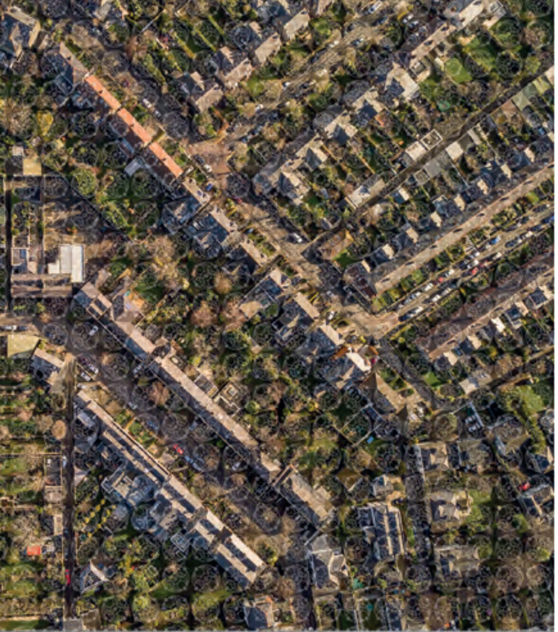
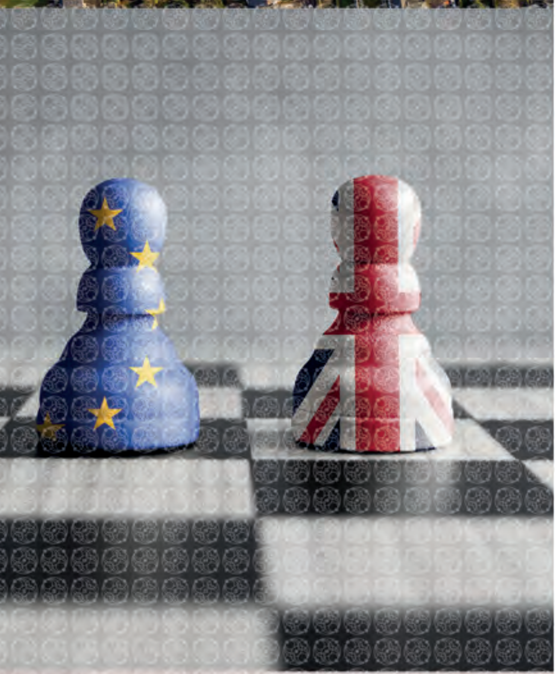
Chambers Ireland

PRE BUDGET 2019 SUBMISSION





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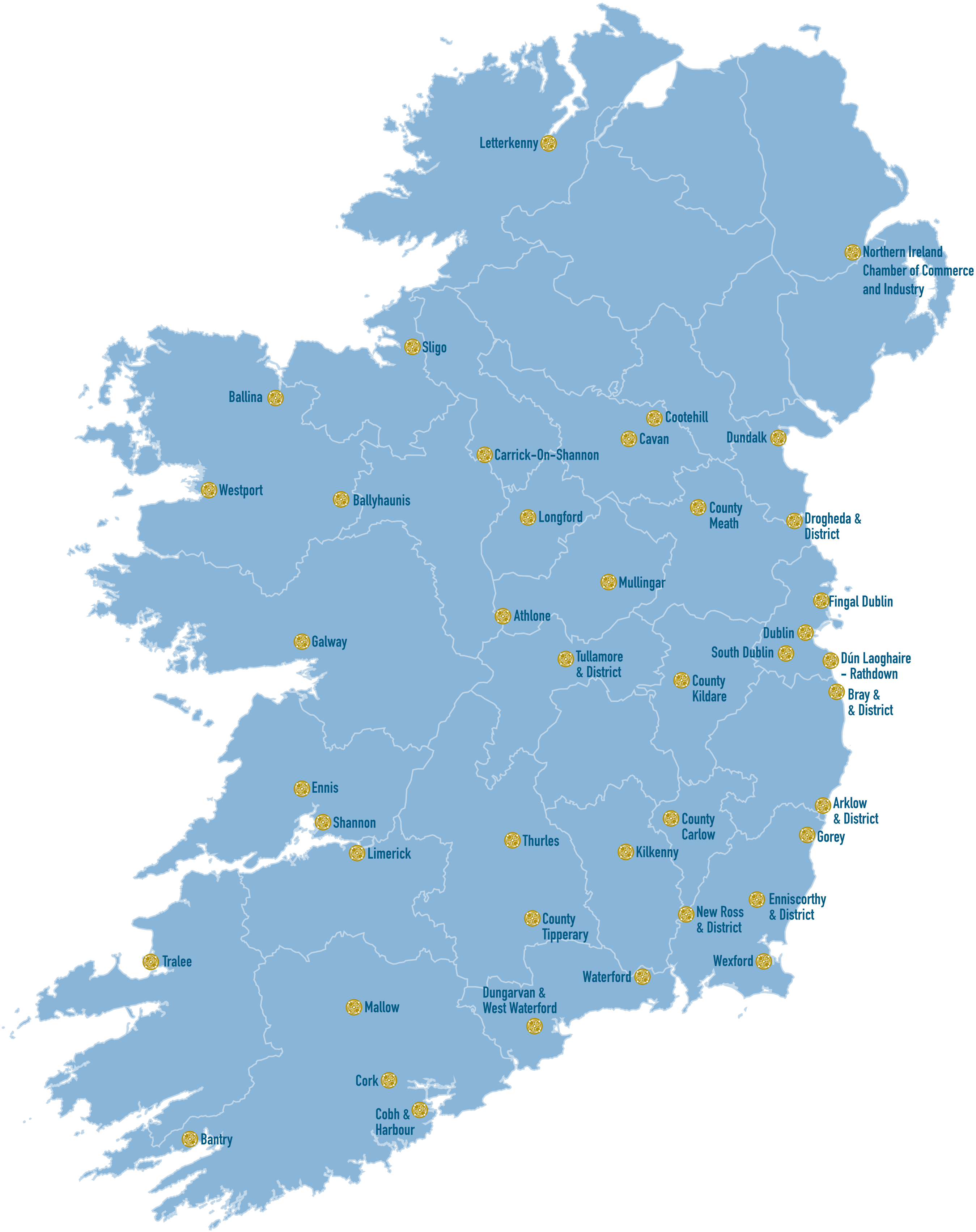
The Chamber Network



A message from the Chief Executive

Chambers Ireland's Budget recommendations over the past three years have focused largely on the need for investment to make up for the "lost decade" during to Ireland's economic recession.

Minister Paschal Donohoe's Summer Economic Statement quite clearly set the scene on the options available. Our economy continues to grow and perform well, while at the same time we have limited scope for large increases in spending or tax cuts. Prudence must be the watch-word going forward. Minister Donohoe set out the key elements of Government's budgetary strategy under five headings, ensuring steady and sustainable improvements in living standards; rebuilding fiscal capacity; the need for prioritisation and realism; the need to avoid pro-cyclical fiscal policies; and focussing budgetary policy on ensuring fiscal sustainability.

The feedback we are hearing from our Chamber Network, that after several years of calling for increased investment in capital infrastructure, Government now needs to ensure that the commitments made in the National Development Plan are indeed delivered upon in the years to come. This will mean addressing issues with our planning and procurement systems in order to ensure projects are delivered and that the NDP does not become just another well intentioned strategy that fails to have the necessary impact.

The economy continues to face significant domestic challenges, the most acutely felt being the housing crisis affecting our urban centres and even further afield. The shortage of affordable housing is impacting upon both employees and employers and having negative consequences on quality of life for many.

