PRE BUDGET SUBMISSION 2018

Budget 2018: we must be observant, prepared and agile and focus on strengthening our domestic economy

The context for the consideration of the economic outlook for Ireland in Budget 2018 continues to be dominated by the uncertainties created by both Brexit and our changing relationships with the US administration. Over recent years, Ireland's economy has experienced robust growth. However, it is now clear that Ireland must prepare for some negative impacts stemming from external forces. The direct impact of Brexit on our unique trading relationship with the UK and its impact on other economies globally must be taken into consideration in Budget 2018 and in Ireland's broader economic plans.

Our members fully support the view expressed by Galway Chamber that the nature of Ireland's small, open economy means that we remain vulnerable to global economic volatility and uncertainty.

Brexit undoubtedly poses risks to our economy, but we are currently in a strong position to prepare for these. Budget 2018 is an opportunity for Ireland to refocus on strategically investing in key areas of our economy to ensure that we have the infrastructure necessary to support our economy's ongoing growth, to maintain its competitiveness and to keep the West of Ireland relevant. We must now take the opportunity to secure our future by making plans to invest in areas that will address our long term challenges for the benefit of all those living and working in the West of Ireland.

In our recent submission to the National Planning Framework, we outlined that our collective vision is to make Galway the model in Ireland, fuelled by the energy, drive, culture and diversity of the people of Galway for inclusive innovation and economic growth. Therefore, our goals are to:

- *Promote and grow quality jobs for all;*
- *Cultivate dynamic, resilient communities across the county of Galway; and*
- *Improve the quality of life for all.*

We believe that our followings suggestions for Budget 2018 are key to achieving these goals.

Maurice O'Gorman, President

It is the intention of Galway Chamber that Galway:

- Will lead the Western Region and
- Will build with others an 'Atlantic Economic Corridor'

We aim to:

- Accelerate socio-economic development to drive GVA in the western region above the national average.

- Lead the sustainable development of our natural resources including tourism, marine and agriculture to full and flexible employment within private and social enterprise.

- Work with our partners to build a world class industry and enterprise corridor that encourages entrepreneurship and the establishment of new enterprises, strengthens and improves indigenous companies, continues to attract FDI, and leverages natural resources.

This Pre Budget Submission by Galway Chamber is made under the following headings:

1. **Galway**
2. **Public Sector Cost Savings/Reform**
3. **Infrastructure**
4. **Commercial Rates**
5. **Pensions**
6. **Education and Training**
7. **Taxation**
8. **Stimuli for Business**
9. **Productive Investment**

1. GALWAY

Galway Chamber calls on Government to consider certain issues pertinent to Galway and proposes that the Government deploy part of the remaining value of the National Pension Reserve Fund to support the following development initiatives within Galway:

Job Creation, Regeneration, Innovation, Entrepreneurship

- The continuation of support to our distinctive inner-city Innovation District (i.e. the PorterShed, our flagship community co-working start-up initiative that celebrated an extremely successful first year in business in 2017);
- Assistance towards establishing a Galway City Conference, Exhibition and Performance centre as we move towards our designation as the European Capital of Culture 2020; and
- Development of a covered inner city country market area

Galway Port

The development of Galway Port is essential to driving Galway's economic future and to maximising the potential for tourism, marine sciences, exploration/energy and marine leisure. We have long advocated the redevelopment of the Port and continue to support the work of the Galway Harbour Company. In this regard, we ask Government to ensure that this vital infrastructure development is adequately supported as part of the 2018 budget measures.

Marine Energy Resources

The majority of this country's potential ocean energy resource lies off the west coast of Ireland and the challenge is its commercial exploitation to the benefit of both the region and nation. We ask for:

- Specific provision in the forthcoming budget to back the Government's commitment to its "Harnessing our Wealth" strategy, published three years ago, which aims to double the value of the marine economy to 2.4% of GDP by 2030 and increase turnover to exceed €6.4 billion by 2020.
- The development, promotion and implementation of a national policy regarding all aspects of ocean energy including offshore Wind, Wave and Tidal; and
- This policy should include planning, foreshore leasing and licensing; grid connection; stakeholder alliances; support for research and promotion of investment with the ultimate aim of realising the jobs and income potential of this sector.

