



## **PRE BUDGET SUBMISSION 2009**

### **GALWAY CHAMBER**

# Learn the Lessons of the Past... and Restore Confidence

**In the forthcoming Budget Government must put measures in place to allow Ireland Inc. to Compete, Innovate and Grow while sustaining employment, supporting Irish companies and continuing to attract foreign direct investment**

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

- 1. Inflation**
- 2. Infrastructure**
- 3. Commercial Rates**
- 4. Pensions**
- 5. Education**
- 6. Taxation**
- 7. Enterprise Culture**
- 8. Maintaining Ireland as an Attractive Area for Investment**

## **1. INFLATION**

According to the latest Global Competitive Index compiled by the World Economic Forum factors impacting on Ireland's competitiveness include inflation, inefficient Government bureaucracy and restrictive labour regulations. The cost and associated bureaucracy of Government controlled services and Government taxation policy is a key driver of business costs and inflation.

This Budget must introduce measures to curb inflation:

- a freeze on Government controlled cost increases
- reduction in the Public Service pay bill
- reduction in non-pay costs in the Public Service ie overtime and other work-related costs
- elimination of duplication of support services/agencies
- rationalization of 'back office' services in the Public Sector

## **2. INFRASTRUCTURE**

*The National Development Plan Capital Spend*

- Vitally important capital investment projects must go ahead as planned under Transport 21 and the NDP. These investments must not be de-emphasised or cut in favour of current expenditure ie the Public Service Pay Bill

*Matters of particular importance to this region*

- Transport 21 is welcome and must be implemented urgently and in full. Funding mechanisms for specific and urgent priority projects eg N6 Galway City Outer Bypass and the N18 linking Galway, Shannon and Limerick must be implemented in order to ensure that these projects are completed by 2010.

*Balanced Regional Development*

- Government must reaffirm its commitment to balanced regional development. Planned projects in the Regions must be given equal importance to those in the capital

*Broadband*

- Broadband infrastructure now in place must be enabled. Further initiatives must be delivered to address locational disadvantage. The same price structure must be applied countrywide. It is no longer acceptable that this cost to business is more expensive outside Dublin. National coverage is a minimum standard if Ireland is to deliver on its knowledge economy potential.

### **3. COMMERCIAL RATES**

Government needs to increase its commitment to the Local Development Fund to compensate for the decline in construction activity and its effect on revenues derived by local authorities from development contributions. Specific measures to redress this inequity include:

- Commence a 3-year phasing out of Commercial Rates by introducing a more broadly based sectorally inclusive system of funding for Local Government
- During the phasing out period the level of Rates increases must be capped at current levels
- There must be value for taxes paid at a local level, for example, a direct tax credit against actual rates paid
- Inequity in location must be addressed in terms of Commercial Rates where centres of critical mass are being penalized i.e. Rateable Valuations
- Cut Local Authority paybill through a 'back office' rationalisation plan for activities such as HR, IT and Finance Administration

### **4. PENSIONS**

- Introduce an SSIA style state pension scheme to encourage participation in pension planning
- Encourage pension provision among lower income earners by weighted tax credits
- Short term nature of many modern jobs should not be a pension negative
- Cap charges on transfer of pension funds
- Ensure no BIK issues arising from pension provision

### **5. EDUCATION and TRAINING**

Education

- There is a recognized shortage of students pursuing science subjects at second and third level therefore:
- Consideration should be given to the funding and development of a Schools Outreach Programme (second level) in the Science area, involving companies in the IT, Biomedical, Pharmaceutical, Marine and other relevant sectors. This would help stimulate interest in the sciences and forestall the future dearth of science graduates for business.
- Measures are needed to encourage both our own highly trained people and leading foreign experts to work, teach and innovate technology in Ireland thus ensuring indigenous development and training.

Training/Upskilling

- 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

- Facilitate ‘out of hours’ study opportunities in third level and make a real commitment to life long learning

## **6. TAXATION**

### *Corporate Tax Rates*

Corporate tax rates of 12.5% must continue to maintain competitiveness

### *Capital Gains Tax*

Capital Gains Tax should remain at 20%

### *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.

Increase fiscal support for entrepreneurial start ups especially in the area of R & D and amend the current system of R & D tax credits which is based on an incremental expenditure basis.

Increase fiscal support for training in the workplace

### *Personal Taxation*

Indexation and widening of the Tax Bands

Any adjustments in personal taxation must favour lower and middle-income workers.

Anybody on the minimum wage should not be in the tax net.

### *PRSI*

We urge the Minister to re-introduce a ceiling on employers PRSI

The 10.75 % rate should be reduced to 7.5% in a phased reduction over three years.

### *VAT*

Commitment to reduce VAT from 21% to 18% on a phased basis, close to the EU average.

### *Tourism*

Galway Chamber urges the Minister to extend the VAT refund scheme to include all overseas visitors, EU nationals as well as non-EU nationals

### *Incentivisation*

Capital allowances should be applied to Tourism/Cultural/Sporting

Infrastructure to stimulate interest in developing Tourism Infrastructure like the National Atlantaquarium, Galway and other all weather facilities and venues.

## **7. ENTERPRISE CULTURE**

### *Business Creation*

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

Reduce the cost of tendering for Government Contracts

### *Training and Upskilling*

Due to the changing nature of skills and new demands placed on staff there is 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.

### *Cost Competitiveness*

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

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.

## **8. MAINTAINING IRELAND AS AN ATTRACTIVE AREA FOR INVESTMENT**

Galway Chamber recommends that the focus should continue to be on creating and sustaining high value jobs as a policy to be pursued by the State and the business support agencies of the State. While continuing to pursue the job creation agenda we must address the training and upskilling needs of the workforce in order to cement Ireland as an attractive area for investment

### *Productivity*

Ireland's productivity performance has serious implications for its future economic success.

Government must implement or facilitate the implementation of clear and co-ordinated policies that will bring about a step change in productivity growth in the years ahead. This might include changes in techniques of production or the increased use of technological advances.

Investment is undertaken with the expectation of a return, thus confidence must be engendered amongst investors regarding the Irish economy into the future as well as the continuance of low corporation taxes and other suitable and relevant grant aid.

*Reduce, Recycle, Reuse*

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 incentive the achievement for reaching energy saving targets.

**Galway**

Galway needs to consolidate its position as our countrys third city by encouraging iconic, relevant and important developments. Our city is in serious danger of losing out to Cork, Limerick and Dublin in relation to vital infrastructure and investment projects.

Galway Chamber believes that projects such as the Galway City Outer Bypass, the N18 and the N17 must be completed within the agreed timeframes. Major investment projects such as those planned for the Galway Shopping Centre and the Ceannt Station Site must be progressed through the planning process as soon as possible.

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

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