At the same time, we are very close to reaching full employment, and ensuring that we are maximising labour market participation will be important if we are to improve competitiveness and meet the challenges of skills shortages arising in the economy. Increasing the training options available for businesses and SMEs in particular will be important in addressing skills challenges and investing in training and education for SME exporters who want to upskill in areas such customs and logistics will be crucial in preparing businesses for Brexit.

As well facing these challenges, many of which are part and parcel of a growing economy, we also face many threats on the international stage.

The UK's decision to leave the European Union in 2016 has not yet had a dramatic impact on the Irish economy, but there is unanimous acceptance that once the UK departs the Union, the Irish economy will take a hit, with many Irish businesses likely to suffer adverse consequences. As Budget 2019 is the last before the UK's exit, we now have an opportunity to make smart but subtle reforms and investments that will enable us to meet the challenges we are likely to face in the coming years and to help businesses prepare fully.

Additionally, an escalation in trade tariffs or a trade war between the EU and the US could have severe consequences for our exporters, importers and our consumers. While the outcomes of these threats are largely beyond our control, they must be carefully considered as Government makes decisions on preparing our economy and the extent to which we can rely on projected growth estimates in the years to come.

While we can't control what happens in the rest of world, we can control whether or not we are prepared to tackle these obstacles. The Rainy Day Fund should play a crucial part of ensuring that we continue to have the funds to invest in infrastructure in the years ahead by acting as an equalisation fund to ensure we retain the necessary portion of GDP to meet the National Development Plan commitments, regardless of Exchequer Returns performance over the period.

We have come a long way as an economy since the economic crash, which is now more than a decade past. We must now show that we have learned the right lessons and not squander an opportunity to ensure that our prosperity is sustainable.

Ian Talbot, Chief Executive, Chambers Ireland

Introduction

Chambers Ireland's Pre Budget 2019 Submission has been formulated in consultation with the Chamber Network, made up of 44 affiliated chambers located in every major town and city of Ireland. Our members represent businesses of all sizes and across all sectors. The message we heard from our Network in consultations on Budget 2019 was clear; delivery of Project Ireland 2040 and the National Development Plan is key to ensuring continued growth.

Budget 2019 comes at an important moment for Ireland as we stand facing an uncertain world. While the economy is performing strongly, the threat to Irish businesses presented by Brexit and changes in the international trade environment stand to impact upon our uniquely open economy.

The Department of Finance expects GDP growth of 5.6 per cent for 2018 and 4.0 per cent in 2019, while unemployment remains low at 5.1% in June and we ever move closer to full employment. These are positive indicators, but with a budgetary package of €3.4 billion and fiscal space of €0.8 billion, strategic choices and priorities must be identified.

Budget 2019 will be the first following the finalisation of Project Ireland 2040 and it is crucial for our growing economy and population that investments announced in the National Development Plan begin and the strategic plans set out in the National Planning Framework are followed.

The road, rail, port and public transport infrastructure outlined in the National Development Plan are essential for businesses and for the quality of life of employees. At the same time, plans for transport must be cognisant of our climate change commitments and businesses want to see Government tackle the environmental challenges facing us head on.

Given the limited budget package available, the priority must be capital spending that will address growth-constraining infrastructural deficits. Strategic investment in infrastructure will enable all of our cities to compete for investment and jobs as they drive growth and unlock the potential of their wider regions.

Delivery of these plans necessitates that we maintain a broad tax base and do not become overly reliant on unreliable sources of income. A prudent and medium-term approach to changes in income tax should be coupled with delivering value for money public services.

In last year's Budget Submission to the Department of Finance, Chambers Ireland called for the establishment of a Rainy Day Fund to ensure that any future shocks to our economy do not lead to a decline in capital investment. We support its introduction particularly to be utilised as a form of equalisation fund to ensure continued, stable investment in the National Development Plan.

Competitiveness is increasingly under threat from the high cost of doing business and general high cost of living in Ireland. Government must focus on addressing the issues contributing to these high costs, from childcare to housing and beyond.

It is imperative that we look ahead with equal measures of optimism and caution. We stand in a strong economic position today. Careful planning and spending will lead us on a sustainable path, ready to seize all future opportunities and weather any threats.

IT IS IMPERATIVE THAT WE LOOK AHEAD WITH EQUAL MEASURES OF OPTIMISM AND CAUTION. WE STAND IN A STRONG ECONOMIC POSITION TODAY. CAREFUL PLANNING AND SPENDING WILL LEAD US ON A SUSTAINABLE PATH, READY TO SEIZE ALL FUTURE OPPORTUNITIES AND WEATHER ANY THREATS.

Executive Summary

Planning for a Sustainable Future

Project Ireland 2040
- The commitments made in the National Development Plan and the targets set for growth and planning in the National Planning Framework must be delivered upon
- Government must commit to a review of our planning and procurement processes
- A Construction Standards Regulator should be established to operate alongside the new Planning Regulator
- Deliver a "Cost Rental" model of housing
- Double the Local Property Tax on properties vacant for 2 years or more

Rainy Day Fund
- Establish the Rainy Day Fund and transfer an initial €500 million to the Fund
- Gradually increase State contributions and transfer revenue raised from over profile corporate tax receipts into the Rainy Day Fund
- Restrict use of the Rainy Day Fund for delivery of investment in infrastructure and the delivery of the NDP should growth dip below 2% GNI*

Corporate Tax
- Maintain and defend Ireland's 12.5% Corporate Tax Rate
- Work with international partners and the process of OECD BEPSs on international tax proposals
- Exercise caution in over-reliance on corporate tax receipts and transfer revenue raised from over profile corporate tax receipts into the Rainy Day Fund

Housing
- Implement the recommendations of the Kenny Report on CPOs
- Evaluate the effectiveness of the Vacant Site Levy and amend the Urban Regeneration and Housing Act 2015 as required to effectively disincentivise land hoarding
- The Living City Initiative should be rolled out to all strategic growth cities named in Project Ireland 2040 subject to a review of and improvements to the existing scheme

Decarbonisation
- Invest in the phasing out of inefficient heating systems in homes and premises through the retrofitting scheme
- Residential and commercial new builds must be built with integrated renewable low carbon technologies
- Increase the utilisation of the existing gas network for renewable biogas
- Explore Carbon Capture and Storage options for Ireland
- Invest more in energy efficiency auditing for businesses
- Support businesses to engage in the circular economy and waste prevention at source

Transport
- The transport projects announced under Project Ireland 2040 must be delivered upon
- Invest in rapid transport corridors and rail routes for Ireland's growth driver cities
- Expedite the introduction of a commercial charging regime for Electric Vehicle charging points and introduce initiatives and incentives to support the uptake of EVs
- Support CNG infrastructure and invest in CNG buses for inter-city or long-distance public transport services
- For intra-city public transport increase use of hybrid & electric vehicles in fleets
- Produce a motor policy and taxation roadmap

Executive Summary

Planning for a Sustainable Future

Water
- Water infrastructure in the National Development Plan must be delivered upon

Broadband
- Deliver the National Broadband Plan

Education and Skills
- Continue to increase apprenticeship and traineeship offerings in a wider range of fields
- Make the National Training Fund more responsive to the needs of employers
- Introduce a voucher model for funding skills courses for SMEs
- Support the re-skilling and up-skilling for those in employment and increase life-long learning levels in Ireland
- Increase targeted, responsive training in sectors with skills shortages
- Increase investment in entrepreneurship and innovation education for students