Road Infrastructure

Galway Chamber believes that the Galway City Outer Bypass N6 (including a fifth bridge across the Corrib) must go ahead. We urge Government to prioritise this project in order to help alleviate chronic congestion, which is a severe deterrent to both (i) businesses currently operating in Galway and (ii) those hoping to invest here.

Galway Transport Strategy
Galway Chamber believes that adequate funding must be made a available to overcome short-term, but job destroying traffic problems in the Parkmore area and an annual budget contribution to the development and implementation of a multi-year transport strategy for Galway.

Tourism
Tourism in Ireland employs 25% more people than agriculture and we urge that the Government focuses on the long-term viability and growth of this important industry sector.

- We welcome the funding received to date for the Wild Atlantic Way and acknowledge its benefit to Galway and the region and we urge Government to continue to support projects already in train and those that are ready to go.
- We look to the support of Government for tourist related projects in Galway including the proposed development of Medieval Galway, a covered food/craft market, and the creation of an iconic and flexible City centre event complex.

Enterprise Parks

- To provide tax incentives for the rejuvenation of the Mervue Business Park and the redevelopment of the Industry and Business Parks at Ballybrit, Parkmore and Oranmore.

2. PUBLIC SECTOR COST SAVINGS/REFORM

- Establish a formal envelope for the public service pay and pensions bill and mandate that all costs must fall within it.
- Cap the taxpayer's fiscal liabilities regarding future public service pensions by bringing public pensions in line with the private sector.
- All new recruits to Irish state and semi-state bodies should have their pensions structured on a defined contribution rather than a defined benefit basis, reflecting practice in the private sector to ensure a competitive offering.
- Abolish increments.
- Seriously analyse the cost and productivity benefits of outsourcing. Deliver on the full shared services agenda with a view to ensuring quantifiable and real savings for the taxpayer.

3. INFRASTRUCTURE

The National Development Plan Capital Spend

- Increase the levels of capital expenditure on infrastructure from the current 2% of GDP to 4% of GDP or higher.
- Government must seek alternative investment mechanisms in major infrastructure projects through funding from bodies such as the European Investment Bank and explore greater levels of Public Private Partnership opportunities for infrastructure projects.
- Advantages must be taken of price reductions for capital projects to accelerate vital programmes.
- In order to be competitive in the post Brexit economy Government must move beyond playing catch up and begin expansionary large scale infrastructure projects that will support growth in our regions and cities.

Broadband

- The National Broadband Plan must be rolled out without delay in order to allow for Ireland's regions and rural areas to have access to high quality broadband and the economic and social benefits which this brings. Regional and Rural Ireland cannot be left behind on such a vital basic element of modern life, which is an enabler to generate economic activity amongst local businesses.
- Increase the current minimum goals of 30 mpbs for downloads and 6mpbs for uploads contained in the National Broadband Plan.

4. COMMERCIAL RATES AND LOCAL AUTHORITY CHARGES

- Budget 2018 must signal its intention to achieve levels of savings of up to €500 million (as per the Local Government Efficiency Review Group recommendation) in order to eliminate the current over reliance on the business sector and reduce the burden of Commercial Rates on the business community. Cost savings achieved by local government must be ring-fenced for local deployment and not be ‘clawed back’ by central government.

- The property tax must continue to be used to fund local services and development. Although collected centrally, the additional funds raised must be spent at a local level and so ease the financial burden of the business community. Property tax must not be used indirectly to boost Central Government income by bringing in matching reductions in the General Purpose Grant being provided to local authorities.

- Revaluation of property must be fair and equitable. We call for a range of measures to reflect the economic realities of doing business and assist struggling SMEs.

- Local authority charges must fall to reflect current activity levels in the economy as rising business costs must be curtailed. We note that there are inconsistent rises in local authority charges resulting in a varied environment for businesses depending in which local authority they are located. Businesses can find themselves at a competitive disadvantage relative to those in other areas, even those who are nearby. Businesses must be enabled to compete on a level playing field.

