughlan and Mr. McGonigal, although the provisional arrangements for sitting this week had initially been on a basis of Monday, Tuesday, Thursday and Friday, I understand that, following discussions between the lawyers, there may be a preference for going straight through Monday, Tuesday, Wednesday, Thursday and not sitting on Friday. Am I correct in that? I have no problem with that. And what happens for members of the public and persons professionally covering the proceedings, it's well that we confirm those revised arrangements now at the start of the hearing.

MR. COUGHLAN: May it please you, Sir.

Mr. Haughey.

CONTINUATION OF EXAMINATION OF MR. HAUGHEY BY MR. COUGHLAN:

Q. MR. COUGHLAN: Mr. Haughey, if I could just briefly take you to the document at folder number 25 again, which was the final document that we dealt with yesterday and I think that the we had been through the first two paragraphs of that particular document and coming to the proposals which are recorded as having emerged from this particular meeting, if we could just turn to those, they are numbered 1, 2, 3, 4 and 5. The first one was to freeze the debt now at say €310,000.

2. Mr. Haughey will undertake to pay interest €50,000 approximately per annum, half-yearly commencing March 1977.

The bank record "We gather he can make arrangements with a colleague to provide this sum." Do you have any recollection of that yourself, Mr. Haughey?

A. No, no, I don't. It intrigues me, as a matter of fact.

Q. I see.

A. I don't know if Mr. Traynor might be referred to as the colleague, but hardly.

Q. I see. But you yourself don't have any recollection in relation to that particular reference.

A. No.

Q. And then the third proposal "He has already given instructions to auctioneers Dan Stevenson to dispose of Rath Stud for €300,000. That is €2,000 per acre. This would take six months and would only serve to satisfy NBFC's first charge thereby giving AIB first charge on Abbeville." Do you remember the proposal in general along those terms?

A. It sounds very likely, yeah.

Q. And then 4, "Within two years, Mr. Haughey will sell 150 acres of Abbeville and retain house and hundred acres for residence and stud farm in lieu of Rath Stud land near Abbeville as green belt is making €5,000 per acre. With a view to rounding off 150 acres for sale he has purchased 9 acres for 32,000 pounds from a neighbour due to be paid end

of November." Again, do you remember any general proposals

A. I think that's all correct, yes.

Q. And then the fifth proposal is "a sum of £10,000 per annum to be advanced by the bank each year for living" I can't make out that word

A. Expenses

Q. "Living expenses, for the next two years pending sale of 150 acres. No excesses whatsoever on such limit. He stated he had £10,000 from Dail, £6,000 from other income and £26,000 should be sufficient." Again, does that seem like the type of proposal that may have been discussed around then?

A. Absolutely, yes.

Q. Now, I think the next document then is document number

A. Sorry, Mr. Coughlan, if I might just point out there, the next bit after number 5

Q. Yes.

A. "Finally he stressed the importance of his position, prestige, etc. and on no account will he consider outright the sale of Abbeville now as it is in his constituency."

It's not of any great moment, but it's inaccurate. I couldn't have said because Abbeville was never in my constituency. It may be important from the point of view of minor accuracy of these internal memos.

Q. Well, I wonder and I think you know and you are absolutely correct, it was not in your constituency of course. It

was adjacent to your constituency I suppose would be a way of describing it, would that be fair to say?

A. Two or three miles I would think.

Q. And might it have been a factor that would have exercised your mind at the time that you may not have wished for understandable political reasons?

A. Not in that context, no.

Q. Not in that context?

A. No. Perhaps, maybe on reflection, there might be a point that it was convenient to my constituency, in other words that I didn't travel, I didn't have to travel all that far from my home to my constituency, perhaps that might have been the reference.

Q. It's possible that that could have been the reference, yes. Now, the next document is at divider number 26, and this is a memorandum from Mr. Denvir to Mr. Casey and it's dated 5th October 1976 and it's referring to you, and it has the net debit balance at €304,964 and the suspense interest at €19,770. "With reference to your memorandum of the 30th ultimo conveying the views of Banking Department Lending Committee in this case, we now attach report following meeting with Mr. Haughey at area office on Friday last.

"As you can see from the report, a very firm line was taken which met with strong resistance from Mr. Haughey. He was left in no doubt as to the bank's attitude to the

unacceptable level of the indebtedness and to the options open to the bank if immediate steps are not taken to arrive at realistic proposals for clearing the entire debt in the short term.

"Since Friday, we have been in touch with Mr. J. Golden, Investments Manager AIIB, with a view to establishing if AIIB or any outside institution would be interested in the sale/lease back of portion of Mr. Haughey's land at Kinsealy. In addition, we have had a preliminary discussion with our group law agent as to the question of "adequate notice" and in his opinion, the three months' notice would be necessary if the bank were to consider calling in the debt.

As Mr. Haughey is in Brussels all this week and may not be calling to Mr. Phelan, manager at Dame Street, until Monday next, 11th, with written proposals along the lines in the attached report, we would be obliged if the formal report to the Advances Committee could be deferred for two weeks.

"In the interim, the exact balances due to NBFC would be established and we would request Mr. Phelan to raise the matter of having Mrs. Haughey's guarantee increased."

Now, you wouldn't have known anything about that particular dealing internally within the bank?

A. Sorry?

Q. You wouldn't have known anything about that particular internal dealing within the bank?

A. No, Sir. But it does indicate that at this stage the bank were beginning to go along with my request of selling lands at Abbeville.

Q. Well, that is one consideration which this memorandum seems to be engaged in and the other consideration appears to be discussions with the law agent on the question of whether they would call in the debt or what steps would need to be taken legally to call in the debt?

A. Yeah, and the time involved.

Q. And the time involved.

A. Yes, Sir.

Q. So would you agree or would it be your understanding of this particular document that what was being considered in the bank, at least, were two options; one, sell land to discharge the debt or reduce the indebtedness and the other was the question of whether the debt would be called in?

A. Yes.

Q. Now, the next document on the next divider, it's a memorandum it's a letter from Mr. Casey to Mr. Denvir and I am sorry the copy isn't the best, but it reads: "We have received a memorandum of the 5th instant with enclosure from which it is noted that arising out of the very firm line adopted by you, Mr. Haughey is to let the bank have written proposals for dealing with his indebtedness this week.

"In the circumstances, we look forward to your full report within the next two weeks for submission to the Board."

I think that's just an administrative response, standard administrative response.

And then the next document, number 28, is a memorandum of the meeting of the same date with Mr. dated 8th December, I beg your pardon, 1976, and it's a memorandum of a meeting at Oldbrook House on the 8th December 1976 and present is recorded you on your own, Mr. Denvir, Mr. Phelan, and Mr. Coyne. And it reads "This meeting followed a previous one on the 1st October wherein certain proposals were set out briefly.

1. Freeze the debt at €310,000.
2. Undertake to pay the interest half-yearly commencing March 1977.
3. Sell Rath Stud for €300,000. Give the bank a first charge on Abbeville when Northern Bank Finance made off.
4. Within two years, Mr. Haughey would sell 150 acres of Abbeville and retain house and 100 acres. To achieve this he already purchased additional nine acres to round off Abbeville at €32,000 due to be paid before the end of November.
5. Some €10,000 to be advanced by the bank each year for living expenses for the next two years pending sale of the 150 acres.

The present meeting confirmed that the Rath Stud had been sold for €350,000 to a man called Maurice Taylor from the North of Ireland. Previously a client of ours, P. Downey, client at Grafton Street, had been interested and we had arranged finance but he only went as far as €300,000. Not quite clear when the closing date is, though it will probably be fairly soon. Mr. Haughey will have to pay capital gains tax and the following is the expected outturn of the sale:"

Then it sets out:

Gross price, €350,000. Deduct capital gains €30,000.

Northern Bank Finance Corporation would have to be paid €264,000, leaving a balance then of €56,000. Deduct €32,000 for purchase of nine acres, that left a balance of €24,000. This balance is required by Mr. Haughey to pay immediate sundry debts which had been outstanding for quite sometime.

"He now proposes next year to sell 30/40 acres of Abbeville at €10,000 per acre and in connection the County Council are already running a sewage scheme across portion of his lands and he has had consultations with them regarding expansion of sewage scheme with a view to catering for a large development within the area and he is confident that planning permission will be obtained.

"With regard to the bloodstock on the Rath Stud, he will



sell some of this and will retain three good mares to be transferred to Abbeville.

"The bank debt now stands at €330,000. This figure may be €340,000. We are not sure if the cheque for €10,000 issued this week for the deposit on the nine acres has been presented. Based on original request for €10,000 per annum living expenses and assuming current balance at €330,000, Mr. Haughey is now seeking €350,000.

"In all, and it would be proposed to place €300,000 of this on loan account with interest to be met half-yearly March and September, the working account to fluctuate at a limit of €50,000 pending sale of the Abbeville lands.

"Mr. Haughey is to place all these proposals in writing again this week or so in order that they may be submitted to the Board for consultation."

There is a footnote, "We are aware through an independent source of information that Mr. Haughey has recently signed a contract for €150,000 Unidare Limited for electrification of his island Inishvickillane off the Blaskets. (We hold the deeds in security)."

The holding the deeds, that's the deeds of Inishvickillane being held by the bank?

A. You say it's the first time

Q. No, sorry, I say the final reference "We hold the deeds of security". I think AIB held the deeds of Inishvickillane

as security, isn't that correct?

A. It would seem to be correct.

Q. Now, again, do you remember this meeting which you attended on your own at Oldbrook House on the 8th December of 1976 with Mr. Denvir, Mr. Phelan and Mr. Coyne?

A. Again, I would have to say that I don't specifically remember the meeting or the details, but on the other hand, I have to agree that it seems to be a very natural sequel to everything that's being going before and I with some little points which I mention later, I can't disagree with it.

Q. Of course, and we'll deal with those in due course.

Now, I think I take it you can confirm that Rath Stud was sold at or around that time?

A. Yes, that would seem to be the position.

Q. And for œ350,000 or thereabouts anyway?

A. Yeah, that would seem to be correct, yes.

Q. Could I just ask you, Rath Stud was near Ashbourne, is that correct?

A. It was at the just going north of Ashbourne to the right, at the Rath cross. There is a memorial cross there.

Q. And it was a stud farm?

A. It was, yes.

Q. And who looked after the financial and administrative aspects of that particular stud?

A. There was a manageress there.

Q. And I take it that there was some staff there, was there?

A. Pardon?

Q. There was some staff there as well?

A. Oh, oh yes, it was smallish, it would be considered a small stud farm, but nevertheless, stud farms are very labour intensive, there would have been two or three people there.

Q. And I think you can confirm and it is probably the case that the proceeds of the sale of Rath Stud after the deduction of capital gains tax was primarily used to get rid of indebtedness with Northern Bank Finance Corporation?

A. Yes, but for my own interests may I just mention that I did pay capital gains tax.

Q. Yes, I don't think that there is any doubt about that.

A. I am not saying that, it's not you, Mr. Coughlan.

Q. And then after Northern Bank Finance Corporation went out of the picture, some of the balance was used then to purchase the nine acres adjacent to Abbeville which you wanted to take into your holding, isn't that correct, at Kinsealy?

A. That's correct, yes.

Q. And I think Northern Bank Finance Corporation had first charge over Abbeville, isn't that correct?

A. Yes, I am going on this, but that seems to be quite clear, yes.

Q. Now, if we move on in the if we go back to the first page of the memorandum again please, and just move it

along, I think if we move along the memorandum, what is recorded here is what appears to be an indication by you of your intention within the next year or so to sell 30 to 40 acres of Abbeville at €10,000 an acre.

A. Yes.

Q. And is the rest of the memorandum in that particular paragraph correct, that there were some sewage works taking place across some portion of the land at the time?

A. Yes, Mr. Coughlan and Chairman, if you might give me permission to say a word or two about that, because it's something that I feel very deeply and strongly about and I remember it fairly clearly because really of the enormity of the unfairness of that whole incident.

What happened was the County Council there was an estate of houses beside Abbeville, on the edge of the Abbeville lands and they had no sewerage in their houses and the County Council were anxious to put in sewerage and they approached me to know if I would sell them a site and provide wayleaves across Abbeville lands to take the outfall from sorry, a site for a treatment works and provide wayleaves across the land to take the outfall from the treatment works into a stream which ran through Abbeville. Because they were my neighbours, I said to the County Council, I will give you the site for nothing and I will not charge you for the wayleaves and that was the basis of that piece of sewerage work being put into the Abbeville lands and the reason I mention here is from that

day to this, I have been pilloried about that particular operation which I entered into in good faith and which is now entered more or less into folklore that I in some way gained from that operation and just, sorry just to finish,

Mr. Coughlan

Q. Of course.

A. The truth of the matter is that that sewerage work was installed at that time was totally dedicated to the Baskin estate and was of no benefit whatsoever to either me or any of my family. In fact, Abbeville House itself is still operating on the old original septic tank put in in 1790 or whatever it was. I thank you for indulging me but I really wished to make that statement to this Tribunal.

Q. Well, if we could just clarify it in your interest, Mr. Haughey. This, I think, has entered, as you say, the folklore as the Baskin cottages sewage scheme.

A. And is repeated again and again and again as if in some way I have used influence to get this sewage put in for my own benefit, which is absolutely incorrect.

Q. And if I could, again in your interest, recap and clarify in relation to it, you allowed the County Council wayleaves over your land free of charge to enable your neighbours to have in Baskin cottages, to have a sewerage scheme?