Philanthropy
- Endorse a philanthropic culture and develop a dedicated policy framework to support and assign responsibility for companies and individuals engaged in philanthropy
- Introduce incentives for philanthropic giving and explore tax and legal frameworks to encourage businesses to donate philanthropically
- Invest in programmes to engage young people in civic and social activity primary and post primary levels

Supporting our Workforce

Income Tax
- Make incremental increases to the entry point to the higher rate of tax on a multi-annual basis

Childcare & Narrowing the Gender Pay Gap
- Maintain investment in Early Childhood Education
- Deliver prompt roll out of the Affordable Childcare Scheme
- Deliver a value-for-money cost analysis of childcare provision
- Maximise the use of schools and existing community facilities for childcare provision
- Work with employer's groups to examine increasing parental leave provision

Pensions
- Introduce an auto-enrolment pension model with a realistic lead-in time for businesses
- Any future auto-enrolment private pension scheme should not affect the State pension
- Retain existing tax relief on pensions contributions

Diversity
- Consolidate all current supports for disabled persons entering the workforce into one overall grant
- Funding for specialised equipment or supports should be received by the prospective employee with a disability rather than linked to the place of work
- Maintain funding for the Employer Disability Information service

Executive Summary

Encouraging Entrepreneurship

Tax Equity & Supporting Microbusinesses

- In this Budget cycle, bring Earned Income Tax Credit for the self-employed in line with the Employee Tax Credit
- Introduce full equity in taxation between the self-employed and PAYE workers
- Introduce a short-term tax credit on employer PRSI to enable small businesses to grow

Supporting Women in Business

- Expand funds that offer targeted support for female entrepreneurs
- Introduce additional supports in management training for female-led companies
- Support state agencies to provide training to female entrepreneurs on international trade and increase female participation in overseas trade missions

Capital Gains Tax

- Reduce the Capital Gains Tax rate of 33%
- Increase the lifetime limit of €1 million in qualifying capital gains under Entrepreneur's Relief to €10 million

Capital Gains Tax Rollover Relief

- Introduce CGT rollover for investment in small businesses, where an entrepreneur can apply for relief on the capital gain when reinvesting in an SME or new business

Key Employee Engagement Scheme

- Revise the limits on the total market value of share options
- Remove the salary cap and replace with a maximum amount of share options per employee
- Ensure Fin Tech companies are eligible for the KEEP scheme
- Facilitate the disposal of shares beyond the stock exchange by KEEP companies

Battling Brexit

Trade supports

- Work with and support the Chamber Network to communicate resources that will help businesses to prepare for Brexit
- Support the Chamber Network in providing training to exporters on the issuance of trade documentation and customs training
- Make funding available through the Brexit Loan Scheme to support more businesses who may wish to innovate in response to Brexit
- Introduce additional supports for businesses in e-commerce
- Support collaborations between the Irish Chamber Network and Chambers in the UK on B2B engagement to prepare for Brexit

Tourism

- Maintain the 9% VAT rate for the hospitality sector
- Increase the budget of state agencies to invest in market diversification
- Enable Fáilte Ireland to provide additional programme supports for tourism businesses to face the challenges Brexit presents
- Resource State agencies to increase levels of investment in niche areas that distinguish Ireland as a destination
- Increase the fund of €1 million provided for co-operative marketing and promotion of regional ports and airports to €3 million per year
- Ensure that tourism initiatives and strategies are coordinated with transport provision
- Reconsider and revise operating conditions attached to the development of a third runway at Dublin Airport

PLANNING FOR A SUSTAINABLE FUTURE

Strategic planning is fundamentally important in determining quality of life. It forces us to envisage the future and set out our aspirations. With good planning we can succeed in realising the goals of improved public places and services. The finalisation of Project Ireland 2040 earlier this year was welcomed by Chambers Ireland as a step change in spatial planning and capital investment in Ireland. The National Planning Framework and the National Development Plan stand to spark change across Ireland and unlock the potential of all regions and cities. The plans aim to provide a better quality of life for communities and safeguard our environment, while delivering infrastructure to meet the future needs of our economy and society.

A number of issues at present threaten our future growth. Among them, the housing crisis, the high cost of childcare, skills gaps and shortages, and the digital divide loom large. At the same time, we cannot talk about sustainability without talking about our natural environment and the challenge of climate change. Investment in greener technologies such as heat pumps, biogas and electric vehicles among others are an important element of this and Government must show urgency, innovation and leadership in this sphere. Behavioural changes for all of us are necessary and may require incentives and where appropriate disincentives in order to ensure change. Additionally, ensuring our population can access quality educational institutions and engage in life-long learning is fundamentally important if we are to ensure our workforce is agile and capable of responding to fast-paced technological changes. Planning for the future of our economy and society requires that we act prudently with finances in the present, and setting funds aside into a Rainy Day Fund is a measure which will enhance future resilience.

Project Ireland 2040

Investment in infrastructure has been a major concern of business for the last number of years following a decade of under investment during the economic downturn. As such, Chambers Ireland welcomed the €116 billion announced for the National Development Plan under Project Ireland 2040. The National Development Plan and the National Planning Framework commit to €116 billion investment in infrastructure over the next ten year period. Chambers Ireland and the Chamber Network largely welcomed the significant levels of investment laid out in this plan and the clear path set for the country out to 2040. The development of Project Ireland 2040 involved years of stakeholder engagement and consultations, and the final result marks a step-change in Irish spatial planning. It is therefore imperative that commitments made in these plans are realised and that long neglected investment in infrastructure increases.

Recommendations

1 Government must ensure that the plans laid out in the National Development Plan and the targets set in the National Planning Framework are committed to and met. We must ensure that Ireland moves closer to the highest levels of public investment in infrastructure in the OECD.

2 To ensure that we can meet the targets and deliver the projects committed to in Project Ireland 2040, Government must commit to a review of our planning and procurement processes.

Rainy Day Fund

Following recommendations by Chambers Ireland in past Budget submissions, Government announced the establishment of a Rainy Day Fund in Budget 2018. The questions we must now ask are how and when such a fund should be accessed and what it should be used for. It has been suggested in research conducted by the Parliamentary Budget Office that the Rainy Day fund could reduce the volatility of Government finances if it was structured to accept all receipts of specified volatile revenue streams over a certain threshold and use these to maintain or increase capital spending in a downturn. Chambers Ireland views the establishment of the Fund as an opportunity to ensure greater long term stability in capital spending. The National Development Plan is underpinned by projections of the economy's potential growth which is assumed at a minimum of 2% over the period 2022 to 2027. Using the Rainy Day Fund to support the delivery of the National Development Plan would ensure that we don't find ourselves unable to maintain investment in capital infrastructure in times of recession.

Recommendations

1 Government must establish the Rainy Day Fund and transfer an initial €500 million to the Fund.

2 We recommend that Government gradually increase State contributions to the Rainy Day Fund, assuming growth continues as projected. We specifically recommend that Government monitor corporate tax receipts and transfer any revenue generated above profile to the Rainy Day Fund.

3 We recommend that the Rainy Day Fund be used to support continued investment in infrastructure and the delivery of the National Development Plan should growth dip below the required 2% per annum, as set out in Project Ireland 2040. Only if growth dips below the required 2% should the Rainy Day Fund be accessed to fund capital investment.

%

Corporate Tax

Ireland's clear and transparent corporate tax system and corporate tax rate of 12.5% have been contributing factors for multinationals choosing to locate their operations here. Certainty in tax is an attractive asset and should be valued in the face of global changes. This is particularly important considering the reform of the US corporation tax code, the UK's forthcoming exit from the European Union and ongoing discussions at EU-level regarding a Common Consolidated Corporate Tax Base and digital taxation.