The Retail Sector

- Providing improved support for retailers will increase job creation and retention and improve consumer confidence.
- Reinstate the reduced employer PRSI rate of 4.25% as previously introduced under Budget 2011 and reversed in Budget 2014, which would be of significant benefit to Retailers.
- A rates reduction for companies located within town and city centres which provide much needed employment and contribute to the quality of life in these areas.
- Tougher enforcement of “black market” activities.
- Reduce the standard rate of VAT to 21%.
- Give local authorities flexibility over rates to encourage an attractive retail mix in town centres.

5. PENSIONS

- As an incentive to participate in Personal Pension Schemes, pension contributions of up to a minimum of 30% of income should be allowable irrespective of age.
- Increase flexibility in regulations governing pensions to allow workers to gradually transition into full retirement.
- Ensure that it is as administratively easy and cost effective as possible for SMEs and entrepreneurs to establish or participate in pension schemes.
- Consider auto enrolment of employees into these pension schemes.

6. EDUCATION and TRAINING

- Government should use the National Training Fund for Strategic Training Needs which should be refocussed to reflect current employment levels.
- Due to the changing nature of skills and new demands placed on staff, there is now more need than ever for training and upskilling. There must be guaranteed funding to support this in order to offer subsidised, competitive, accessible training to employees. Any disincentives to training and upskilling must be removed.
- Productive investment is needed to encourage both our own highly trained people and leading foreign experts to work, teach and innovate in Ireland thus ensuring indigenous development and training.
- Broaden tax reliefs in respect of training and education and make provision for a long-term commitment to enterprise-led training initiatives under the auspices of Skillnets from the National Training Fund.
- ‘Future proof’ the growth of existing and new clusters with an ample supply of skilled and experienced people by a deeper integration of the Higher Education Institutions into the Enterprise Ecosystem. Embed the institutions in all large enterprise development centres, parks and districts to allow for more effective matching of skills output to employment need and a better pathway for IP and technology to enterprise.
- The National Training Fund is a levy on employers and, as such, a proportion should be ring fenced to upskill owner managers and management teams from SMEs; existing SME workforces; first time exporters entering near markets and for the “eEnabling” of SMEs.

7. TAXATION

Corporate Tax Rates

- Continue to vigorously defend our 12.5% Corporation Tax rate. This is a vital draw for FDI; generating more jobs per head of population in Ireland than in any other country.

VAT

- Government commitment to maintaining the 9% VAT rate for the hospitality sector.

PRSI

- The PRSI earning thresholds are a disincentive, particularly for lower paid workers in service industries. A revision to the manner in which income over the thresholds is taxed should be considered.

Tax Reliefs

- Highest level of Tax Relief on pension contribution to be available to all in order to encourage lower and middle income earners to pension plan.

R&D Tax Credit

- Continue to encourage Research & Development activity through the R&D tax credit.
- Special 35% credit for SME’s instead of the 25% rate currently.
- Increase fiscal support for training in the workplace.

Capital Gains Tax

- A further decrease of Capital Gains Tax rate to 10% and an increase to a €10 million lifetime threshold.
- Ireland’s Capital Gains Tax system must be more competitive when compared to the UK system.

Personal Taxation

- There must be no increase in personal taxation.
- Make work Pay: Increase the entry point to marginal tax by €1,500.
- Reduce the marginal rate by 1%.
- Self-Employed Universal Social Charges and benefits be brought into line with PAYE benefits & charges.
- Anybody on the minimum wage should not be in the tax net.
- Social welfare must not be a disincentive to work.
- By 2020 we call for parity of tax levels between PAYE and self-employed workers.
- The marginal rate of income tax remains too high. We ask for commitment to reduce the marginal tax rate to below 50% for all. In the medium term we urge a review of the entry point to the higher rate of tax to address competitiveness.

8. STIMULI FOR BUSINESS

Business Creation
It is critical that job creation be encouraged and supported by incentivising enterprise, rewarding entrepreneurship, encouraging investment, reducing the cost of employment and limiting taxes on employment. We must support small businesses to thrive because we will then be in a position to seize opportunities as they emerge. We call on the Government to consider the following when formulating strategy and measures within the 2018 Finance Act.