A. And provided a site for treatment work free of charge.

Q. And provided a site for treatment works and an outfall into a stream which runs through Abbeville lands.

A. Exactly. Thank you. Thank you, Chairman.

Q. Now, was there again, in your interest, Mr. Haughey, if we could just go through the remainder of that particular paragraph and see what your view is on the matter, it seems to indicate that there may have been a consultation or what the bank have recorded was that there was a consultation for perhaps an expansion of the sewage scheme. Do you have any recollection of that?

A. No, I don't think that ever took place. In fact, to this day, there is no such extension.

Q. Well, can I take it that first of all, the bank must have been informed, I presume by you at this meeting, that there was a sewage scheme running across your land or it was proposed that a sewage scheme would run across your land?

A. I think that it may actually have been there, you know, in operation at that stage.

Q. I see.

A. Let me read it again. Yes, the bank memorandum says are already running, so presumably it was actually being installed at that stage.

Q. And the paragraph goes on to record the bank's view, at least anyway, that you appeared to be confident that planning permission could be obtained, I presume that relates to the price per acre that it was hoped to achieve for the land?

A. Yes.

Q. Does that seem correct? Were you confident that planning permission could be obtained at that time?

A. Well, at that time the economy was absolutely static and any proposal for a housing scheme on suitable land like Abbeville would have a very, very good chance of being agreed to. That's all I could say about it.

Q. But of course would you agree that that would have been subject to being able to provide services for such a development?

A. Yes, of course.

Q. So may it be that you may have indicated to the bank that there may be a possibility for an expansion of the sewage scheme and that planning permission might be obtained in those circumstances?

A. I wouldn't think I would have gone into it in any detail with the bank and if I did discuss it, which I am not sure that I did, but on the basis of what's here, if I did discuss, mention it at all, it would simply be that as a general proposition, because of the nature of the lands and the need for housing, that it would very likely get permission.

Q. And of course I take it you would agree with me, and you must remember that I have to inquire into all aspects of matters, Mr. Haughey

A. Of course.

Q. that first of all, could I ask you, in dealing with the bank, if this be a reasonable record of what transpired at the meeting, that could you have been engaging in a little puffing, if I might describe it as that, by saying to the

bank look, there is a sewage scheme there, albeit the circumstances that you had allowed the sewerage scheme on the behalf of your neighbours, that there was a possibility of the County Council expanding that scheme to enable planning permission be obtained?

A. No, no, Sir. It wouldn't be first of all, I grant you that I may have been puffing the situation, but it wouldn't have been an extension of what I would call the Baskin sewerage which was put in exclusively to cope with the Baskin estate. It would have to be a new sewerage.

Q. A new sewerage system.

A. Yes.

Q. But in the bank records you appeared confident, indeed allowing for a degree of puffing in your dealings with them at this stage, did you at least convey to the bank that you had a confidence that planning permission could be obtained and that a sewerage scheme, a suitable sewerage scheme could be installed?

A. I may have conveyed to the bank an idea that the land was ideally suitable for building purposes and I may have conveyed that if a reputable builder came along, because of the totally depressed state of everything at that stage, it would have been welcomed by the County Council to provide employment, build houses and provide employment. No more than that.

Q. I think perhaps during this period, and I am not inquiring in detail into this at all at the moment, Mr. Haughey, if



it ever requires inquiry into, but just because you raised the issue yourself, I think that at this time it was probably a period of inflation in the Irish economy, wasn't it, during the mid-70s?

A. Oh quite extraordinary, yes. Well, as you see from these memoranda, the rates of interest, bank rates of interest

Q. Were very high

A. Were 16 to 18 and a half percent and inflation would have been running accordingly.

Q. And house prices were rising quite significantly during that period I think, weren't they?

A. Nothing like today. In fact I am not too sure that they were suffering I really can't remember.

Q. You can't really, that's fine. Well, had you indicated to the bank that you were in consultation with the County Council in relation to the expansion sorry, you say you couldn't have been talking about an expansion of the sewerage scheme but were you in consultation with the County Council about putting in a sewerage scheme to service, say, 30 or 40 acres?

A. I doubt it. I doubt it.

Q. Now, again, if we move on in the particular memorandum for the moment, it reads that "With regard to bloodstock on the Rath Stud, he will sell some of this and retain three good mares which are to be transferred to Abbeville." Does that seem like something that might have been indicated to the bank at the time?

A. Yes, would I think so, yes. Just reading it it's quite logical.

Q. And it continues, "The bank debt now stands at €330,000. This figure may be €340,000. We are not sure if the cheque for €10,000 issued this week for the deposit of the nine acres has been presented. Based on the original request for €10,000 per annum living expenses and assuming current balance is €330,000, Mr. Haughey is seeking €350,000."

I think the figures seem to add up all right, would you agree?

A. Exactly, yes.

Q. Now, there was a proposal to "place €300,000 of the debit balance on loan account with interest to be met half-yearly March and September and the working account to fluctuate at a limit of €50,000 pending sale of the Abbeville lands.

Mr. Haughey is to place all these proposals in writing within the next week in order that they may be submitted to the Board for consideration."

I take it that you don't have any great difficulty with that aspect of the memorandum?

A. No, Sir, no.

Q. Now, turning to the footnote.

A. Yes.

Q. Do you have any view in relation to the footnote?

A. I have very strong views about it.

Q. And what are those, Mr. Haughey?

A. It's complete nonsense. And again if I might say so, it does show that these AIB internal memos are not totally accurate all the time because there was another occasion, I think, Mr. Coughlan, where you will recall that it was said that Mrs. Haughey had, owed money in

Q. Raheny.

A. This is, I am afraid, on the same thing. There was never any such proposals as mentioned here.

Q. Now, of course, just to stress again, Mr. Haughey, you are assisting the Tribunal in relation to the contents of these memorandum and the Tribunal has always been anxious to hear your side of these particular transactions, isn't that correct?

A. I appreciate that. I am very grateful, Mr. Coughlan. And furthermore, I am very appreciative of the fact that you have set them out so orderly and so neatly here where I can I am still overwhelmed by the complexity of the detail in them but at least I can have a good chance of following them.

Q. Now, the next document is at divider number 29 and it's a letter from you to Mr. Phelan and it's dated 20th December 1976 and it reads "Dear Mr. Phelan, you will be glad to learn that the contract for the sale of Rath Stud farm has been signed and a deposit paid. As I indicated to you, I now propose to pay off my indebtedness to the NBFC so that AIB will have first charge on Abbeville and my other properties.

"When I have completed the purchase of the nine acres here at Abbeville and discharged some other liabilities, I shall require accommodation of up to €350,000 from your good self for a further two years.

"During that period, I will arrange to dispose of sufficient lands here at Abbeville to discharge this liability and, in the meantime, interest will be paid as it falls due.

"I would be very grateful if you could have the Board agree to this proposal.

"Thank you for your kind attention you have always given to my affairs.

"Yours very sincerely,  
Charles J. Haughey."

There can be no doubt but that you sent that letter to Mr. Phelan. And it, in fact, is recording the financial side of the agreement or undertakings which had been given at the meeting which we have just been discussing.

A. Yes.

Q. Now the next document is at divider number 30 and it is the internal memorandum which is a discussion of the proposal in relation to the facility for €350,000 and it sets out

"Account of Charles J. Haughey TD, B.Comm, FCA,  
Barrister-at-Law, Opposition spokesman on health, farmer

and brookstock breeder, formerly minister for justice,  
agriculture and fisheries and latterly finance in FF  
Government.

Outline of proposals to be placed before Advances Committee  
in January."

Then it I don't intend going through the actual figures  
which you will see. They are set out. If there is  
anything specific you wish me to come back to, I will be  
glad to do so. And the total that is on the right-hand  
column is €350,000, that is the proposal that's being  
discussed.

"No. 3 account and Rath Stud working account only  
operative accounts, others having been ruled April 1975  
three accounts should be in funds and stud account limit  
€12,000. Uncontrolled personal expenditure and stud  
outgoings against meagre turn over has resulted in dramatic  
increase in debt overall trend as follows:

September '75, €180,000. June '76, €273,000. September  
'76, €305,000. Now, €341,000.

"Stated income is €16,000 per annum. €10,000 Dail, €6,000  
other and client recently indicated a further €10,000 per  
annum at least is required.

"Summary of Mr. Haughey's proposals arrived at following  
very hard line taken by bank over past 12 months

culminating in meeting with chairman on the 14th September and further meeting with area general manager in September/October and the 8th December.

1. Rath Stud now sold €350,000 (closing date to be advised deposit paid).
2. Northern Bank Finance Corporation to be paid off in full (€264,000), thereby giving AIB a first charge on Abbeville House and 250 acres Kinsealy, County Dublin, value €700,000. (Following payment for nine acres adjoining Abbeville €32,000, capital gains tax €32,000, there will be surplus €24,000 required to pay accumulated personal debts no net incoming from Bank from sale.).
3. Mr. Haughey will sell sufficient lands at Abbeville 1977/78 to clear entire indebtedness Dublin County Council at present laying water/sewerage scheme across lands for development and planning permission being actively sought. No difficulty envisaged and €10,000 per acre expected.
4. Pending entire clearance in two years, Mr. Haughey will require facility at €350,000 in all interest to be met each half year as it arises.

"Summary of present security position: Major items:

1. Second charge (stamped €190,000) on Abbeville and Rath

Stud after NBFC.

2. Above properties in joint names, letter of guarantee of wife held €190,000.

3. Letter of guarantee €40,000, Larchfield Securities Limited, supplemental deeds island off Blaskets, off Dingle, County Kerry. Valuable modern bungalow in the course of completion.

Note: A term policy for €110,000 was to be provided but it is now unlikely this will materialise.

"Summary of proposed security following clearance of NBFC debt:

1. First charge on Abbeville, Kinsealy, value €6/700,000. Charge to be stamped to €350,000.

2. Letter of guarantee €190,000 from wife to be increased to €350,000.

3. Letter of guarantee €40,000 of Larchfield Securities Limited supported by deeds of island guaranteed to be increased to cover value of property if necessary.

(Other items are small life policy, deeds of two small properties (totalling €20,000), private company shares, no value, and old letter of guarantee €500 of H. J. Boland.)

Suggestion on interest rates:

Mr. Haughey raised the question of penal rates at last meeting and may well be seeking concession. Continued to suspend interest until March 1977, interest is paid as promised and if paid, we can consider taking interest back into profit then.

Proposed rates:

Working account: €50,000, at a one third year rate 16 and a half percent. (This money drawn in past year to be cleared within two years from now.)

Loan account: €300,000, say €200,000 at AA Loan, that's 16 percent. €100,000 A loan at 18 and a half percent.

(On basis that two thirds of facility could relate to farming activities.)"

Does that, in the first portion of the memorandum, appear to record reasonably accurately the state of affairs, the proposals being made, the securities being offered, or the securities held at the time and then the security which would be in place once the indebtedness to Northern Bank Finance Corporation was cleared?

A. Sorry, Mr. Coughlan how far are you going through it?

The whole lot or

Q. I was asking you first of all, the document, it seems to, in the first portion, record the state of affairs, isn't that correct?

A. That's outline of proposals, that section?



Q. Well, at the very beginning of the document, just setting out the numbers. It seems to it sets out a history over the years of the level of indebtedness and how it had gone up, isn't that correct? '75, '76?

A. Yes.

Q. Then it sets out a summary of the proposals which we have dealt with already in a previous memorandum of the meeting which was held at Oldbrook House?

A. Yeah, this just seems to be recapping on what was already gone.

Q. Yes. And it sets out a summary of the securities which were held then under summary of present securities and I don't think there is anything controversial in relation to those, is there?

A. No, Mr. Coughlan, except perhaps valuable modern bungalow in Inishvickillane, which is a bit grandiose title for what was actually there, but it's not it's only a matter of wording.

Q. I see. Do you appreciate the Tribunal knows nothing about what type of residence is on Inishvickillane so perhaps you could describe it so that we can view this document in its context?

A. Yes. It was and is a very simple building, constructed almost exclusively of stone and wood. The stone all came from the island itself and the wood came from Abbeville where there was year after year trees would fall down and be cut up, so that it was really, from the construction

point of view, quite inexpensive.

Q. And was it a local builder did the work for you?

A. Yes.

Q. And at that time, that is in 1976, I know it's hard to throw your mind back and values over different periods, what type of value might you yourself have put on it around that time, roughly?

A. On the

Q. On the bungalow, or the residence on Inishvickillane?

A. I'd prefer residence to bungalow.

Q. I don't know, you see.

A. Well, about €20,000 is the figure.

Q. Now, at that time the bank appeared to have been giving you credit for around €40,000 but you think that that was inaccurate or this was through Larchfield Securities of course, which was in strict terms, I suppose, the owner of the property, isn't that correct?

A. Sorry, Mr. Coughlan?

Q. Larchfield Securities, in strict legal terms, was probably the owner of the property?

A. Oh they were, yes.

Q. And the bank were allowing perhaps a value of around €40,000. Do you think that that was probably a little bit generous

A. Well, no, because I mean that would include the whole island.

Q. And you would have put a value of perhaps €40,000 to

include the island at that time?

A. I think that would be fairly reasonable.

Q. Now the document then goes on to deal with the summary of proposed security following the clearance of the Northern Bank Finance Corporation and I think do you agree that there doesn't appear to be anything controversial? That it was intended that AIB would get the first charge on Abbeville?

A. Sorry, where are we now?

Q. At the bottom of the first page, Mr. Haughey. "Summary of proposed security following clearance of NBFC debt."

A. Oh yes, yes, sorry, because I was confused because Larchfield €40,000, Larchfield Securities, I thought you were dealing with that paragraph. Summary of proposed security paragraph

Q. I think the significant proposed new proposed security would be that Allied Irish Banks would get the first charge over Abbeville, Northern Bank Finance Corporation having released their charge over it.