Ireland's corporate tax receipts have increased significantly in the last two years, rising 57% to €7.35 billion in 2016 and rising again by a further 11% to €8.2 billion in 2017. Although experts do not see a threat to the sustainability of Ireland's corporate tax receipts in the immediate term, it should be emphasised that Ireland is a small open economy and is very exposed to external shocks. The increasing concentration of Irish corporate tax receipts could pose a risk to the Exchequer, where external factors may influence multinational companies relocating elsewhere, resulting in a significant decrease to corporate tax receipts. It is also worthy of note that many other economies are proactively reducing their corporation tax rates. While the scope for Government action in mitigating these factors is limited, it is imperative that Government continues to be mindful of the risks.

Recommendations

1 Government must maintain and defend Ireland's 12.5% Corporate Tax Rate and offer businesses certainty in the face of global changes.

2 We recommend that Government ensure Ireland maintains sovereignty in taxation policy, while working with international partners and the process of OECD Base Erosion and Profit Shifting to enhance fairness in international taxation.

3 We recommend that Government exercise caution in over-reliance on corporate tax receipts in the medium term and considers transferring the revenue raised from over profile corporate tax receipts into the Rainy Day Fund.

IRELAND'S CORPORATE TAX RECEIPTS HAVE INCREASED SIGNIFICANTLY IN THE LAST TWO YEARS, RISING 57% TO €7.35 BILLION IN 2016 AND RISING AGAIN BY A FURTHER 11% TO €8.2 BILLION IN 2017.

Housing

The housing crisis is perhaps the biggest issue facing both Ireland's society and economy. The lack of supply of affordable housing is a significant threat to Ireland's competitiveness and future economic growth. The under-supply of adequate housing options is having a detrimental impact on Irish business through increased cost of living affecting wage pressures, businesses' ability to attract appropriately skilled workers and high rental costs for companies located in urban areas. As it currently stands measures included in the Rebuilding Ireland Plan do not go far enough to tackle the severe shortage of housing supply in Ireland. Policy changes focused on the status quo and an over-reliance on private sector building to ramp up supply are not working. Failure to adopt innovative solutions to the crisis has resulted in little change and no meaningful increase in supply to date.

There are an estimated 28,000 vacant commercial properties across Ireland, many of which are unlikely to be reclaimed for commercial purposes. Facilitating the adaptation of commercial units in the centre of towns and villages would increase the residential density of Ireland's urban spaces in line with Project Ireland 2040 and would provide housing for the most part without the costly requirements of connection to the water or electricity grids.

With high demand in housing supply, the current model favours those who cut corners on standards and we risk allowing for the mistakes of the past to be repeated in residential developments across the country. A construction standards regulator should be established to operate in conjunction with the recently announced planning regulator in order to ensure that standards are being met and that the regulatory system supports those who adhere to both construction and planning regulations.

Government must deliver upon commitments to create a "Cost Rental" model as an alternative to social housing in the provision of secure rental accommodation for low-income households. Increased pressure on the rental market is forcing more people onto social housing lists who in normal market conditions would not qualify for social housing. The Cost Rental model would allow for more income categories to find long-term housing solutions without increasing the pressures currently facing the social housing and homelessness services.

Chambers Ireland has previously welcomed announcements by Government to lift height caps in urban centres, however announcements on changing building regulations have the effect of causing uncertainty and stalling shovel-ready projects, resulting in fewer homes being built when and where they are most needed. Any such announcements by Government should not be made in advance of prepared changes to the existing regulations.

Recommendations

1 The recommendations contained in the Kenny Report (1973), in particular that land suitable for building may be compulsorily acquired by local authorities for a cost no more than 25 per cent above its zoned value should be introduced as a measure to tackle the continuously increasing price of land and the resulting low supply and high cost of homes on the market.

2 Government must evaluate the effectiveness of the Vacant Site Levy and should amend the Urban Regeneration and Housing Act 2015 as required to ensure that the Levy is adequately disincentivising land hoarding and is effectively increasing land supply to the market.

3 The Living City Initiative should be rolled out to all strategic growth cities named in Project Ireland 2040, subject to a review with improvements to the existing incentive scheme.

4 A Construction Standards Regulator should be established to operate in conjunction with the recently announced Planning Regulator in order to ensure that standards are being met in the construction of dwellings.

5 Government must deliver upon commitments to create a "Cost Rental" model as an alternative to social housing in the provision of secure rental accommodation for low-income households.

6 Government should double the Local Property Tax on properties vacant for 2 years or more as a measure to tackle the high number of vacant properties in the areas of greatest need.

Decarbonisation

The secure and affordable provision of energy is vital for every business in the country. The importance of protecting Ireland's energy security is likely to increase over the coming years due to demographic pressures, increased levels of economic activity and potential political risks. Improving and expanding Ireland's grid infrastructure through increased investment must be prioritised to provide for our long-term energy security and to address the sustainable delivery of future energy needs. Energy capacity, continuity and security is extremely important for the ability of Ireland's regions to compete for investment and attract companies to establish in an area. The FDI sectors which have typically established bases in Ireland and are significant contributors to Ireland's economy, such as pharmaceuticals, manufacturing, and ICT companies, are all heavily reliant on a sustainable and secure energy supply.

At the same time, we must ensure that we are making strides towards decarbonising our energy supply as much as possible. Areas such as biogas and carbon capture and storage should be explored by Government as a means to tackle and offset the significant fines we face should we fail to meet our climate change commitments.

20% of Ireland's Greenhouse gas emissions currently come from heat generation and a further 20% from electricity generation. A house built today has impact over many decades. Ireland is set to build at least 500,000 new homes by 2040 and it is imperative that we avoid a new carbon lock-in while continuing to address the emissions caused by our existing housing stock. Residential and commercial new builds must be constructed with integrated low carbon technologies, such as heat pumps and district heating schemes, where viable. Retrofitting must continue, but there is significant capital cost to this and we now have the opportunity to negate the need for retrofitting in the future by ensuring that new builds take advantage of the best energy performance technology available.

Recommendations

1 Government should continue to invest in the phasing out of inefficient heating systems in buildings through the retrofitting scheme in order to enable homes and businesses to move to low carbon heating solutions.

2 Residential and commercial new builds must be built with integrated renewable low carbon technologies, such as heat pumps and district heating schemes, where viable.

3 The gas network is essential if Ireland is to meet climate change targets. By utilising the existing gas network, decarbonisation targets can be reached whilst providing the lowest cost to consumers and the Exchequer, the least disruption to end-users, while enhancing Ireland's security of supply and providing jobs for rural Ireland.

4 Government should explore and support Carbon Capture and Storage opportunities for Ireland that can ensure a viable long-term solution to carbon emissions that also enables the use of existing infrastructure.

5 Government must invest more in energy efficiency auditing for businesses via the Environmental Protection Agency. This should be increased along with a promotion campaign which would assist businesses in assessing how they can cut down on energy costs and reduce their reliance on carbon intensive energy sources.

6 Government should increase the incentives and supports for businesses to engage in the circular economy, including incentivising waste reduction at source and re-use of materials.

500k

new homes by 2040

20%

of Ireland's Greenhouse gas emissions currently come from heat generation

Transport

Transport is one of the most tangible issues affecting organisations' day-to-day operations in all areas of the country and has been highlighted by the Chamber Network as a priority in capital expenditure. Good transport links enable regional networks to develop and stimulate economic growth in a region, while enhanced connectivity provides businesses with more opportunities to trade, as well as contributing to lower costs. Investment in public transport, both inter and intra urban, not only benefits urban centres; properly integrated and efficient transport links act as growth enablers for wider regions and ensure that cities can act as drivers of growth.