- Government must expedite the Enterprise Finance Guarantee Scheme.
- Employers must be incentivised to keep employees in employment rather than losing their jobs and going onto social welfare.
- Government must be proactive in supporting and incentivising employers to take on new staff. This could be achieved through a further reduction in the current rate of Employers' PRSI and the expansion of the Employer Jobs (PRSI) Incentive Scheme to include all new employment created for a period of two years instead of the current twelve months.
- Start-up service sector companies that have the potential to reduce dependency on imports should be grant supported in the same way as manufacturing/export oriented companies.
- An active purchasing policy by Government (itself one of our largest purchasers) to promote the purchasing of services and products from start-ups, SMEs and consortia of SMEs. Enforce Department of Finance Circular 10-10.
- Reduce the cost of tendering for Government contracts.
- A review of compliance requirements in an effort to reduce compliance costs to small businesses by not imposing the same rigours on small businesses as large businesses.
- Revamp of the Employment Incentive and Investment Scheme to ensure that the same reliefs are available to Irish entrepreneurs as are available to entrepreneurs elsewhere within the EU.

BREXIT
As a result of BREXIT Ireland, and particularly the west, will become the most physically isolated and peripheral region within the EU and to support this region and ensure its sustained competitiveness we call for the following supports:

- Establish an Export Working Capital Scheme to assist SME exporters to expand, process new orders and service new clients in order to combat the negative effect of BREXIT on trade.
- Government must adequately resource state agencies and invest in our network of Embassies and Irish Chambers overseas, while also increasing funding to assist businesses with BREXIT related issues.
- It is absolutely vital that this Budget seeks to improve the cost competitiveness of Irish companies in every way it can. It is particularly important that our ability to compete in international markets is a priority.
- As it is widely recognised that Brexit will have a disproportionate impact on our indigenous businesses, especially exporting SMEs, we recommend that the Government adequately resources state agencies so that they can assist businesses in planning for Brexit.

Energy

- Incentivise business to use the latest in energy and waste reduction technologies and also promote research and development into technologies aimed at reducing our collective carbon footprint.
- Implement 'smart' metering for Domestic and Business electricity users and incentivise the achievement for reaching energy saving targets.
- Strengthen our grid infrastructure to provide affordable and secure energy supply and to prioritise connectivity.

Residential Housing Provision

- Lack of residential housing poses a risk to ongoing economic recovery and growth. New measures are needed to facilitate an increase in supply.
- Rising house prices and spiralling rent cost affect urban workers.
- Reduce VAT on the construction of residential properties from 13.5% to 9%.
- Suspend development levies on residential development in areas of strategic importance for two years.
- Consider the establishment of a construction credit platform to alleviate existing problems faced by industry in securing credit.

9. PRODUCTIVE INVESTMENT

Incentivise Local Authorities to ring fence a portion of commercial rates for local economic development through a matching funding program from the Exchequer.

The 5 yr "Regional Action Plan for Jobs" of €250m is totally inedaquate and propose that it be at least doubled.

Government should establish through the NTMA/ISIF a savings & investment scheme similar to the former PRSA (funds committed for 5/7yrs which would earn additional €1 per €5) with the monies used as an investment vehicle for the scaling up of young companies and infrastructure projects such as broadband, research infrastructure, education, City Centre rejuvenation, Port development, etc. Any such Fund must have a weighting towards investments outside Dublin and its hinterland.

Retailers and SME's to off-set costs of establishing on line presence against their VAT costs.

"The Living City Initiative" (Special Regeneration Areas (RSA)) be extended in size and focus not just on City Living but also on encouriging City Working - tax breaks be extended to encourage inner city employment projects such as developing City Centre Innovation Districts.

We urge both national and local government to support the work of the business community and to ensure that job creating projects be secured for Galway in the immediate term to allow Galway to flourish and therefore to maintain its attractiveness as a location to live, work and do business in the longer term.

Galway Chamber
September 2017

For further information, please contact Maeve Joyce: 091 563536