A. Yes, I think that is so, yes.

Q. And I don't think there is anything controversial and is a reasonable record of what transpired at the time.

A. I think so, yes.

Q. Now, if we go to the next page, it records that there had been a discussion between you and officials at the bank in relation to the level of interest charges, isn't that correct?

A. That what it says here, and I don't have any reason to doubt it.

Q. And you wouldn't have been a party or have known what discussions were taking place inside the bank at that time about the proposed interest charges if the facility for €350,000 was granted, is that right?

A. Yes, as I think you said yourself, Mr. Coughlan, at an earlier stage, that the bank had their own way of dealing with interest in their books, but didn't inform me of it, so that would still be the position here. But I think it would possibly be likely that Mr. Traynor, Mr. Des Traynor may have suggested that I raise the actual rates of interest because they were absolutely crucifying.

Q. For everybody?

A. Yes, of course, but not any more, Mr. Coughlan.

Q. Now the next document then at divider number 31, it is dated 5th January 1977 and it's from the Advances Manager to Mr. Michael Phelan and it's authorising the €350,000 facility. Again the document sets out the various balances as of the 21st December 1976 and it continues, "With reference to our meeting with Mr. Haughey at the area office on the 8th December last, and his subsequent letter of the 20th December, the proposals put forward by him were considered by the Dublin Local Board on the 23rd December. The undermentioned accommodation has been sanctioned on the strict understanding that the following conditions are to be adhered to:

1. That interest is provided for in full each half year, commencing March 1977.
2. That the limits are not to be exceeded under any circumstances and the time scale proposed for repayment is to be adhered to.
3. The bank is given the first charge on the additional nine acres at Abbeville now being purchased. Accordingly the advance may proceed as follows:

Amount: 1. £50,000 on working account.

2. £300,000 on loan account.

Repayment: At the pleasure of the Board, entire indebtedness to be cleared in full by the end of 1978. In this connection, it is noted that during the course of this year, Mr. Haughey intends to initiate measures towards the disposal of sufficient portion of the Abbeville lands with a view to providing funds to clear the bank facilities and we should be obliged for a progress report on his endeavours in six months' time.

Interest: Working account A rate, one third presently 16 and a half percent varying.

Loan account: £200,000 at 'AA' loan account rate, presently perhaps it's one to three year, Mr. McGonigal suggests.

Loan account: €200,000 at 'AA' loan account rate presently 16 percent per annum varying.

€100,000 at 18 and a half percent per annum varying.

Security: Proposed main item of security in addition to sundry items already held .

1. First charge in Abbeville, Kinsealy, value €6/700,000, charge to be stamped to cover €350,000.

2. Letter of guarantee €190,000 from Mrs. Haughey to be increased to €350,000.

3. Letter of guarantee €40,000 of Larchfield Securities Limited supported by deeds of Inishvickillane Island.

Guarantee to be suitably increased to value of the island.

As mentioned in our telephone conversation of this afternoon, the above proposals were placed before the Board on the basis that interest would continue to be suspended until March 1977 interest is paid as promised and, if paid, consideration can then be given to taking previous interest back into profits.

A further aspect is the amalgamation of all the various accounts as discussed, it is felt that it might be more appropriate to leave the account outstanding in their present forms until such time as NBFC loan has been repaid and that this bank is the holder of the first charge on the

Abbeville property. If necessary, you can liaise with our Group Law Agent on this matter.

In conveying the terms of sanction to your customer, we should be obliged if you would ascertain the closing date for the sale of the Rath Stud property and advise this office in due course.

Needless to remark, the above limits have been sanctioned as outside figures not to be exceeded and this would be clearly conveyed to Mr. Haughey in writing and, in addition, we feel it would be appropriate for Mr. Haughey to formally acknowledge your letter accepting the terms of sanction. It is hoped that security matters will be finalised at an early date and we should be glad of a progress report in this regard within next month or so. As requested, a copy of our note of the last meeting with Mr. Haughey at the area office on the 8th December and a summary of the proposals placed before the Local Board are enclosed for your files."

Now, I think there then followed the next document, which is document number 32, and it's a letter from Dame Street, Allied Irish Bank, Dame Street, and is addressed to you. I am sorry, Mr. Haughey, I don't have the second page at the moment, we are trying to get it

A. I think it's at 34. I am not sure. No, sorry

Q. Probably not. But I will open what is there and I think

what it is doing, it's Dame Street conveying those particular instructions to you as the client, isn't that correct, I think? And it reads "I refer to our meeting at the area office on the 8th December last and your subsequent letter of the 20th ultimo and I am pleased to advised that, in lieu of existing facilities, a total accommodation to the extent of ₹350,000 have been sanctioned for you as follows:

1. ₹50,000 by way of overdraft and working account subject to the usual conditions, including interest at 16 I think it's a quarter percent per annum varying, applicable to such accommodation and repayable at the pleasure of the bank. This facility will be subject to further review one year hence, it being noted that entire clearance will be brought about by the end of 1978.

Interest is to be provided for half-yearly in March and September.

2. ₹300,000 by way of loan accounts: As to ₹200,000 by way of number 1 loan account at an interest rate of 16 percent per annum varying and ₹100,000 by way of number 2 loan account at an interest rate of 18 and three quarter percent per annum varying. Both loan accounts are repayable at the pleasure of the bank. It being noted that entire clearance of the loan account will be brought about by the end of 1978. Interest on the loan account is to be provided for half-yearly in March and September."



Now, unfortunately, I don't have the second page of the document at the moment. I think I will hand you a hard copy of what I believe to be the second page. (Document handed to witness.) And I think that reads "The aforementioned accommodation has been sanctioned subject to the following conditions, which we have been instructed must be strictly adhered to:

1. The interest is provided for in full each half year commencing March 1977.
2. That the limits are not to be exceeded under any circumstances and the time scale proposed for repayment is to be adhered to.
3. That the bank is given a first charge on the additional nine acres at Abbeville now being purchased.

The mechanics of the new arrangements could, I feel, be best dealt with at a discussion and in this connection I would be very much obliged if you could telephone me within the next few days to arrange a suitable appointment.

To indicate your acceptance of the terms of accommodations set out herein please sign and return to me the attached copy of this letter.

With kind regards,  
yours sincerely,  
Michael Phelan."

Then there is an enclosure. It says "I accept the terms of accommodation set out herein" and the copy we have is blank.

Do you remember receiving a letter in that form from Mr. Phelan around the time of early 1977 when there was a sanction for €350,000 facility?

A. Not specifically, but again I accept that it

Q. It seems reasonable?

A. Absolutely.

Q. And can I take it that you may not have considered that you had much choice, but that you would have accepted these terms?

A. Well, I would nearly say gladly, Mr. Coughlan. Except perhaps the interest rates, but I had no control over them really.

Q. You had no control over them. Now the next document is at divider number 33 and it's a memorandum and it's dated 5th April 1977 and it's addressed to the Advances Manager and it sets out the accounts, how they stood and that the total debt as of the 4th April 1977 stood now at €401,929.77 and there was a total interest in suspense of €49,438.27 and it reads: "With reference to your memorandum of the 6th ultimo, we advise that we had an interview with Mr. Haughey on the 25th ultimo when his total indebtedness of €400,539, the operating accounts being the number 3 account and the Rath Stud working account which stood debit

at €54,517 and €88,680 respectively at this time. The two main points discussed were (a) that he exceeded the outside limit of €350,000 sanctioned in January and that (b) he had not honoured his promise to provide for the half-yearly interest as promised in March 1977.

"When the facility sanctioned last January was being arranged, he stated that the figure of €350,000 would be adequate but subsequently he contended that he had miscalculated and that he would require an additional €50,000 pending the sale of bloodstock in September/October 1977. At that time we had refused to submit an application on the basis that €350,000 was an outside limit. At the interview, it became clear that he was unable to bring the account within the overall limit of €350,000 but he did give us firm undertaking that apart from cheques which were at the time outstanding, would he not draw further on us.

"The outstanding cheques referred to would increase the number 3 account to €55,738 debit and the Rath Stud working account to €90,041 debit, bringing the total indebtedness to €403,120. It was made clear to him that if he failed to honour his undertaking, we would be forced to dishonour his cheques. It is our firm intention to keep him to his promise and your confirmation that it will be in order for us to take this course is requested.

"As to where the funds to meet the interest payment and as to why this payment was not met, client informed us that he had expected income from his bloodstock would provide these monies but it now transpires that there will be no bloodstock sales before September or October."

Do you remember that particular meeting?

A. No, Mr. Coughlan, but again it just seems to be following the general routine.

Q. Well, do you remember I think you did remember a meeting which took place in September of or October of 1976 where there had been a heated discussion on the question of withdrawing cheque books. This was a meeting where there was a suggestion being made that cheques might be dishonoured?

A. Yes, it seems to be

Q. Does that jog your memory at all?

A. No, not particularly, because I mean, the these sort of threats were being made from time to time but I am trying to remember April '77, I just can't place it, but as I have said to you, I think in this connection generally, there was a pattern at these meetings and what I can't remember is the specific one or what was discussed or any one particular meeting. I don't quarrel with the overall pattern as outlined here.

Q. Other than the meeting which you do remember where the heated discussion took place, is that correct?

A. Yes, well one is inclined to remember heated discussions.

Q. Well, I don't think you have any quarrel with the content of this particular document as indicating again an increase in the indebtedness, isn't that correct, that's the general terms?

A. I accept, but I just notice that it's down at the bottom it says "continuing," it's not continuing.

Q. I beg your pardon?

A. At the bottom of the letter, my version anyway, it says "continuing". This is number 33, 5th April. In my version down here it says, the typist note, and then I don't have any continue

Q. Correct, and here is the hard copy of it. "He estimated the sale proceeds at that time would be œ50,000 which amount he would indicate will be lodged on permanent reduction of his overall indebtedness. He has instructed by Mr. P.J. O'Connell, solicitor, to take all steps necessary to have all the bank's security requirements put in order as soon as possible. All in all, we feel we have little option but to let matters run as they stand on the clear understanding that drawings which would increase the reconciled figure of œ400,120 will be dishonoured."

Does that assist you in remembering anything?

A. No, no, I am afraid not.

Q. All right. Well all in all, can I take it that notwithstanding some discussion which must have taken place around the question of dishonouring cheques, that didn't

overly concern you at that time so?

A. No. One would gather from these that the atmosphere was somewhat more relaxed at this stage.

Q. Well, would you agree that the memorandum, on the first page of it, if you take the first long paragraph, and the manager, that's the manager, Mr. Phelan, is saying to Mr. Coyne, to whom this memorandum is addressed, "It's our firm intention to keep him to this promise and your confirmation that it will be in order for us to take this course is required." So what Mr. Phelan was looking for here was for somebody higher up the bank to take a decision if cheques were to be dishonoured, that it should be taken at a higher level, that he wanted to be directed to do it. He wasn't going to do it off his own bat.

A. Well, this is internal bank

Q. Yes, yes.

A. I am not too clear what you want from me in regard to it.

Q. Well, you describe the meeting or the, if this meeting took place and you accept that it probably did, that it was probably in a more relaxed atmosphere. This was Mr. Phelan

A. Well, what I would say about that is that the relationship in general seemed to be more relaxed than it had been, say, a year or so before.

Q. But this was Mr. Phelan writing to his superior.

A. Yes.

Q. And Mr. Phelan, whom you describe first of all on Friday as

being a friend, yesterday as being a friendly bank manager in the context of he being a bank manager, having responsibility for this particular account in the Dame Street branch, isn't that correct?

A. Yes.

Q. And the account had now breached the sanction already or the facility already sanctioned of €350,000. He had a meeting with you. It would appear from what he records here that there was some discussion about the potential dishonouring of cheques and he is now writing to his superiors that if that course is to be pursued, that he would be seeking their confirmation that that was the appropriate course to take. Would you agree that that is what the memorandum records?

A. Yes, that's what it says.

Q. Well, would you be happy in those circumstances that your own impression of what was happening at the time or your recollection of what was happening at the time could have been that this was a relaxed atmosphere?

A. I suppose there is a threat there, to that extent it's not relaxed but what I said a moment ago, I was referring to the general situation, apart from this particular meeting, the general situation in regard to the bank and myself as a client wasn't as ominous as it had been, say, a year or so ago, before.

Q. I see. I can take it or would you take it that Mr. Phelan was a man you had time for, would that be

correct?

A. Had time for?

Q. Yes.

A. Oh yes, very much.

Q. And you would have no reason to doubt his integrity in recording and reporting accurately his dealings with you to his superiors?

A. No, certainly not.

Q. Now, the next document then is document number 34 and it's the Advances Manager's response to Mr. Phelan's memorandum and it's dated 7th April 1977 and it's headed "Charles J. Haughey" and it reads "We wish to acknowledge receipt of your memorandum in this case, from which it is most disappointing to note that the indebtedness has increased substantially over the limits sanctioned by the Board in December last and that the interest payment for March 1977 confidently promised has not now materialised.

"There can, of course, be no question of increasing the limits beyond €350,000 and, accordingly, it must be clearly pointed out to Mr. Haughey that the advance is to be brought back to within these limits at the earliest possible date and the security matters finalised within the immediate future.

"On the basis that Mr. Haughey has given a clear indication to you of the amount of cheques issued but not yet presented, we will agree to allow matters to run on for the



present bearing in mind his firm promise that he will not draw on you further. In this connection, we are wondering has he given any indication that he would hand in his cheque books?

"Should the occasion arise whereby further cheques drawn on you without prior arrangements have to be deferred, no doubt you will contact the area office."

Now, that and the next document are, in fact, the content is the same, Mr. Haughey, as number 35. They were on two different files in Allied Irish Banks, just to explain how they exist.