Chambers Ireland welcomed the transport projects announced under the National Development Plan and we are pleased with the increased investment being allocated towards transport infrastructure broadly. Failing to significantly increase investment in transport would undermine Ireland's ability to generate economic growth in a sustainable manner and would damage our national competitiveness. At the same time, transport is a significant contributor to Ireland's greenhouse gas emissions and we must therefore also invest in adopting transport options that are sustainable and will enable us to meet our carbon reduction goals.

At present, efforts to reform motor policy are disjointed across a variety of areas, from motor tax to VRT to tolls, from excise duties and charging points to benefit-in-kind and more. The piecemeal changes in motor policy and taxation mean that there is a lack of clarity for both customers and businesses on the best choice for them in the long term. A clear strategy on the future of motor policy and taxation should be delivered to offer everyone the ability to transition to a greener car within a reasonable timeframe and to enable businesses to adapt investment plans with a greater degree of certainty.

Recommendations

1. The transport projects announced under Project Ireland 2040 must be delivered upon. The importance of Ireland's road network and port infrastructure are likely to increase following the UK's exit of the European Union and delivery of these projects must happen in order to facilitate trade and economic growth.

2. Public transport commitments for inter and intra urban transport made in the Project Ireland 2040 must be delivered upon. Government must invest in rapid transport corridors and rail routes for Ireland's growth driver cities as a means to tackle urban congestion and increase use of public transport. For intra-city public transport, we must make more use of hybrid and electric vehicles as much as possible.

3. Government must deliver the promised supports for electric vehicles. A commercial charging regime for Electric Vehicle charging points is long overdue and more initiatives and incentives to support the uptake of EVs among private individuals and by businesses, such as the introduction of an EV car sharing scheme, are required to increase the number of EVs on our roads.

4. Compressed Natural Gas (CNG) is now a viable option for heavy goods vehicles and Government should invest in CNG infrastructure and transport for inter-city or long-distance public transport services, and ensure that we move away from the diesel-based fleets that HGV transport currently relies upon.

5. We call on Government to produce a motor policy and taxation roadmap, clearly laying out long term changes in car policy over the course of the next decade as we seek to encourage a move to lower carbon emission cars through a variety of incentives and policies.

FAILING TO SIGNIFICANTLY INCREASE INVESTMENT IN TRANSPORT WOULD UNDERMINE IRELAND'S ABILITY TO GENERATE ECONOMIC GROWTH IN A SUSTAINABLE MANNER AND WOULD DAMAGE OUR NATIONAL COMPETITIVENESS.

Broadband

Government must act expediently to tackle the digital divide that currently exists between urban and rural Ireland. We must ensure that Irish businesses can compete on an even playing field and have access to the manifold opportunities that trading online brings. Access to broadband enables businesses to grow, create jobs and contribute to their local economies. Broadband is a quality of life factor and enables modern arrangements for modern businesses that want to offer staff flexibility in working lives for employees and it is therefore a significant factor in attracting FDI companies to a region. The National Broadband Plan, which has already been significantly delayed, must be rolled out as soon as possible in order to allow for Ireland's regions and rural areas to have access to high quality broadband and the benefits which this brings to businesses and people. Rural and regional Ireland cannot continue to be left behind on such a vital element of modern life.

Recommendations

1 The now much delayed National Broadband Plan must be delivered as soon as possible by Government

Water

If Ireland is to remain a competitive FDI destination while continuing to support Irish businesses to grow, then planning for the future of water and increasing the capacity of our water infrastructure must be a priority. We have to also consider the significant population growth of at least a million projected out to 2040. In addition, the continuation of weather extremes in 2018 and their impact on water supply clearly demonstrate the need for stable, continuous investment in this vital infrastructure.

Recommendations

1 Water infrastructure projects which have been committed to in the National Development Plan, such as the Eastern and Midlands Water Supply Project, which will provide water for a large part of Mid-East Region, must be commenced as planned in order to ensure the continuous supply of safe and stable water across the country.

Education & Skills

Investment in education is essential for the competitiveness of our economy, our ability to attract FDI and to ensure that businesses have the necessary range of skills to face external challenges and adopt new technologies as they emerge. Increased provision to Solas for the rollout of new apprenticeships and traineeships has been a positive development in the education sphere and Chambers Ireland calls for continued commitment to this model, along with increased awareness campaigns on the benefits of the apprenticeship model for both students and employers, particularly targeting career guidance counsellors in secondary schools.

The most recent unemployment figures stand at 5.1% (June 2018) and as we rapidly approach 'full employment' employers face increased challenges related to productivity, sourcing employees with the right training, and skills mismatches in the workforce. As such, it should be as administratively easy as possible for businesses to access skills and training provision for their employees. A voucher model for skills and training courses would enable employers to choose educational providers from the private sector based on reputation and proven excellence. The voucher could be modelled on the 'Innovation Voucher' model, administered by Enterprise Ireland and accessible to SMEs that require the up-skilling or re-training of key employees.

5.1%

most recent unemployment figures

Recommendations

1 Government must commit to the continued rollout of increased apprenticeships and traineeships in a wider range of fields.

2 The National Training Fund must be more responsive to the needs of employers and should be weighted to reflect the current employment levels.

3 The introduction of a voucher model for funding skills courses for SMEs should be introduced to enable SMEs to select their preferred training provider from the market.

4 Government must continue to support the re-skilling and up-skilling for those in employment through bodies such as Skillnet Ireland in order to increase life-long learning levels in Ireland.

5 There is a need to increase targeted training in particular sectors, including the hospitality sector and construction sectors which are struggling to fill vacancies due to a lack of suitable candidates.

6 There is a need for greater enterprise engagement and innovation education for young people in Ireland. Government must increase investment in entrepreneurship and innovation education for students in transition year in order to prepare them for their future careers and to foster the soft skills that will enable them to succeed.

Philanthropy

The not-for-profit sector contributes significantly to the Irish economy and employs approximately 158K people, yet we have one of the lowest numbers of grant-making trusts and foundations in Europe. Philanthropic giving in Ireland needs to be seriously cultivated.

Currently Government is the greatest source of funding for the sector, at 50%. Atlantic Philanthropies, was a significant contributor in this sphere, donating €1.1 billion over 30 years via 1,030 grants. It is now closed, which means a vital source of funding for many not-for-profits has ended. The donations from Atlantic Philanthropies to Irish education, civic, cultural and not-for-profit organisations were instrumental in transforming the landscape of these sectors in Ireland. Other foundations and philanthropic organisations are evolving and are most welcome, such as Philanthropy Ireland, The Community Foundation, Tomar Trust and others.

As we stand in a position of strong growth and with a healthy economic forecast, there is now great potential for the development of philanthropy in Ireland. There should be a clear recognition of the differences between charitable giving and philanthropic giving: the former for instant relief, the latter for strategic long term solutions to underlying causes of needs. Government must do more to ensure that philanthropy is fostered and that we are enabling the long term development of the not-for-profit sector via sustainable and strategic investment, giving new opportunities to this important sector of our society and economy.

Recommendations

1. Chambers Ireland calls on Government to play a lead role in endorsing and fostering a philanthropic culture and in the development of a dedicated policy framework to support and assign responsibility for companies and individuals engaged in philanthropy.