A. Oh yes, I see that, yes.

Q. One would have been the first document would have been the copy retained, I think at the area office level, and the other would be the copy that went to Mr. Phelan at the branch in Dame Street for his file.

Now, was it conveyed to you that the cheques which were then outstanding but not presented would be met, did Mr. Phelan tell you that?

A. Sorry, where is that?

Q. You see here

A. Oh yes, "On the basis that..." I suppose it was, Mr. Coughlan.

Q. At this time, do you know, had you any discussions with anyone else within Allied Irish Banks other than Mr. Phelan at this time?

A. I don't think so.

Q. Now, the next document is a memorandum Securities Department to Dame Street. This is from the Securities Department of Allied Irish Banks, at Foster Place and it reads: "Charles J. and Maureen Haughey." And it's 15th August 1977. "We refer to your memorandum of the 8th instant.

"We wish to advise that the only land certificate that the bank now holds are in relation to Folio 17735, County Dublin, (which folio is registered in the name of the above customers as tenants in common.)

"The bank now has first charge over the lands comprised in this folio and the increased stamping of the bank's charge (i.e. to €350,000) has presently been noted on the relative folio in the Land Registry.

"We have requested the Legal Department to write to the Land Registry consenting to the use of the bank's charge in this case by Messrs T.V. Grant & Company, solicitors.

"However, we do not understand why the present situation arises as we assumed that both the bank's charge and the Northern Bank Finance Corporation's charge had long since been discharged from folios 2646 and 2644, County Meath, this aspect of the case being dealt with by Messrs John S. O'Connor, solicitors.

"We would also point out that the bank has endeavoured to facilitate the various solicitors involved as much as possible and at this juncture, the whole matter has been very much long drawn out."

Now, I think that seems to indicate that there was some delay amongst the solicitors in relation to registering the bank's charge on the Abbeville folio. Did you know anything about that at that time?

A. No, it seems to be internal bank matters, doesn't it?

Q. The next document number 37 is a memorandum from Mr. O'Donnell to Mr. Michael Phelan and the debt was now standing at €580,000 €580,960 and that was a document dated 14th June 1978. Now, I think you had been back in government, isn't that correct, from 1977? You were minister for health or minister for health and social welfare?

A. Yes, there was a general election in June '77 and I became health and social welfare then, yes.

Q. And this particular memorandum or letter to Mr. Phelan, "We wish to draw attention to the position currently obtaining on the account of the above. It is totally unacceptable and is a matter of concern to the bank that indebtedness to this extent quoted now outstands and the point has been reached when a full report to the Board is necessary. We accept that due to the change in the political climate in the past year, it has not been possible for to you tackle the situation as you or the bank would wish to but whatever

about the forbearance shown up to this, it is imperative that Mr. Haughey now be interviewed with a view to obtaining his realistic proposals with dealing with his large and unwieldy debt.

"We again draw attention to the Board's ruling conveyed to you in our memorandum of the 5th January 1977 and to the undertakings contained in Mr. Haughey's letter to you dated 10th December 1976. Your comprehensive report within one month will be awaited."

Now, I think you would accept that you had, in that particular letter, agreed to the facility which had been sanctioned by the bank that the indebtedness would stand at œ350,000, that certain securities would be lodged and that certain steps would be taken to dispose of land at Abbeville to reduce and ultimately wipe out the indebtedness, isn't that correct?

A. In the last, second last paragraph, "In Mr. Haughey's letter to you dated 20th December 1976..." Is that the letter you are referring to?

Q. I will get that letter, it's at divider 29?

A. What heading is that letter?

Q. It's at tab 29 I think, Mr. Haughey.

A. Oh yes, yes, I remember the letter, yes the letter of the 20th December '76 is in general terms.

Q. That was in response to certain proposals which had been put to you in a letter from Mr. Phelan and following on a

meeting which you had with officials of the bank, but I think would you agree that in general terms, what had been agreed was that the indebtedness would stand at €350,000 or thereabouts, that certain securities would be put in place and that steps would be taken over the next two years to dispose of lands at Abbeville to reduce and ultimately clear the indebtedness?

A. Yes, I am reading it here, Mr. Coughlan. It seems, on the other hand, to be looking for accommodation, in the third paragraph, it says "I shall require accommodation of up to €350,000 from your good self for a further two years."

Q. That arose, Mr. Haughey, because you were asked to put it in writing. It had been discussed verbally and you were asked to put it in writing, I think that was the situation.

A. I see.

Q. But would you agree that what had been agreed was that the facility of €350,000 would be granted, that securities would be put in place and I think they began to be put in place but that steps would be taken to dispose of certain lands to clear well, to reduce in the first instance and ultimately clear the indebtedness to Allied Irish Banks within, say, about two years from then?

A. It doesn't seem to be the second last paragraph says "I would be very grateful if you would have the Board agree to this proposal."

Q. And they did.

A. We are talking about a proposal here.

Q. And they did, Mr. Haughey. Perhaps I will go back over it again. There had been a meeting where the proposals had been discussed between you and officials. I think you were asked to put it in writing and you did, and the proposal was granted. You remember the letter from Mr. Phelan to you at divider number 32?

A. Yes.

Q. Where the proposals were the facility was sanctioned and the facility was indicated to you and I think you told us in evidence that you accepted that particular arrangement?

A. Not in this letter, is it, Mr. Coughlan? This letter talks about the opening paragraph "You will be glad to learn that the contract for the sale of the Rath Stud has been signed and a deposit been paid."

Q. It's at divider number 32, sorry, Mr. Haughey, I may be confusing you. It's at divider number 32.

MR. MCGONIGAL: I think the confusion, Mr. Chairman, is actually in the bank's file.

CHAIRMAN: Well it seems reasonably clear that Mr. Haughey was asked to communicate his proposals, that subsequently there was the more formal letter from the bank which Mr. Haughey was requested to sign and did.

MR. MCGONIGAL: But the reference to the 20th December '76 would seem to be an incorrect reference.

MR. COUGHLAN: I don't think anything turns on that particular matter of course, but would you accept

A. I don't think anything particular arises out of it, but it's just slightly confusing, that's all.

Q. If I could approach it this way so. Would you accept that you had accepted a situation that a facility would be granted up to €350,000, that certain securities would be put into place and that you would take steps over the following two years to dispose of lands at Kinsealy to reduce and ultimately clear the indebtedness with Allied Irish Banks. Would that be your understanding of the position generally?

A. That is what's set out in the various memoranda, internal memoranda or letters to me and by and large, I think that that was the position.

Q. Now, I think there was also a requirement that half-yearly interest would be paid in March and September of each subsequent year.

A. If you say so, yes, I accept that.

Q. And the indebtedness continued to increase both as a result of drawings and by interest payments not being met, isn't that correct?

A. That would seem to be correct, yes.

Q. And what I wanted to ask you now was, do you know or do you remember if, from 1976 through 1976 from the end of 1976 through 1977 into 1978, whether any steps were being taken to dispose of lands at Kinsealy to reduce and clear the

indebtedness?

A. I couldn't answer that in any way accurately. I'd have to ask you what does the memorandum say about it. Do they indicate that I was

Q. I am asking you, because I am now coming to I appreciate there was a general election in 1977. You were returned to government and you held a ministry in that government, but do you know if you gave any instructions to anybody around that time to take any steps to dispose of land or to enter into negotiations

A. In the year '77?

Q. '77 for example.

A. I would doubt it very much.

Q. And then when you were in government, do you remember if, in 1978, you gave any instructions to anybody to enter into negotiations for the disposal of land at Kinsealy?

A. Isn't there a reference earlier on to my no, sorry, that was the Rath Stud, giving instructions to Dan Stevenson, the auctioneer.

Q. That was Rath Stud. Yes, did you give instructions to Mr. Stevenson, I think, in '76 to dispose of Rath Stud?

A. So we are now talking about instructions to dispose of lands at Abbeville?

Q. Yes.

A. I doubt it.

Q. I see. I see.

A. Sorry, it just strikes me in that connection, didn't one of



the memoranda say that I would be given to the end of '78 to dispose of the lands?

Q. Yes.

A. So, but we are still only now here at June '78, so...

Q. That is correct, that is correct. But the facility also required interest charges to be paid half-yearly and that had not been complied with, do you accept that?

A. Clearly.

Q. And what the Tribunal is attempting to ascertain is what was going on, if anything was going on, in relation to steps being taken to reduce or clear the indebtedness, but you yourself would doubt that you gave any instructions in 1977 to dispose of any lands at Abbeville and up to June of 1978, would that also be your view, or can you recollect?

A. I would think that was the position, but I cannot be absolutely categorical about it, but I would be inclined to agree that that was

Q. To the best of your recollection, that was the situation?

A. Yes.

Q. Now, this particular document this is sorry, I should identify the document again, Mr. Haughey, for clarity's sake. It's at divider number 37 I am dealing with now, that's the letter from Mr. O'Donnell dated 14th June 1978 to Mr. Phelan at Dame Street where he is informing Mr. Phelan that the position is unacceptable and the matter is of concern to the bank that the indebtedness to the extent quoted now outstands and the point has been reached

when a full report to the Board is necessary. And he goes on "We accept that due to the change in the political climate in the past year, it has been not possible for you to tackle the situation as you or the bank would wish."

Now, the change in the political situation was, of course, that you had entered government, isn't that correct, that was a change in the political situation?

A. Well, there was a change of government.

Q. That's a fact.

A. That's (witness nods). I mean it applied to others as well as me.

Q. The government changed and just to establish on the record as a fact, you were a minister in that government?

A. I became a minister in the new government, yes, but as you mentioned already, health and social welfare.

Q. Now, the next document is at divider number 38 and it is a memorandum of a meeting with you at the Department of Social Welfare and it's on the 1st December 1978 and it appears to be a memorandum of Mr. Michael Phelan's and it reads: "By appointment arranged at my request, I met CJH today at the Department of Social Welfare. Handed him a memorandum setting out the position of his various accounts which memo highlighted the heavy drawings on Abbeville stud account (this was the only account which was operating) for various periods between September 1975 and November 1978. Explained that I was under considerable pressure to make a

report to my Head Office on the situation and in particular, the continuing heavy drawings on the Abbeville stud account and the fact that there were no lodgments to this account, despite the fact that, as we were aware, he had sold bloodstock to the value of approximately œ40,000 at the recent Goff sales. He admitted he had been using the Abbeville stud accounts for living expenses. This contradicted a previous statement he had made to me to the effect that the drawings from Abbeville were connected only with the stud and that he was operating his personal expenses on a cash basis.

"As to the proceeds of the sale of the bloodstock œ40,000, he said he still had these funds and intimated that he was intending to use them towards reduction of his indebtedness here. He asked two direct questions.

1. What would the bank regard as a suitable reduction in his debt?
2. Could I ascertain what kind of figures the bank would have in mind as a mitigation of the interest charged on his borrowings?

"In reply, I informed Mr. H. that rather than the bank indicating what would be regarded as a suitable reduction in the debt, it would be more appropriate that he should put forward his proposal for dealing with the overall situation and that in this regard, the proposal should be realistic rather than thinking up proposals because they

would be accepted by the bank and ignoring the fact that they might not be possibly be of achievement.

"On the question of mitigation of interest, I informed him that I felt it would be a waste of time asking the bank to even consider a figure before acceptable proposals for dealing with the debt had been put forward. Mr. H. Undertook to give the matter full consideration and that he would contact me within a week for further discussion. I indicated that it might be of considerable help if he would agree to let me have a list of his assets and liabilities and he undertook to do this."

Now, do you remember this meeting, Mr. Haughey?

A. Yes, I remember that meeting, yes, I remember it particularly because it was in the office of the minister in social welfare, Aras Mac Diarmuid. That's one of the reasons why I would remember it.

Q. I thought that would be the case. This was the first time that Mr. Phelan had gone to you, your place of work, as it were, is that correct?

A. Yes.

Q. And you remember the meeting, I'm not holding you to every detail of what transpired at the meeting, Mr. Haughey, but Mr. Phelan obviously indicated to you that he was under pressure, isn't that right?

A. Yes, I think he says that here. "I explained that I was under considerable pressure to make a report..." Only to

make a report though.

Q. Well, can I take it, Mr. Haughey, that you would have had some general knowledge that he was the manager in whose branch this, as you described it yourself yesterday, troublesome account resided and that he must have been under pressure from his superiors in relation to it, is that correct?

A. I have to agree.

Q. And he came to see you by appointment at Aras Mac Diarmuid and he was asking to you make realistic proposals that were capable of achievement, isn't that right?

A. That's what he says, yes.

Q. And this was in December of 1978?

A. I beg your pardon?

Q. It appears to have been on the 1st December 1978?

A. Oh yes, that's the date of the memorandum, yes.

Q. And can I take it that again, to the best of your recollection, that no steps had been taken by way of instruction from you to dispose of any lands at Abbeville as of this time, 1978, in 1978?

A. Yes, as I have already said, that would let me put it the other way, that I have no recollection of giving any instructions, yeah.

Q. And there was an indication that there had been no lodgments to the account either over the preceding period, isn't that correct?

A. I think he says that, doesn't he?

Q. Yes.

A. "The fact that there were no lodgments to this account..."

Yes.

Q. And the memorandum seems to indicate that by this time, that you had informed the bank that you were providing for your personal expenses out of cash?

A. That's what it says, yes.

Q. But it also seems to indicate that on this occasion you informed Mr. Phelan that on top of that, you were using the Abbeville account for personal expenses as well, isn't that correct?

A. Yes, he states that and I have no reason to disbelieve it. As I said, I trusted him completely. If he says it, I would certainly accept it.

Q. You would accept that that is an accurate or a reasonably accurate record of the meeting, not been a contemporaneous note?

A. Yes.

Q. Now, the drawings on the account, can I take it, still took the form of cheques being written in the firm of Haughey Boland accountants?

A. Oh I definitely think so, yes.

Q. And in that respect, bills or invoices would be sent to Messrs Haughey Boland and they would deal with them on your behalf, isn't that correct?

A. That would be the normal procedure, yes.

Q. Do you remember during this period and all of the time that

Messrs Haughey Boland carried out this particular service on your behalf, were the cheque books in your name or yours and Mrs. Haughey's name or Abbeville Stud or Larchfield Securities or were they in the name of Haughey Boland?

A. Well, certainly they wouldn't be in the name of Larchfield Securities, because it didn't have any bank account. They wouldn't have been in Mrs. Haughey's name, no. They wouldn't have been in Haughey Boland's name, so they must have been in my own personal name, maybe Abbeville Stud as a, whatever you call it, a trading name or

Q. Can I take it that enable cheques to be written, that from time to time various members of the firm of Haughey Boland would have been authorised signatories on the account?

That's the way it would have operated, I presume?

A. Well, yes. I wouldn't know whether it would be one or two or whatever. I think maybe there are two, two signatories.

Q. And they may have changed over the years, depending on the make up of the staff of Haughey Boland?

A. Of course, of course, yes.

Q. Well, can you remember whether cheques were ever brought to you for signing?

A. I don't think so.

Q. And up to this time at the end of 1978, would you agree that the documents to date

A. The which?

Q. The documents that we have looked at to date indicate an

increasing indebtedness

A. Yes.

Q. And as recorded here by Mr. Phelan, very few lodgments taking place to the account, would you agree with that?

A. Well, at that particular period he is covering here, yes, whatever that period was he definitely makes a statement that there were no lodgments.

Q. Nonetheless, drawings continued, drawings continued throughout the 1970s?

A. Yes well, sorry, when you say drawings, the outgoings would cover the running expenses of Abbeville and Rath is it still there?

Q. Yes, that is so.

A. So that they wouldn't be all personal drawings.

Q. I am talking about the drawings on the accounts.

A. In fact, I think the real burden of the expenditure would be the costs of running Abbeville. I would be fairly certain of that. Not personal drawings of mine, but the actual physical day to day wages, costs of running Abbeville.

Q. I think that is perfectly visible to anyone scrutinising the accounts, Mr. Haughey. But the indebtedness was an indebtedness of yours.

A. The indebtedness?

Q. Yes.

A. Oh yes.

Q. Now, as there were no lodgments as recorded by Mr. Phelan



being made to the account and the half-yearly interest payments from 1976 had not been paid, were there any discussions between you and any financial advisers in relation to the operation of these accounts at Allied Irish Banks?

A. The only financial adviser would be Mr. Traynor.

Q. Mm-hmm.

A. And unless that he would approach me or say to me from time to time that the situation was deteriorating and that something should be done about it, apart from that, I can't think of anything else.

Q. Because I just want your view on it. You, I think on Friday, perhaps indicated that Mr. Traynor had overall management of your affairs, isn't that correct?

A. Yes.

Q. Would it be fair to say that up to this time there doesn't appear to have been any management of the affairs?

A. Well, I mean he did intervene at any time that there was something required to be done such as, well such as the Northern Bank and I would assume he was very active in regard to the sale of the Rath Stud, so I would think he was quite active as well, let me put it, looking after my affairs and

Q. We will use the expression looking after

A. Sorry, Mr. Coughlan, he would also know about a situation from Haughey Boland & Company about the state of the account, I am sure he would be kept informed of that.

Q. And he would have had discussions with you about it, would he?

A. Yes, and he might Mr. Phelan might also have discussed it with him from time to time on a personal informal basis, I wouldn't be sure, but I wouldn't rule it out.

Q. But did Mr. Traynor ever tell him that Mr. Phelan had spoken to him or did Mr. Phelan ever tell you that Mr. Traynor had spoken to him?

A. No, I don't recall any I am just saying it's sort of a natural thing that might have happened. I mean you asked me specifically if I had any recollection of financial adviser consultations and I wouldn't rule out that that sort of general course might have been taken.

Q. Now, there can be little doubt, would you agree, but that the documents we have opened to date, apart from one or two interventions by Mr. Traynor, one when he spoke to the bank having a letter of authority from you to ascertain the position and on another occasion, when he accompanied you to a meeting where certain proposals were discussed, that the documents that we have opened to date convey an impression that it is you are the person who is dealing with Allied Irish Banks, would you agree?

A. Yes, I think I have already mentioned that to you, that that was inevitable, because I was the customer of the bank and it would seem clear from these documents, and I suppose from all our general experience, that the bank always wishes to deal with the number one suspect, the client, the

person and these documents reveal that but at the same time, in regards to whatever other matters, the bank and even apart from the bank, Mr. Traynor was very specifically the person who had the supervision and the management of my finances.

Q. But

A. And my adviser and as I say, he but almost certainly have come to me at stages and been perturbed about the way that the indebtedness to the bank was

Q. rising?

A. Was rising, yes.

Q. Can I take it that there must have been particular discussion going on around this time between yourself and Mr. Traynor because the indebtedness was getting fairly high at this stage.

A. Yes, but on the other hand, I think we should keep in mind that at that time I was now a minister in charge of two very, very major, if I may use the word, troublesome government departments and that it's more likely than not that Des Traynor would have been, if there was any problems or difficulties arising from time to time that are not dealt with here, that he would have been dealing with them rather than bothering me about them. I am just making that by the way of general observation.

Q. Nonetheless, and perhaps it was to do with your own relationship with Mr. Phelan, but nonetheless, and notwithstanding that Mr. Traynor had been the the bank

had been furnished with authority to discuss your affairs with Mr. Traynor, it was you who continued to have dealings with them, isn't that correct?

A. I continued to have dealings. As I say, I would prefer not to be going near the bank, as you can well imagine, but I just reiterate, the bank would insist or like to see me there in front of them, as it were, eyeball to eyeball to give me to emphasise to me their annoyance or concern or whatever and to try and get specific undertakings from me so that I think that's fairly understandable that even though Mr. Traynor would be my financial adviser and generally speaking in charge of all my affairs, nevertheless, the bank would, the way banks do, insist on seeing me, sometimes with him or if he is wasn't available, by myself.

Q. Well, the documents do not record Mr. Traynor as attending any meetings during 1976, 1977 or 1978. Would you accept that?

A. I wouldn't say that that's conclusive evidence. That doesn't say the fact that they are not recorded anywhere here in these memos would not mean that they didn't take place. You see at this stage, Mr. Traynor was a banker himself and therefore, it would be quite understandable, and it wouldn't be at all out of the way that he would be talking to fellow bankers if necessary.

Q. Well, and please don't take this as being facetious on my part, Mr. Haughey, but you say that the bank would be

anxious to eyeball the customer. They weren't getting very far by eyeballing you, would you agree, in relation to a reduction or a clearance of this particular indebtedness?

A. I would have to agree with you that that is correct and I think their memoranda, even though they are internal for their own uses, I think their memoranda reflect that fact.

Q. And would you agree that if they had been dealing directly with another banker who might have been understanding of their position and who was advising you, that there was a possibility that there would be a more profitable outcome of such discussion, from the bank's point of view?

A. I couldn't go that far, no, I don't think that follows.

It's a little bit, if I may say so, nebulous.

Q. Do you?

A. I mean, I could realise that they might, if they failed to get satisfaction from me at these interviews, they might, in a personal way, go to Mr. Traynor and invoke his aid and then possibly he would come to me and lecture me. I am just speculating now, maybe I shouldn't speculate, but it's an endeavour to be helpful.

Q. Of course. Can I take it that you had a very close relationship with Mr. Traynor and that he was a business-like man whenever you met him? Do you remember being lectured by him?

A. Oh yes.

Q. At this time?

A. Yes well, you know, over the years definitely. He

would he wouldn't let me say he wouldn't approve of my handling of my affairs insofar as I handled them.

Q. Or at this level of indebtedness? He would have been unhappy at this level of indebtedness?

A. As an accountant and a banker, it would all have been anathema to him.

Q. I wonder, Sir, Mr. Haughey has been in the witness-box now, Sir, for two hours and I was moving on to something else.

CHAIRMAN: The next memorandum is a rather lengthy one and it is probably a suitable time to defer until the same time tomorrow morning. Thank you very much.

MR. COUGHLAN: Sorry, Sir, I should just say that the Tribunal is sitting this afternoon at two o'clock.

CHAIRMAN: I meant as regards Mr. Haughey's evidence. We will be sitting as regards Mr. Healy's opening at two o'clock.

THE TRIBUNAL THEN ADJOURNED FOR LUNCH.

THE TRIBUNAL RESUMED AS FOLLOWS AT 2PM:

MS. O'BRIEN: Mr. Vincent Jennings please.

VINCENT JENNINGS, HAVING BEEN SWORN, WAS EXAMINED AS FOLLOWS BY MS. O'BRIEN:

MS. O'BRIEN: Thank you, Mr. Jennings. Sir, just to put Mr. Jennings' evidence in context, Mr. Jennings was

formerly managing director of Irish Press plc and he has been called to give evidence in connection with a donation of €10,000 made by that company to funds which were raised to defray the medical expenses of the late Mr. Brian Lenihan and Mr. Jennings' statement, Sir, is at Divider 9 in Book 21.

Q. Thank you, Mr. Jennings. Mr. Jennings, the Tribunal made contact with you through your solicitors, L K Shields & Partners, in connection with your knowledge of a donation in respect in which Dr. De Valera, I should say, has previously given evidence to the Tribunal.

A. Yes.

Q. And I think in response to that request, you have provided the Tribunal with a Statement of Evidence which you are in a position to give?

A. Yes.

Q. I propose taking you through your statement, which is a short statement, and just asking you one or two additional questions.

A. Yes.

Q. Now I think you have informed the Tribunal that you believe that it was in or about April or May of 1989 that you were approached in your capacity as managing director of Irish Press plc by Dr. Eamon De Valera, chairman of the company, regarding your request from Mr. Dan McGing to the company seeking a donation of €10,000 towards the medical expenses of the late Mr. Brian Lenihan?

A. Yes, that was what happened.

Q. After a short discussion you agreed, that's you and Dr. De Valera agreed it was appropriate for the company to make such a declaration?

A. Yes.

Q. It would be normal for you to sign the cheque, and while you have no recollection of signing the cheque, it would be possible that you did?

A. Yes, that's the situation, Chairman.

Q. You state that sometime later Dr. De Valera told you in a casual conversation that he had been invited to a lunch arising out of the donation?

A. That's correct, Chairman.

Q. Now just one or two matters arising out of that, Mr. Jennings, if you would be so kind. You state in your Memorandum that Dr. De Valera, when he initially approached you about it, indicated a request had been received from Mr. Dan McGing.

A. Yes.

Q. And your recollection was that Dr. De Valera actually told you that the request was from Mr. McGing?

A. That's correct, I would have understood that Mr. McGing was acting on behalf of another group or party and that was my understanding, since his connections with Fianna Fail would have been known and I assumed that it arose out of that connection.

Q. It was your understanding that Mr. McGing was acting as a



conduit in making that request of Irish Press?

A. Correct.

Q. Now, in relation to the contribution which was made, Dr. De Valera's evidence was that the contribution was made by way of cheque payable to Coopers & Lybrand who were the auditors to the Irish Press. Is that also your recollection of the matter?

A. Yes, that would be my recollection as well, Chairman.

Q. Do you actually remember the cheque itself? I know you don't remember signing it but do you actually recall the cheque itself payable to Coopers & Lybrand?

A. No, I do not. I don't remember that. There was a cheque I am pretty certain the cheque came to me and I would have signed it but I can't say that I remember it. We would be signing a large number of cheques.

Q. Is it the case therefore that all of these political donations or political transactions which were made by Irish Press would have been made by cheque and if it hadn't been paid by cheque, you'd have remembered it, is that the position?

A. Oh absolutely, any donations would be made by cheque.

Q. And in your experience of this matter, and I think it may well be probable that Irish Press made other political donations other than funds to defray Mr. Lenihan's expenses, was it usual that those donations would be made by cheque payable to Coopers & Lybrand rather than to the political parties?

A. Yes, that would be my understanding of it, yes. If they were donations, Chairman, say to Fianna Fail particularly, I don't recall any other payments in the sense of going to other parties.

Q. Right, so that insofar as the Fianna Fail contributions are made, it was your recollection that the usual practice was to make those payable to Coopers & Lybrand?

A. That that was my understanding of it. I mean, I was only managing director for a couple of years at that stage and it would be more what I had been told the way things were.

Q. So that would be, within your time, that would be your understanding of what the practice was?

A. Yes.

Q. You state then at the end of your Memorandum that sometime later, Dr. De Valera told you in a casual conversation that he had been invited to the lunch or lunch arising out of the donation. Do you recall at all was that before or after he attended that function?

A. I think before but I had a conversation, I positively remember a conversation with him after it because he said he didn't actually recognise most of the people at the lunch and that sort of has stuck in my memory.

Q. You believe it was more probable than not it was after?

A. I'd say before and after, I probably was told before but we also had a conversation after it.

Q. Your recollection is he told you he didn't recognise anybody at it?

A. It was that sort of conversation, yes.

Q. Do you consider that was a strange comment for him to make at the time?

A. No, not necessarily, no, Chairman, I would have regarded there might be a group of businessmen that you wouldn't know. I wouldn't regard it as strange.

Q. Did he mention to you at all in the context of that invitation that the invitation had come through Mr. McGing or through anybody else?