2. We are asking for the introduction of incentives that would encourage greater stakeholder engagement with philanthropy, and the exploration of tax and legal frameworks to encourage businesses to donate philanthropically.

3. There is a need to foster an understanding of philanthropic giving, innovative thinking and engagement in civic and social activity at a young age. Government must invest in such education at primary and post primary levels to ensure a future culture of civic engagement and philanthropic activity in Ireland.

158k
people employed in the not for profit sector

50%
funding comes from government sources

€1.1bn
contributions from Atlantic Philantrophies over 30 years

SUPPORTING OUR WORKFORCE

Working life for many people in Ireland is a positive element in their lives and provides purpose and financial independence. However increasingly employees are under pressure from the high cost of living, high tax burden and costly childcare. For others, the workplace is inaccessible for a variety of reasons, or they may face discrimination in pay based on their gender. These factors also feed into a wider pensions issue facing our workforce, where just 35 percent of private sectors workers are saving into a pension scheme. Chambers Ireland supports a broad tax base and is not calling for immediate significant reductions in income tax, however we must acknowledge that employees are entering the higher rate of tax at too low a salary and this is a significant competitiveness issue. Both businesses and employees expect to see value for money and delivery of services on the taxes paid. Taxes should be focussed on tackling the issues contributing to the increasingly high cost of living and in doing so attract more people into the workforce and increase workers' ability to plan and save for the future.

Income Tax

As a uniquely open economy, Ireland is also uniquely exposed to the impact of external factors on our economy. As such, maintaining a broad tax base is essential to reduce our vulnerability to any potential future economic shocks.

At present, high marginal tax rates apply at relatively low levels of income. Employees earning less than the average industrial wage pay the higher rate of 40 percent in income tax, starting at just € 34,500. In addition to this, the universal social charge and PRSI also apply. This represents a significant tax burden on middle income earners, and may contribute to reduced female labour market participation, welfare traps for low skilled workers and also impacts upon our ability to attract skilled migrants to move here.

High income tax rates are a serious threat to Ireland's overall competitiveness and negatively affect our ability to compete with the UK in the attraction and retention of skilled workers. However, we are mindful of the impact which changes to income tax would have on the fiscal space at a time when significant increases in investment are required across a number of areas. As such, we are asking that Government commit to review and make incremental changes to income tax rates over a multi-annual basis. Ideally over several budgets we should move to a position where Ireland is in line with comparable countries in the OECD on tax rates and have enhanced our competitiveness.

HIGH INCOME TAX RATES ARE A SERIOUS THREAT TO IRELAND'S OVERALL COMPETITIVENESS AND NEGATIVELY AFFECT OUR ABILITY TO COMPETE WITH THE UK IN THE ATTRACTION AND RETENTION OF SKILLED WORKERS.

Recommendations

1 We recommend that Government continues to make incremental increases to the entry point to the higher rate of tax on a multi-annual basis, so that Ireland is in line with comparable countries in the OECD and can maintain our competitiveness when it comes to attracting talent.

Narrowing the Gender Pay Gap & Providing Affordable Childcare

The challenge in retaining women in the workforce has been highlighted as a concern for employers, and has been attributed, in part, to the difficulty employees have in accessing affordable childcare. The high cost of childcare often means that for parents, particularly lone parents, it can often not be cost-effective to both work and pay for childcare. Childcare costs in Ireland are the second highest for couples and the highest for lone parents in the OECD.

The work of the Central Bank suggests that there are a substantial number of economically-inactive people who might be attracted back into the labour market, many of whom are women. The economic growth of the 1990s, where the economy grew by on average 8% a year between 1994 and 2000, owed a lot to the increased labour market participation of females. Women formed an important pool of skilled labour when demand for workers grew as the economy expanded. About a quarter of the growth of the 1990s can be attributed to the rise in women's economic participation. While the proportion of women in the labour force is a lot higher now than in the early 1990s, it is generally below that evident in other EU countries.

Irrespective of their level of education, women over the age of thirty-five have lower participation rates in the workforce than their EU counterparts. Research shows that lack of availability of affordable childcare and after-school care are likely to be a significant contributing factor. Ireland spends far less as a percentage of GDP on early childhood education when compared with the OECD average. We recommend that Government continues to invest in child-care services in the long-term and that funding secured in last year's budget be increased or matched in Budget 2019. More detailed plans and financial commitments need to be put in place to ensure that childcare is properly financed in the long-term. By supporting access to affordable, quality childcare services, Government can ensure that there are no structural barriers to increasing female labour market participation, while also tackling the high cost of living and increasing wage demands on employers. These measures will also benefit the well-being of children, reduce the gender-pay gap, and increase Government revenues through a higher rate of labour force participation.

Recommendations

1 We recommend that Government maintain support for early years' childcare services that are accessible, affordable and of a high quality, through continued investment in the Early Childhood Care and Education (ECCE) Programme.

2 Government must deliver prompt roll out of the Affordable Childcare Scheme.

3 Deliver a value-for-money cost analysis as per the commitment in the Programme for a Partnership Government 2016. It is imperative that data on the exact cost of delivery of childcare provision is published as soon as possible to ensure that further investment contributes to making childcare more affordable for parents.

4 Chambers Ireland recommends that Government maximises use of schools and existing community facilities which have suitable environments available for school-age childcare where demand exists. All new school builds should be built in such a way that they can be used for after-school care.

5 We call on Government to work with employer's groups to examine how increasing parental leave provisions can be introduced and managed with minimal burden to employers. Supporting the more equitable division of caring responsibilities will be crucial if we are to reduce the gender pay gap in the medium to long term.

Pensions

With just over one third of private-sector workers currently contributing to a pension scheme, the future of pension provision in Ireland is a significant risk to the quality of life of our workforce. Chambers Ireland has consistently highlighted the threat that inadequate pension provision for private workers poses to our future economic stability and the wellbeing of our society. Current contributions to the State pension fund will not be sufficient to pay the levels of benefits necessary for an adequate standard of living for future retirees. Pensions savings have failed to recover since the financial crisis and it is now necessary to introduce a system which will encourage employees to plan for their future security, while maintaining the existing reliefs that incentivise saving into a pension scheme.

Recommendations

1 Tax relief on pension contributions currently in place must be retained. Given the low level of workers currently saving into a pension scheme, this tax relief must be must be kept as an incentive to encourage increased numbers of savers. To remove it at this point in time without an alternative pension system in place would hinder uptake and affect mainly middle income earners.

2 Chambers Ireland is supportive of an auto-enrolment pension scheme with a realistic lead-in time for businesses. An incremental approach will give business a chance to adjust and plan ahead. We recommend a gradual approach similar to the scheme in the United Kingdom.

3 It is crucial that any future auto-enrolment private pension scheme does not affect the State pension. This would place an unfair and disproportionate burden on business.

In the UK **90%** have remained in the new pension scheme

Diversity

As we continue to near full-employment, competition in the labour market is increasing steadily. Now is an opportune time to ensure that we are making our labour market as participative as possible and ensuring that as many people as possible are able to find work. Everyone should have the opportunity to pursue a career and enjoy the benefits of working life. Chambers Ireland supports access to the workforce for all and would like to see greater incentives for businesses to explore the under-tapped workforce of people with disabilities. Often, all that is required for a disabled person is 'reasonable accommodations' in order for them to operate in the mainstream workplace. Sometimes, a barrier to employers hiring someone with a disability is the perception of difficulty in making the 'reasonable accommodation' or the associated cost.

Recommendations

1 Currently, there are numerous grants grouped under the Reasonable Accommodation Fund banner. We recommend amalgamating all of the current supports into one overall grant that will cover everything needed to accommodate an employee with a disability at work.