A. I honestly don't remember. I can't say where he said the invitation came from.

Q. I see.

A. But I I feel it came from the Lenihan family but that would be just a recollection, you know, drawing a recollection together so to speak.

Q. And you would be drawing a recollection rather than surmising something?

A. Yes, exactly.

Q. Thank you, Mr. Jennings, thank you.

CHAIRMAN: Thank you very much for your attendance, Mr. Jennings.

A. Thank you.

THE WITNESS THEN WITHDREW.

MR. HEALY: Mr. Michael Smurfit please.

MR. FRY: If I may, before you take evidence, I apply for

limited representation on behalf of Dr. Smurfit in the usual terms.

CHAIRMAN: On the usual basis, Mr. Fry, and in the context of the number of occasions that Dr. Smurfit has attended to give evidence, I think it not unreasonable that I accede to that on that basis.

MR. FRY: Thank you.

DR. MICHAEL SMURFIT, PREVIOUSLY BEEN SWORN WAS EXAMINED AS FOLLOWS BY MR. HEALY:

Q. MR. HEALY: Dr. Smurfit, through your solicitors the Tribunal has been provided with a number of Memoranda of your Intended Evidence. It might be no harm if I mention that you already gave evidence in accordance with one of those Memoranda at the Tribunal's last sittings in which we were dealing with some of the matters and I suppose in the main, the matters we are going to be dealing with now but where you didn't have access to all the relevant information, isn't that correct?

A. Yes, that's correct.

Q. And therefore the balance of your evidence was left over until the information became available. Now, before I go through your Memoranda, I think once again I should put your evidence into context, both for the benefit of the members of the public and for your own benefit so you'll understand, as I think you may to some degree understand,

how the Tribunal came to be interested in your

contributions to Fianna Fail.

I think the Tribunal wrote to you firstly as a result of inquiries it made in the course of examining contributions made to a fund set up for Mr. Brian Lenihan in 1989. Those inquiries led to inquiries into Fianna Fail fund raising in general in 1989 and in particular, to contributions made to Fianna Fail by Mr. Mark Kavanagh on behalf of the Custom House Docks Development Company and I think you were informed that Mr. Mark Kavanagh's contribution became relevant in the context of inquiries the Tribunal was raising with you, isn't that right?

A. Yes, I understand it to be the position.

Q. And what the Tribunal heard from Mr. Mark Kavanagh was that he made a contribution to Fianna Fail of €100,000 which consisted of a cheque for €25,000 made out to Fianna Fail for the Brian Lenihan fund that I mentioned a moment ago and three drafts of €25,000 each. One of those drafts was to be used at Mr. Haughey's discretion, according to the evidence given by Mr. Kavanagh, for certain Fianna Fail candidates and €50,000 of it was to go to Fianna Fail central funds. Now, when the Tribunal examined Fianna Fail records, it found that a contribution of €25,000 was put down, as it were, or attributed to Mr. Mark Kavanagh and the Tribunal's inquiries established that that €25,000 contribution represented the proceeds of the cheque that

had been written by Mr. Mark Kavanagh. The Tribunal then set about seeing whether there was any sign, if I can put it that way, of Mr. Mark Kavanagh's €50,000 contribution to Fianna Fail and so they examined €50,000 contributions made at that time and they came across a €50,000 contribution well Fianna Fail came across it and the Tribunal asked for Fianna Fail records of their contributions, and I'll just put on the overhead projector the contribution that brought the Tribunal to your evidence. It's an anonymous contribution number 4752, you may see it on the monitor in front of you there, all of the other contributions have been deleted from the document. You will see that it says 'anonymous, July 3rd', on the right-hand side you see the number 52, that's the two last digits of 4752 which was the number, the relevant number at the top of the page, that's the receipt number, the amount is €50,000. So when the Tribunal saw that amount, they wondered whether this wasn't the €50,000 contribution given by Mr. Mark Kavanagh and intended, as he was informed, for Fianna Fail.

When further inquiries were made, it transpired that the identity of that anonymous contribution could be ascertained and the Tribunal's inquiries resulted in the production by Fianna Fail of a document showing a €50,000 contribution recorded by reference to the cash receipts number 4752 and I'll put that on the overhead projector. If we just go to the bottom of that document for a minute,

you will see the reference number 4752 and underneath that was your name, Michael Smurfit, so the Tribunal at that stage realised this was not Mr. Mark Kavanagh's contribution or at least was not recorded as his contribution. And then the Tribunal examined the document which is photocopied on the top of the page, which was a Guinness & Mahon draft and I think at that point the Tribunal made contact with you. Do you recall that?

A. Yes. Yes.

Q. Now, you did not in fact make any contribution to Fianna Fail in that year by way of a draft for €50,000 drawn on Guinness & Mahon, isn't that right?

A. That's my understanding of the position.

Q. And in fact, evidence was given that this particular draft for €50,000 was purchased, using two other drafts each for €25,000, which had been given to Mr. Haughey, according to the evidence, by Mr. Mark Kavanagh. I think that information was also brought to your attention, is that right?

A. I am not sure I am up to speed with what Mr. Kavanagh did or didn't do.

Q. Just so there's no doubt with it, if you look at the monitor in front of you, you will see a draft for €25,000. Two drafts for €25,000 issued by Allied Irish Banks which were bought by Mr. Mark Kavanagh, were used to purchase the Guinness & Mahon draft for €50,000 which was recorded in Fianna Fail as having been received by you.

A. I know nothing about it.

Q. I understand that, of course, I am simply drawing it to your attention so you'll see the position you are in now, according to the statement you have given already, you intended to make a contribution to central funds for €50,000, there is a sum of €50,000 recorded as having been paid to Fianna Fail by you in July 1989 but it's not in fact the €50,000 that you give, is that right?

A. It would look like it on the surface, wouldn't it.

Q. Now, I'll now go through the Memoranda that you provided to the Tribunal. Now the last time that you gave evidence you informed the Tribunal that you made a donation to Fianna Fail by way of a transfer on certain instructions of the sterling equivalent of €60,000 on the 14th June of 1989. That transfer was from an account of the John Jefferson Smurfit Monegasque Foundation to an account at Henry Ansbacher & Company Limited in London and you gave the account number. Since then, you have been able to obtain access and further documents and you have now provided, you have expanded on that initial evidence.

A. I think you said the sterling equivalent to €60,000. It's the Irish equivalent.

Q. The Irish equivalent?

A. In sterling.

Q. The sterling equivalent of IR €60,000.

A. Okay.

Q. I'll just go through now the document you have described as



the Third Memorandum of Intended Evidence of Dr. Michael Smurfit and you emphasise that this is based on your best recollection but you point out that with the passage of time it's difficult for you to recall what occurred in relation to these matters and then you go on to deal with the payment of the sterling equivalent of IR €60,000. And the statement says, "Dr. Smurfit has already given evidence in relation to this payment on the 28th June. This further statement is given in response to queries raised by the Tribunal's solicitor. Dr. Smurfit does not recall the arrangements in relation to the payment in June 1989 of the sterling equivalent of €60,000 to Henry Ansbacher & Company Limited for credit to Sterling Account No. 190017/202. It is unlikely that Dr. Smurfit would have had any involvement in relation to the payment arrangements. While he does not specifically recall doing so, he presumes that he must have requested the late Mr. David Austin to deal with the late Mr. Traynor in relation to the payment as Dr. Smurfit believes that he was requested by Mr. Haughey to deal with Mr. Traynor in relation to payment matters. Dr. Smurfit has no recollection of Mr. Austin furnishing instructions to Allied Irish Banks Channel Islands Limited in relation to the payment, or any of his dealings with Mr. Austin in relation to this matter.

"From inquiries made by Dr. Smurfit, it would appear that Mr. Austin, by letter dated the 14th June 1989, instructed

Mr. Bruce Ferguson of Allied Irish Banks Channel Islands Limited to arrange payment in sterling from the Jefferson Smurfit Foundation Trustees Limited Account 31708/01 of the equivalent of IR œ60,000 to Henry Ansbacher & Company Limited in London for Sterling Account 190017/202. A copy of a bank statement showing this payment has been obtained from Allied Irish Banks and copy submitted to the Tribunal. The statement indicates that the account was debited with this payment on the 26th May, even though the transaction was not effected until the 16th June of 1989. AIB have informed Dr. Smurfit that the reason for entering the transaction on the statement as at the earlier date of the 26th May 1989 was that the payment was to be made out of a deposit account and the money on that account had, on the 26th May 1989, been placed on deposit for a fixed period. It was necessary to break the deposit and thus Allied Irish Banks charged the payment to the account as of the date on which the deposit had originally been made, i.e. the 26th May 1989 so that interest would not accrue on the amount of the payment presumably as and from that date."

Just so I can be sure that the Tribunal understands that inquiry with AIB resulted in, the document on the overhead projector shows a debit to the account of œ52,215-odd and some pence sterling and the date of that debit is the 26th May. Now you have also provided the Tribunal with a letter, we can come back to later on, dated the 14th June

containing an instruction to make such a debit and the obvious question that arises is how can the instruction to make the debit be later in time than the actual debit, isn't that right, and do I understand you correctly to say that what AIB did was they made the debit after they got the instruction by breaking fixed deposit, is that right?

A. Yes, my understanding is - it's a very complex issue - my understanding is that he simply thought it was the easier thing for them to do and they wrote a letter, a covering letter to the Tribunal confirming that.

Q. So they broke the deposit once they were given the instruction. They debited the amount from the account but it's dated back to the date the money first went on deposit so that you never got any interest on that money from that date?

A. That's my understanding of what they did, yeah.

Q. You go on to say that you have been informed that Mr. Austin was an authorised signatory of the Jefferson Smurfit Foundation Trustees Limited Account 31708/01 with Allied Irish Banks Channel Islands Limited.

The statement goes on: "Dr. Smurfit does not recall any dealings... the Fianna Fail Party or any person regarding the payment in question or any request for or provision of acknowledgment or receipt in respect of the payment. Dr. Smurfit has no personal knowledge with regard to the manuscript entries on the face of the copy letter of the

14th June 1989 but from inquiries made by him, it would appear that the person who made the manuscript entries was a Ms. Anne Keogh who at the time was employed by the Smurfit Foundation. From these inquiries, it would also appear that the reference on the letter to registered under "Fianna Fail" was a reference to the classification of the payment in a database system maintained by the Foundation and that the notation 'PD deposit account sterling' would appear to relate to the fact that the transfer was charged to a sterling deposit account of Jefferson Smurfit Foundation Trustees Limited."

You have no information with regard to the notation on the extreme right-hand side of the letter. Is that what looks like something M?

A. It looked like 'Jim', we don't know what it is.

Q. In any case, it doesn't make sense to you, whatever it is.

A. No.

Q. You then go on in paragraph 8 of your Intended Memorandum of Evidence to, in effect, summarise some of the information also provided to the Tribunal and you say from inquiries made on your behalf, you believe that the payment was made by AIB on the 16th June 1989 and that the sterling amount debited to the account was €52,215. The copy letter dated the 14th June 1989 was kept with the records of the Smurfit Foundation and it was located in the records at the offices in Monaco. The payment was approved at a meeting of the Board of Directors of Jefferson Smurfit Foundation

Trustees Limited held on the 19th June 1989 and recorded in the database maintained by the Smurfit Foundation as referred to above. The payment was included in a list of applications made to the meeting but was not specifically referred to in the minutes of the meeting which merely referred to approval of the matters on the list. The meeting was chaired by Mr. Austin as alternate for Dr. Smurfit and the other directors present were Ms. Norma Smurfit and two partners or employees of the Jersey law firm who were involved in the management of the Jefferson Smurfit Foundation Trustees Limited.

No written instructions were received from Mr. Traynor in relation to this payment and no written receipt of payments appears to have been received.

Now, in this Memorandum of Intended Evidence, your third memorandum, you then refer to other information which you brought to the attention of the Tribunal in connection with gifts of paintings made or at least gifts of paintings with which you were associated made by the Smurfit Foundation in one case and by I think the Jefferson Smurfit Group in another case and you say that in 1990, acting on behalf of the Smurfit Foundation, you decided to present to the Irish nation a painting which had been acquired by the Foundation. This was an historic painting by Sir John Lavery of the raising of the flag at Aras an Uachtarain. You say you believe it would be appropriate for this

painting to be in Aras and you decided to give it to Mr. Haughey for this purpose. On a visit to Aras an Uachtarán you were pleased to note that the painting was hanging there. At the same time, you decided that it would also be appropriate to mark the fact that Mr. Haughey, as Taoiseach, had become President of the EEC as it then was, and acting on behalf of the Jefferson Smurfit Group, you decided to mark the occasion by presenting to Mr. Haughey as a personal gift, a Yeats painting entitled 'The Forge'. You do not recall any prior consultation with Mr. Haughey in relation to the personal gift and you recall Mr. Haughey being surprised at the making of the personal gift.

The Yeats painting was purchased by the Jefferson Smurfit Group in 1979 at a cost of approximately €12,000 and at the time of the gift it was insured for €55,000 which you presume to have been its proximate value. You do not recall discussing the personal gift with any other persons, the making of the gift of this nature and amount was within your authority as chairman and chief executive of the Jefferson Smurfit Group.

You believe that you probably received a thank you note from Mr. Haughey but you cannot recollect the position nor are you aware whether any such note exists. The two gifts were handed over to Mr. Haughey at a meeting in his offices in Government Buildings. Do you not recollect anyone else being present at the meeting nor do you recollect the

precise date of the meeting.

Now, the Tribunal raised a number of other queries with you through your solicitors and you have responded to those by providing a further Memorandum of Intended Evidence. And you say once again, stressing that with the passage of time it's difficult for you to recall what occurred in regard to the matters you are going to refer to your statement. You say that you have a recollection of telephoning Mr. Traynor to inquire whether he or one of his companies would be interested in becoming a member of the K Club which at that time you were promoting on behalf of the Jefferson Smurfit Group. You do not recall the date on which the telephone conversation took place. It could have been in late 1989, or in 1990, but it is also possible that it was in 1991 as it was over this period that you were discussing membership applications in relation to the K Club. You do not recall the conversation in detail but you do recall that Mr. Traynor declined to join the K Club and took the opportunity of mentioning to you that he, Mr. Traynor, was seeking to raise funds to assist Mr. Haughey who, Mr. Traynor stated, was in financial difficulties and Mr. Traynor asked you to contribute. You recall that you declined to contribute but you do not recall whether you declined in the course of that conversation or in the course of a subsequent conversation. You do not recall any particular amount of money, that any particular amount of

money was requested by Mr. Traynor. You do not recall Mr. Traynor provided you with any information concerning Mr. Haughey's finances other than to state that he was in financial difficulties, or any information regarding the application to which the funds would be put if provided by you. Nor do you recall Mr. Traynor mentioning any other persons to whom he was making similar requests.

You do not recall any further discussions with Mr. Traynor or any discussions with any other person in relation to Mr. Traynor's request. Nor do you recall the factors or matters which prompted you to decline Mr. Traynor's request. Other than as a result of information which has emerged from the Tribunal, you do not recall being informed as to any other person to whom Mr. Traynor made a request for a donation to assist Mr. Haughey at any time between January '79 and December of '96. And you do not recall any other request, presumably a request from somebody other than Mr. Traynor namely to you for a donation to assist Mr. Haughey.

Now, I want to go over some of this information, perhaps to clarify one or two things, Dr. Smurfit. Firstly, I just want to deal with the circumstances surrounding the payment of IR €60,000 or the sterling equivalent of IR €60,000.

You say, I think, and you said in evidence already, that that donation was solicited by Mr. Haughey.

A. I believe so, yes.



Q. Can you remember whether it was solicited by letter, by telephone or as a result of, or in the course of a personal approach?

A. I am hypothesizing, we have nothing on files with regard to letters so I am assuming it was either a personal approach or by a telephone call.

Q. Yes. Well, whether there had been some letter or not, there must have been some personal contact between you and Mr. Haughey to discuss how the payment was to be made, is that right?

A. Yes, that would be correct.

Q. You had made, when I saw you, I mean you in the guise of your group or foundation, had made contributions to Fianna Fail and to other political parties on other occasions, is that right?

A. Yes, that's correct.

Q. And I am sure if the Tribunal - you have provided the Tribunal with some information in relation to them but I am sure that if we traced all the documentation in relation to them, we would find that you either signed or arranged for the signing or sending of a cheque by the Smurfit Group or I think in one other case, the Foundation, to Fianna Fail to make a political contribution; is that right?

A. I would give the instructions to whoever, more often than not Mr. Austin would be the person.

Q. Those instructions would have been fairly simple: Please send a cheque to Fianna Fail, here is their address.

A. That happened on occasions, yes. Sorry I wouldn't even have to say the address, I would leave that to somebody else to find.

Q. In this case you would say it was to go to Fianna Fail?

A. Yes.

Q. And you might have a standard letter for Mr. Haughey or whoever the Leader of Fianna Fail was at the relevant time looking for contributions as political parties usually do at the time of election and you might be able to give that to assist the person to whom the instruction was being given?

A. Most standard letters from political parties would go in the waste bin.

Q. Right. But in any case, from the information you have provided to the Tribunal, most ordinary political contributions to political parties came from the Smurfit Group with one or two exceptions in the case of the Foundation, is that right?

A. That would appear so from the records, yes.

Q. The payment the payments from the Foundation consisted in the main of two types, I don't want to go into the details of all of them, a lot of small payments to individual political candidates, they were in the thousands, 2,000, some of them the hundreds, I don't even have all the details in front of me but they were not substantial payments and then there was one substantial payment from the foundation to Fianna Fail in the 1987

election. When I say substantial, it was on a par with other Smurfit contributions to Fianna Fail at General Election time and that went by way of cheque. And from the information that you have provided, this is the only payment that went by way of the kind of transfer that you have described?

A. You mean the one into Ansbacher?

Q. Exactly.

A. Yes.

Q. That's the only one?

A. The only one.

Q. So that when Mr. Haughey requested you to deal with Desmond Traynor in relation to the payment details, he must have meant that there were arrangements to make which would go beyond the type of thing he could communicate to you in the course of a telephone call?

A. I don't know. He just said "Des is going to handle this matter for me" from the best I can recall and that's exactly what happened.

Q. Just to clarify one aspect of your statement. You say that "You believe that you were requested by Mr. Haughey to deal with Mr. Traynor in relation to payment matters" by that I take it you mean the payment arrangements in relation to this one single payment and not several payments.

A. But I am not sure whether I contacted Mr. Traynor or he contacted me or somebody else in my staff contacted or Mr.

Austin contacted him. I just don't recall it.

Q. My only concern is the use of the word 'matters' in the plural. I presume this only happened on one occasion, the contact with Mr. Traynor?

A. In regard to this matter?

Q. Yes.

A. I said I can't recall that I certainly contacted Mr. Traynor.

Q. But it was the only time Mr. Haughey or anybody else asked you to contact Mr. Traynor in relation to a payment?

A. Yes, that one issue.

Q. Did you then regard it as in any way unusual that you were being asked to make a payment to a political party in some involved way?

A. I am sure I did. I can't recall. I would have asked, you know, why - if I was dealing with the matter myself, why was it to be done in this way and he said it suited them to handle it in this manner and I was dealing with somebody who was, in my opinion, a close personal friend, a man of total probate. It never occurred to me it was anything unusual. I think part of it was to cloud it, maybe to make it as discreet as possible.

Q. But the other payments that you had made to Fianna Fail weren't clouded or made as discreet as possible.

A. That is not correct, Sir. Many of the payments were, done through third parties.

Q. But they weren't made into, they weren't made by way of

interbank transfers?

A. I would never know how they were made because I never handled those details.

Q. I see. In this case, the arrangements were quite involved, weren't they?

A. Well, they may have been but unfortunately I don't deal with that sort of detail. I didn't think, even think of Ansbacher until I was told when it came up in this inquiry.

Q. Of course. Did you know at the time it was going to involve a transfer from the Monaco Foundation to a bank in London even if you didn't know the other details?

A. I may not have known that fact.

Q. If you had known that, would you have regarded it as a somewhat unusual arrangement?

A. I would have and I would have asked why and if I did, I can't recall.

Q. You would have known, as a businessman and as somebody who had been involved in a business having a lot of international trade over the years, that to keep an account in a foreign currency, you needed exchange control permission, wouldn't you?

A. Yes.

Q. So that here you were quite legitimately paying money from an offshore account, a sterling account, going to a political party and as we now know, that political party, if it had had such an account, would have had to have had exchange control for it, isn't that right?

A. Well I wouldn't know those details, Sir, that would be very much a matter for whoever.

Q. Wouldn't anyone dealing with your affairs have been surprised that payments to a political party were going into a foreign account?

A. I don't think so. We as a company, remember we are 95 percent non Irish and I live in Monaco. All my cheques would be Monegasque cheques going all over the world and personally and through our Foundation and it wouldn't have raised any eyebrows to us.

Q. All your cheques, you say, are going from a Monegasque foundation but in this case it was Fianna Fail, the Fianna Fail Party that was receiving the cheque?

A. On instructions received from Mr. Traynor.

Q. Yes. Did you regard Mr. Traynor as a Fianna Fail, as a person who was in Fianna Fail or had some official role in Fianna Fail?

A. No, I regarded Mr. Traynor very highly.

Q. But did you regard him in dealing with him or in instructed to deal with him, did you regard those instructions as being instructions to deal with a person who had an official role in Fianna Fail?

A. In this particular instance, this is the only time I remember that Mr. Haughey asked me to deal on a personal basis with Mr. Traynor. He said so

Q. Your information in relation to this matter is based on presumably your access to files, is that right?

A. Yes, when we got the inquiries from Mr. Davis, we obviously tried to get as much information from our files as possible.

Q. And you had no information until you examined the files or did you, that your money had been transferred into an offshore account in London?

A. It's possible I knew before, I just can't recall. You are asking me questions something that happened 11 years ago.

Q. I understand that but can I take it if you learned that a contribution to a political party was going into an offshore account, that that is something that would have raised eyebrows?

A. You asked that question before and I answered it.

Q. Yes, but I am not quite sure about when you became aware of the information to the effect that your account was used to transfer money into an offshore account on behalf of a political party.

A. I said to you before, I only became aware of the matter when I got the inquiries from the Tribunal.

Q. Mmm.

A. Now it's possible that I was aware of it before and I asked for an explanation but I can't be sure.

Q. You now know, I think as a result of the Tribunal's inquiries, that your money in fact went into what we all now describe in the context of this inquiry as an Ansbacher account and I am not calling it an Ansbacher account because the account was in Henry Ansbacher & Company

London. What I am referring to as an Ansbacher account is an actual account in Henry Ansbacher into which this money went. In retrospect, do you regard that as unusual?

A. It's I think you probably should rephrase the question probably. You are asking me if I think the transaction was unusual?

Q. Yes.

A. In the period of time we are dealing in, no.

Q. In retrospect, with the information you now have, do you regard that as an unusual transaction?

A. Not when I was dealing with a man of the probate of Desmond Traynor, no.

Q. Do you now regard it as unusual?

A. First of all, Mr. Traynor has not been found guilty of anything.

Q. I am not suggesting that. Do you now regard it as unusual that a contribution to the Fianna Fail Party, which is what you intended, went into an account of Guinness Mahon Cayman Trust in London?

A. No, because it was Guinness & Mahon and I was dealing with Des Traynor.

Q. And your money did not go into Fianna Fail?

A. I don't know that. Nobody has informed me of that yet.

Q. Well at the outset of this conversation or this interview, I did tell you that your money did not go into Fianna Fail.

A. Sorry, I didn't hear that. What I heard was that a cheque



had been lodged with Mr. Kavanagh which said my name on it but nobody has said that the Jefferson Smurfit Foundation's money has not been received by Fianna Fail. I have not had that information from anybody.

Q. It hasn't been received by Fianna Fail.

A. Well, that's very sad.

Q. Well, knowing that the money not only has not been received by Fianna Fail but went into an offshore account and Fianna Fail does not have an offshore account, do you now regard the transaction as a somewhat unusual one?

A. What do you think, Sir?

Q. I am asking you what do you think.

A. I think it's terrible.

Q. And what I am trying to get at is, and I accept with the benefit of hindsight one might have certain views about a transaction, what I am trying to drive at is how much information you or your employees might have had in relation to this transaction in 1979?

A. I think you better

Q. 1989.

A. Give me that question again. What my employees might have had?

Q. Sorry?

A. I think you are getting into hypothetical situations here rather than actual situations. You are asking my opinion.

Q. I am trying to explain to you why

A. I am not inclined to give it to you.

Q. I am trying to explain to you why the Inquiry is trying to find out what your state of knowledge was in 1989. That's all.

A. Well I have stated what my state of knowledge was in writing to you.

Q. Did you know in 1989 that Mr. Traynor was somebody personally involved in some way with Mr. Haughey's finances?

A. Yes, I think I have a recollection of that.

Q. You have described elsewhere in your statement how you received an approach from Mr. Traynor but you can't date it to 1989 or 1990 or even 1991. But did you not even then think it surprising that Mr. Haughey was asking you to become involved with his own personal financial advisor in relation to a contribution to Fianna Fail?

A. No, I didn't think it strange at all.

Q. And that was the only time you were asked to make a contribution to any political party in that way?

A. Through Mr. Traynor, yes.

Q. Or through any offshore bank?

A. Yes. Again with the caveat, to the best of my knowledge.

Q. You received, according to your own examination of your own records, no acknowledgment of that contribution, is that right?

A. We don't appear to have. It is quite possible that I did ask Senator Ryan who is on my board for acknowledgment of it and I try to think as to why my name appeared in €50,000

anonymous donation and it's quite possible that I said to Mr. Ryan, because Senator Ryan was a chairman of the Party and would frequently look for donations at the same time as Mr. Haughey was looking for donations so I might have said "I have just given €50,000 to the Party" and he might have said "Yes, we got it." I was trying to think of something that might correlate to why somebody would put my name opposite €50,000 which you say was received from Mr. Kavanagh.

Q. You didn't give any directions to the effect that your contribution was to be an anonymous one?

A. No.

Q. And if you had, and I appreciate that you are speculating, if you had a conversation with Mr. Ryan, then presumably you would have had that around the time of the election?

A. Not necessarily so. I met Senator Ryan on a regular courtly basis so it could have been four or five times a year.

Q. What I am trying to get at and I appreciate that you are speculating, if you met him in relation to this particular contribution in 1989, is it likely, as you say, that you met him because he too was fund raising?

A. Yes.

Q. And if so, isn't it likely that the conversation that you had was around the time of the election?

A. Not necessarily, no. It wouldn't be Senator Ryan was continually looking for donations for Fianna Fail as was

his job.

Q. Now you say that the bank account, the statement indicating that the account was debited on the 26th May 1989 is what you obtained from AIB and then you go on to say that the transaction itself was not affected until the 16th June of 1989. I am just curious to know how you know that date of the 16th June?

A. I presume the bank gave us the details.

Q. I see. I think in your last, in your first statement and the last time you gave evidence, you mentioned that one of your staff made contact with Mr. Traynor sometime after the payment was made?