2 An employee with a disability should be enabled to seek employment as independently as possible. We recommend that funding for specialised equipment and supports is received by the prospective employee with a disability, thus empowering the jobseeker to seek work independently and with supports already in place. Linking the supports to the place of work can have the effect of trapping individuals in jobs and may be a deterrent for prospective employers in hiring an individual with a disability where there is the requirement for an application for supports to potentially delay matters.

3 Funding for the Employer Disability Information service should be maintained.

ENCOURAGING ENTREPRENEURSHIP

Entrepreneurs are the innovators and change-makers of industry and small businesses are the lifeblood of the Irish economy. We must do more to encourage and support the self-employed and small businesses to grow and ensure that we are celebrating rather than villainising employers. Chambers Ireland welcomed previous commitments by Government to deliver tax equity between PAYE workers and the self-employed, however this must now be delivered fully in Budget 2019.

Chambers Ireland is supportive in particular of initiatives that encourage female entrepreneurs and innovators. Women are underrepresented in leadership positions and we hope that by supporting women to succeed in business this will change. Issues such as the gender pay gap and female representation on boards and in politics are proving slow to change, but supports for women in business by state agencies is a positive development and one that Chambers Ireland would like to see broadened further to new sectors.

Tax Equity & Supporting Microbusiness

Ireland's taxation system should ensure that innovators, investors and entrepreneurs are recognised as contributors to growth and are taxed fairly. Government must do more to support entrepreneurs and enable microbusinesses to grow and succeed. Small businesses face significant barriers to growth and scaling due to the costs associated with hiring a much-needed extra staff member. We propose a range of measures to improve the environment for Irish business owners and we ask Government to implement changes to the taxation system that will support entrepreneurship and drive growth in our economy.

Recommendations

1 In this Budget cycle Government must, as previously committed, bring Earned Income Tax Credit for self-employed in line with the Employee Tax Credit. Following Budget 2018, the total earned income credit for self-employed individuals sits at €1,150 annually leaving a discrepancy of €500 with the Employee Tax Credit.

2 Self-employed earners earning more than €100,000 are faced with an additional USC burden of 3% more than a PAYE worker earning the same amount of income. Government should introduce full equity in taxation between the self-employed and PAYE workers.

3 Introduce a short-term tax credit on employer PRSI to enable microbusinesses to grow and increase employee numbers. If applied to businesses with less than 10 employees, the introduction of a 3-year tax credit on employer PRSI for each new hire would support microbusinesses to create jobs and enable them to grow.

Supporting Women in Business

The objective of increasing the number of female entrepreneurs in the economy has gained significant traction in recent years, as it has been acknowledged that the promotion of women's economic empowerment through entrepreneurship can be a driver of innovation, growth and jobs. Yet, it is also the case that far fewer women than men run their own businesses and this is due to a range of barriers facing women in starting and growing businesses. According to a report by the Global Entrepreneurship Monitor on Ireland, a man is more than twice as likely as a woman to be an early stage entrepreneur. In addition, more than half of female entrepreneurs are focused entirely on the home market and have no markets overseas, while just one third of male entrepreneurs are similarly focused. We call on Government to support female entrepreneurs so that they start-up, scale-up and become more globally focused, in line with their male counterparts.

Recommendations

1 We recommend that Government support state agencies to expand funds, such as the Competitive Start Fund, that offer targeted supports for female entrepreneurs to include a broader range of business models and sectors.

2 We recommend that Government introduce additional supports to increase the provision of management training to advise female-led companies on scaling up their businesses.

3 We recommend that Government support state agencies to provide training to female entrepreneurs on international trade, and commit to increasing female participation in Irish overseas trade missions to access new markets.

Capital Gains Tax

Ireland's high rates of CGT are impeding entrepreneurship and competitiveness. Comparative data from the Tax Foundation shows Ireland had the 5th highest rate of capital gains tax in the OECD in 2016. The high rate of 33% remains in place and is potentially disincentivising investment in the economy and discouraging the release of underutilised assets such as land or property.

Given the high level of vacant commercial and residential properties across the country, Government should take a more pragmatic approach to taxation which encourages the best possible use of property and land assets for development during the current housing crisis.

In the context of Brexit and the ever growing need for Irish tax rates to be competitive when compared to the UK in particular, it is time for Ireland to review CGT rates and assess where improvements can be made. The current rates are a deterrent to angel investors and those seeking to invest in start-ups and scale-up, resulting in less investment options for Irish businesses, and ultimately negatively impacting upon their potential to grow.

Lower CGT rates have been proven to increase activity in an economy and thus benefit the Exchequer, offsetting a significant portion of the cost of the tax reduction. This was found to be the case when CGT was reduced to 20 per cent in Budget 1999 and CGT revenues increased by 77 per cent the following year.

Recommendations

1 **We recommend that the Irish Capital Gains Tax rate of 33% be gradually reduced to be closer to the UK standard rates and to be more competitive against the UK CGT tax regime.**

2 **We recommend increasing the lifetime limit of €1 million in qualifying capital gains under Entrepreneur's Relief to €10 million in order to improve the attractiveness for repeat investors and to encourage increased investment in Irish business.**

Capital Gains Tax Rollover Relief

Strategic changes to the capital gains tax regime could encourage investment in Irish businesses and ensure support for entrepreneurs and innovative ideas in our economy. Rollover relief (to defer capital gains tax) is available when the proceeds from the disposal of an asset are reinvested in another asset, where both are used for trading purposes. Chambers Ireland recommends CGT rollover relief to allow deferral of CGT where the proceeds of a sale are reinvested in an SME or business fund managed by a state enterprise agency. The aim of this initiative would be to encourage investment in Irish businesses and ensure that start-ups and scale-ups are able to access the finance needed to grow.

Recommendations

1 **We recommend that Government consider the introduction of a mechanism where entrepreneurs can apply for a "small business rollover", similar to the Australian model, where an entrepreneur can apply for tax relief on the capital gain when reinvesting in an SME or new business.**

Key Employee Engagement Programme

Following calls from a number of actors, including Chambers Ireland, for the introduction of an employee share options scheme for SMEs and start-ups, we welcomed the introduction of the Key Employee Engagement Programme (KEEP), announced in Budget 2018. Irish businesses are operating in an increasingly competitive employment market and this is particularly challenging for start-up businesses and SMEs when competing with larger companies to attract new staff. Employee share options are an ideal way in which SMEs, start-ups and scale-ups can attract employees and benefit from current economic growth.

In addition, employee share options schemes for businesses can benefit the wider economy through promoting increased productivity in business. The UK version of the scheme, the Enterprise Management Incentive Scheme, has proven to significantly benefit the UK exchequer annually through increased revenues from CGT, VAT receipts and corporate tax. While we welcome the introduction of KEEP as a means to attract and retain talent for Irish SMEs, feedback from our Network indicates that this scheme is not operating as well as it could and that overly restrictive conditions are making it unattractive to businesses.

Getting this scheme right could be hugely positive for Irish start-ups and scale-ups, as well as the wider economy, and as such Chambers Ireland recommends a number of changes which would make this scheme work better for business. As it currently stands, KEEP is overly complex and too restrictive, and it does not provide the easy-to-implement, productivity-enhancing incentives that would make it an attractive option for a start-up business or SME.

EMPLOYEE SHARE OPTIONS SCHEMES FOR BUSINESSES CAN BENEFIT THE WIDER ECONOMY THROUGH PROMOTING GROWTH IN SCALE-UPS AND INCREASED PRODUCTIVITY IN SMES

Recommendations

1. The total market value of share options should be revised. The current market value caps (€100K in any one year, €250K over 3 years or 50% of annual renumeration of an individual) are overly restrictive and mean that a successful business can quite easily outgrow the scheme.

2. We recommend that the salary cap be replaced with a system similar to the UK's rules for its employee share options scheme, whereby each employee can hold share options of a maximum of £250,000 (€286,360) at the time of grant only, thus allowing substantive growth in value for share options.

3. Under current rules, companies operating within the 'financial activities' sector or related activities are not eligible to enter KEEP. FinTech is a growing industry within the financial sector and the exclusion of 'financial activities' should be revised to enable FinTech companies to enter the Programme.

4. We recommend facilitating opportunities within KEEP for companies to dispose of shares beyond the stock exchange. Not all companies will be sold or listed on a stock exchange, therefore another market of liquidity is required to allow employees and companies to buy back the shares disposed and that CGT is still applied to this 'buy back' transaction. A share buyback, in which a company buys back the shares from the employee they were awarded to, must be introduced under the KEEP scheme whereby the share buyback is subject to CGT rather than income tax rates.

BATTLING BREXIT

Following on from the UK's vote to leave the EU in June 2016, one of the main concerns of the Chamber Network is the lack of clarity on the trading relationship that will exist between the EU and the UK after March 2019. In a survey of the Chamber Network, three quarter of Chambers reaffirmed that Brexit presents more challenges than opportunities and identified a reduction in trade, the return of a hard border with Northern Ireland and negative impacts on tourism as being the three biggest challenges facing Irish business.

The preference of the Chamber Network would be to have a transition agreed and in place following the UK's exit from the European Union. However, the progress and outcome of the negotiations at this point in time is still unclear. The almost certain reduction in trade between Ireland and the UK will have a disproportionate impact on our indigenous firms, especially our exporting SMEs, who are hugely reliant on the UK as their primary market. Government must ensure that businesses are supported to diversify markets, upskill in customs requirements, remain competitive, and ensure that the tourism industry remains competitive and continues to attract visitors.

Trade Supports

The UK is due to leave the EU in March 2019. To date, uncertainty has been the only constant in the ongoing Brexit process and there remains a lack of clarity regarding the future trading arrangement the UK will have with the EU and even whether or not a withdrawal agreement will be reached. Over the coming year, Government has a final opportunity to take steps to "Brexit-proof" our economy and to support Irish business to prepare, increase resilience and maintain competitiveness following the UK's departure. However, this is likely to be a challenge since there continues to be many unknowns regarding the kind of Brexit Irish business will be facing. Government should make use of Budget 2019 to ensure that businesses can take practical steps to prepare for the UK's departure. We must ensure that the supports, resources, training and finance are being fully utilised by Irish business in the year ahead.

GOVERNMENT SHOULD MAKE USE OF BUDGET 2019 TO ENSURE THAT BUSINESSES CAN TAKE PRACTICAL STEPS TO PREPARE FOR THE UK'S DEPARTURE. WE MUST ENSURE THAT THE SUPPORTS, RESOURCES, TRAINING AND FINANCE ARE BEING FULLY UTILISED BY IRISH BUSINESS IN THE YEAR AHEAD.

Recommendations

1. Government should work with and resource the Chamber Network to communicate resources manged by Government and state agencies that are designed to support business in preparing for Brexit. The Chamber Network is ideally placed to communicate the range of supports available to businesses of all sizes and across all sectors.

2. Government should support the Chamber Network, given its expertise in the issuance of trade documentation, in providing customs training to exporters seeking to upskill in the areas of customs regulation and documentation.

3. We call on Government to continue to make funding available through the Brexit Loan Scheme and to expand the funds in order to support more businesses that may wish to innovate in response to Brexit.

4. We call on Government to introduce additional supports for businesses who wish to expand their activities in e-commerce with a view to becoming more engaged in the Digital Single Market and with a view to competing with UK businesses selling online, who may have a competitive edge post Brexit, due to exchange rate fluctuations.

5. Government should support direct engagement between Irish Chambers and Chambers in the United Kingdom to work together and develop opportunities for business-to-business collaborations in order to prepare for the threats posed by Brexit.

Tourism

The tourism industry is a significant source of employment across every region of Ireland. The UK is the single largest source market for the tourism industry and provides a high percentage of the regional tourism business in Ireland, with 41% of UK visitors staying outside of Dublin in 2016. The tourism industry is particularly vulnerable to external economic factors and we are already seeing the impact of Brexit on visitor numbers from the United Kingdom: figures from Tourism Ireland showed that numbers of visitors from Britain to Ireland fell from 3.9 million in 2016 to 2.7 million in 2017, with the estimated loss to the tourism industry as a resulting standing at just over €60 million in 2017. Future constraints to growth in the UK economy and any possible fluctuations in Sterling mean that visitor numbers from the UK to Ireland are likely to continue to fall. Indeed, a recent survey of the Chamber Network found that the impact of Brexit on Ireland's tourism industry was the third greatest concern of our members. Maintaining the reduced 9% VAT rate for the hospitality sector is required in order to support tourism businesses through the volatility currently being experienced as a result of Brexit. In addition to this, it is now more crucial than ever that we are promoting Irish tourism abroad and also seeking to attract new visitors from outside of the UK, broadening the reach of our target markets further afield. We must now increase the capacity of state agencies to promote Ireland as a destination to new markets in order to reduce our reliance on the UK and US markets. There is also a need for greater coordination of tourism initiatives with other related services. For example, despite significant investments in cycling Greenways across the country and related promotion, Irish Rail trains are capable of transporting a minimal number of bicycles. The train line leading to the Great Western Greenway is only capable of allowing two bikes per journey from Dublin. At the same time, the third runway planned for Dublin Airport is subject to operating conditions that are overly restrictive and stand to hinder the growth potential of visitors to Ireland and threaten to undermine our national airport.

IT IS NOW MORE CRUCIAL THAN EVER THAT WE ARE PROMOTING IRISH TOURISM ABROAD AND ALSO SEEKING TO ATTRACT NEW VISITORS FROM OUTSIDE OF THE UK, BROADENING THE REACH OF OUR TARGET MARKETS FURTHER AFIELD.

Recommendations

1. Maintain the 9% VAT rate for the hospitality sector.

2. Increase the budget of state agencies Fáilte Ireland and Tourism Ireland in order to invest further in market diversification with an emphasis on bringing more into the regions.

3. Fáilte Ireland should be additionally funded to provide increased programme supports for tourism businesses to face the challenges Brexit presents, with a particular focus on market diversity programmes and to help drive revenue in border counties.

4. State agencies should be resourced to increase levels of investment in niche areas that distinguish Ireland as a destination, such as Ireland's growing potential as a place for unique and high-quality food, along with increased walking and cycling routes across the country as a means to promote activity in every region and to attract diverse types of visitors.

5. Government should increase the fund of €1 million provided through Tourism Ireland for regional co-operative marketing activities and the promotion of our regional ports and airports to €3 million per year. Additional supports must also be provided to enable regional airports to develop new route initiatives further afield.

6. Government must ensure that tourism initiatives and strategies are coordinated with public transport provision and related services.

7. Operating conditions attached to the development of a third runway at Dublin Airport must be reconsidered and revised in order to support Ireland's international connectivity.

Chambers Ireland

11 St Stephen's Green
Dublin 2, D02FY84

+353 1 400 4300

www.chambers.ie
@ChambersIreland