A. That's what the record shows, it's a notation on one of papers to that effect.

Q. Do you have that document, Dr. Smurfit?

A. No.

Q. What you said in your first statement was you believe that a member of your staff telephoned Mr. Traynor on the 21st June 1989 to confirm that the payment had been made. I don't have any document indicating that there was such a communication and I am not for one moment

A. It must be what I think happened.

Q. It's just you mentioned a date, the fact that you mentioned a date leads me to be to believe that you might have?

A. I will have to look into that, I am sorry, it's a detail.

Q. Perhaps you might check and see there was a document which indicates that there was contact with Mr. Traynor on that

date. Is it possible that it was Mr. Austin would have telephoned Mr. Traynor and maintained some document in his files?

A. We better get back to you with the facts.

Q. All right. Now, in response to other queries, you have mentioned dealing you had with Mr. Traynor, and you said a moment ago you are not quite sure of the date of these dealings but Mr. Traynor rang you or rather you rang Mr. Traynor to inquire whether he or one of his companies would be interested in becoming a member of the K Club and he said he wasn't interested. Do I take it that he means he wasn't himself interested or his companies weren't interested?

A. I think a combination of both.

Q. Presumably he is really only able to speak for himself I suppose but he wasn't interested in taking up your offer?

A. That's correct, but he was involved in a number of other companies that I asked him to get involved.

Q. Do you recall if it's possible that he may have said he'd come back to you in relation to some of those other companies that he was involved with?

A. I think it was a very short conversation, my recollection, the reason it stuck in my mind is because of the way it turned around, I was looking for something from him and he was looking for something from me.

Q. He refused to become involved in your venture and turned around and asked you to become involved in his?

A. That was a humour about it.

Q. He said he was raising funds or seeking to raise funds to assist Mr. Haughey?

A. That's right.

Q. And I take it therefore that it was clear from that that you weren't the only person being approached. He was raising funds obviously from a number of people, he was actively involved in that?

A. (Witness nodding).

Q. And you say that you said you wouldn't contribute.

A. (Witness nodding).

Q. Your recollection is that while you refused to contribute or declined to contribute, you didn't, you can't recall whether you did it on the occasion of the telephone call or at a later time.

A. Right. I said I just don't know, I just said straightaway "no" or "I'll call you back and think about it".

Q. Well, is it possible that you felt it was something that you should discuss with other members of your board or associates of yours on the Foundation?

A. Yes. What normally would have happened in that particular instance, I would have sat down with David Austin and maybe have a chat with him and say what you think and what were the implications and the pros and cons?

Q. Do you recall giving any reason for why you didn't contribute?

A. Just didn't think it was appropriate.

Q. And if that was the reason, isn't it either something that would have prompted you to refuse there and then and either to say what your reason was or perhaps out of politeness not to say anything?

A. Well I don't know how I handled it with Des. I just don't recall.

Q. You say that you don't recall any particular amount of money being discussed?

A. No.

Q. Is that because you didn't inquire as to whether any particular amount of money was going to be required?

A. Probably not at that stage. I imagined it would be something significant.

Q. Do you recall any or have you any knowledge, even indirect knowledge, of Mr. Traynor making similar requests to other people around that time?

A. I have no recollection of, though I am sure we discussed it as to who he was also looking for funds from, it would be illogical for me not to have had that conversation with him but I just cannot recall who he was approaching at the same time or thereabouts.

Q. Do you recall that he mentioned to you at that time that he had approached Mr. Ben Dunne for funds?

A. I don't think so.

Q. Or Mr. Dermot Desmond?

A. I don't think so.

Q. Neither of those names were mentioned?

A. I don't think so, I mean you are talking about a conversation that took place 11, 12 years ago, all with gentlemen I know very well.

Q. It's a fairly unusual conversation though, isn't it?

A. No.

Q. Are you saying that it's not unusual for you to receive requests to contribute to the financial difficulties of the prime minister?

A. That's not what I am saying. What I am saying is having got a request and said "no" it, not being able to recall, I am sure based at that time, in that conversation a lot of other things took place. I mean asking one for money, I don't remember the amount of money asked for, I don't remember who he said was or was not involved, there may have been nobody.

Q. Did I understand you to say a moment ago that you feel you may have discussed who else was being approached?

A. Yes, I may have, I mean I said it would be illogical for it not to come up but I just can't remember.

Q. The evidence that's been given to Tribunal to date is that Mr. Dunne, through Mr. Noel Fox, received an approach in 1987. I am trying to use that evidence to date this approach. There was evidence from Mr. Dermot Desmond that he was approached and he thinks that that was in 1987 as well, later on in the year to the approach, at the time of the approach to Mr. Ben Dunne. And what I am suggesting is that if those two, I suppose fairly high profile names in



Irish business were mentioned, you might remember them and that might put the date of the conversation to 1987. If you couldn't remember them, it might put the conversation to a later date. Do you understand?

A. Well the only reason I remember being around the 1989/1991 period is because that's when I was soliciting donations for the K Club, that was the two years, the basic two and a half years, we weren't taking donations or I wasn't soliciting donations before that to any great extent.

Q. I just want to come now to the two paintings that the Smurfit Foundation in the one case, and the Group in another case, had presented to Mr. Haughey. You say that in one, in the case of the Sir John Lavery painting, the Foundation decided that this would be an appropriate gift to the Irish nation and you made that gift through Mr. Haughey. And that around the same time, do you think it was precisely the same time or around the same time?

A. It was precisely the same time because I made an appointment with the Taoiseach to present the painting to him and I decided before I went down there literally on the spur of the moment to make him a personal gift in the form of a Yeats called 'The Forge' which I felt was appropriate because he had become the EC Summit Leader for that particular period and I thought it was a nice gesture.

Q. So when you went down to Mr. Haughey to make one presentation, the presentation of the Lavery painting, you had an appointment with him to hand over that painting?

A. Yes, I believe so.

Q. And was that, was there any special sense of occasion about the handing over or was it done during the business hours of the day?

A. It was done during the business hours of the day in Government Buildings.

Q. And only yourself and Mr. Haughey were present?

A. That's correct.

Q. And presumably Mr. Haughey's staff were expecting you to come with the Lavery painting?

A. He did not know what the purpose of the meeting was. I did not tell him.

Q. He didn't know at all?

A. No.

Q. He knew nothing about the Lavery or the Yeats painting?

A. No, he had no idea.

Q. And you say that you recall getting a note of appreciation from him later, is that right?

A. I believe I did, yes.

Q. And you don't have any record of that?

A. No, I don't.

Q. Had you some reason for wishing to make the presentation in so low key a fashion?

A. I have tried to be low key all my life, without success, for example, the gift to Aras an Uachtarain, I think it's the first time that's come out.

Q. It's also the first time the other gift is coming out

unfortunately?

A. No, I think that was in the newspapers sometime back in circulation.

Q. Was it?

A. Which is why I thought it was appropriate to bring it to the attention of the Tribunal.

Q. When do you recall it being in the newspapers because I don't think it has been circulated? When do you recall it?

A. Over the years I have had numerous phone calls that can attest to the painting

Q. Did you think that there was anything inappropriate about giving a valuable painting to the prime minister in 1990?

A. I did put the caveat in I didn't expect it to be sold the next day. I expected him to hold onto it for a long time.

Q. Do you know if he has?

A. The answer is I don't know, Sir.

Q. So when you were handing it over and indicating that you didn't expect it to be sold, does that mean you were not, as it were, handing over an article that could be converted into cash on the following day, you thought it would be held in some way in remembrance of the occasion?

A. Yes, I had it in the back of my mind, it would look very bad if you gave a painting to somebody and they cashed it the next day and it looked like a cash gift and I wasn't in that situation and I requested that he hold it for a considerable period of time, I hope it became what is known as a family heirloom.

Q. Can you assist the Tribunal at all with how you determined or how it was determined whether the Foundation or the Group should make any particular donation to Fianna Fail?

A. No.

Q. Or any other party?

A. It was a question of what suited at the time.

Q. And who was the person who could make that determination?

A. I could make the determination in both.

Q. Exclusively, unilaterally as it were?

A. Yes, if I so desire.

Q. Can you think of any reason that might have prompted Mr. Traynor to ask you to make a personal contribution to Mr.

Haughey's finances?

A. I have no idea.

Q. Can you remember whether that approach from Mr. Traynor was before or after the gift of the Yeats painting?

A. Sorry, I can't tell you but I can tell you they were absolutely not linked.

Q. I am not asking you whether they were linked but I am suggesting the gift of the Yeats painting might be something that would fix a time in your memory. It's with reference to that.

A. I am afraid

Q. I am asking you to try to remember.

A. I can't give you the dates. I just don't have them.

Q. You say that you knew Mr. Traynor from the business dealings you had in Dublin, is that right?

A. Yes, among other things we were on the board of New Ireland Assurance Company together for over 10 years.

Q. Can you recall whether the approach you received from him was based on any conversations you had regarding Mr. Haughey?

A. No, Mr. Haughey never, to the best of my knowledge, ever asked me for personal funds, personally. The only thing Mr. Haughey ever asked me to do was to possibly get involved early on with Celtic Helicopters when it was being formed. I declined to get involved in the shareholding of Celtic Helicopters. I did give them a contract for work, a contract which still exists today, they do a first class job for me.

Q. When do you recall the approach concerning Celtic Helicopters being made?

A. Sometime back.

Q. Was it

A. It was before Celtic Helicopters actually started.

Q. Yes, I can help you with the dates. It was therefore in connection with the setting up of the company firstly that you were asked?

A. Yes. I think he was looking for, I think it was the Group to take a stockholding in the company and give it some business. We declined to get involved in the company but decided to give it some business after they were formed.

Q. Can you remember the occasion on which Mr. Haughey made that approach?

A. I am afraid I can't.

Q. Or the place?

A. No.

Q. And it was only on that occasion that you were asked to assist?

A. That's the only time he ever asked me anything personally.

Q. Just one last query in relation to documents, Dr. Smurfit.

Do you recall that a moment ago you mentioned that you would try to find out how it was you were able to say that Mr. Traynor was telephoned by a member of your staff on the 21st June of 1989 and as I said, it's the date, you were able to fix the date with such particularity, it would seem to suggest you might have some document and in relation to one other matter, your solicitors helpfully provided the Tribunal with copies of documents showing the instructions to Allied Irish Banks to make the payment of the sterling equivalent to €60,000. You might also put in place inquiries to try to get the bank documentation which would support that transfer. Do you understand me? I am not suggesting there's anything wrong with the information you have got but that documentation must have involved internal bank instructions, do you understand what I am driving at? The bank had to the bank in Jersey had itself to generate some documentation. Now, for jurisdictional reasons, you can get that information better than we can.

A. Okay, I would be happy to provide you with the documents you need, as we have been up to now.

Q. Yes, absolutely. Thank you very much.

MR. QUINN: With permission, can I just ask one or two questions of Dr. Smurfit?

CHAIRMAN: I think it should be extremely sparing, it's very hard to see how it comes under the reference pertaining to your client. I don't want to shut you off but only one or two questions.

THE WITNESS WAS EXAMINED AS FOLLOWS BY MR. QUINN:

Q. MR. QUINN: Just in relation to the painting you gave sorry, I am here on behalf of the Revenue Commissioners, Dr. Smurfit, and I am just inquiring in relation to the painting which you gave to Mr. Haughey in 1990, this is the painting given, you say, on behalf of Jefferson Smurfit Group, is that is that a group of companies?

A. Yes.

Q. A group of publicly quoted companies?

A. Yes.

Q. And is there a holding company or one particular company on whose behalf you

A. I don't have the actual structure, you know, how the thing is actually held, I mean we held in an Art Foundation or something, I can't assist you in that.

Q. It's just, could it be suggested that perhaps the painting was yours and given by you, that you were the donor of the painting?

A. No, I was not the donor personally.

Q. Could you identify the donor of the painting?

A. Yes, we can if that's relevant

Q. You can do that?

CHAIRMAN: I can't see how it pertains, there's no question of Dr. Smurfit's affairs being investigated by the Tribunal in any revenue context and I don't think we should proceed in this line of questioning. Mr. Fry, anything to raise?

MR. FRY: I have no questions, Mr. Chairman.

CHAIRMAN: One point, trivial matter in conclusion, Dr. Smurfit. Going back to your original evidence on these matters from a couple of weeks ago, I think you referred to your intention in making the €60,000 aggregate payment for the benefit of Fianna Fail as being that €50,000 should go to Fianna Fail Central and €10,000 for Fianna Fail East. It merely occurs to me that these are somewhat inexact descriptions that are perhaps slightly like the titles of Dublin constituencies and I wonder what was your understanding of what was meant by these?

A. I think it was Dublin North, Mr. Haughey's constituency.

CHAIRMAN: I think, according to your original statement, Dr. Smurfit believes the sum of €50,000 in Irish currency was designated for Fianna Fail central and €10,000 for Fianna Fail East?

A. East is it?



CHAIRMAN: That was in the statement but just if you throw any light from your own recollection.

A. I can't, actually, I must have had that information from Mr. Haughey because I wouldn't have made the donation or put it in unless that would have come from Mr. Haughey.

CHAIRMAN: But that was information that you did regard on the basis of it having been conveyed to you at the time of the original

A. Yes.

CHAIRMAN: Very good. Thank you very much for your further attendance in this instance.

THE WITNESS THEN WITHDREW.

MR. HEALY: There's no further evidence today.

CHAIRMAN: Half past ten for the resumption of Mr. Haughey's evidence.

THE TRIBUNAL THEN ADJOURNED UNTIL THE FOLLOWING DAY,  
WEDNESDAY, 26TH JULY 2000 AT 10:30AM: