



Galway
Chamber
Ag cothú gnó le chéile

PRE-BUDGET SUBMISSION 2019

Budget 2019: 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

In our submission to the National Planning Framework, we, Galway Chamber, 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. To achieve this vision, our primary 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.*

As part of our submission to the NPF Galway Chamber organised a meeting and workshop, which was hosted by the Whittaker Institute in NUI Galway and attended by individuals from varying sectors of the business society and academia including The Western Development Commission, IDA, NUI Galway, Galway Chamber of Commerce, Galway Port, Shannon Airport, local architects, etc. This meeting noted significant shortcomings in relation to the Government's infrastructural plans for Galway and the West of Ireland.

The most significant outcome from this meeting was in relation to Connectivity, which is inclusive of broadband, road, rail, port and airports. This is the key issue for the West of

Ireland because without it, no other initiative will have any significant impact for the future economic growth of the region. It is also acknowledged that post-Brexit, the West of Ireland will be the remotest part of Europe and this needs to be considered and provided for.

The meeting concluded that Galway has been totally overlooked in relation to strategic initiatives to propel the economy in the West of Ireland and called for the inclusion of (i) a Galway Development Authority, with responsibility for driving innovation and growth, and (ii) the development of a Master Plan for Galway City and its environs within the revised National Planning framework.

Galway and the West need initiatives which will enable them to grow sustainably and continue to be a great place to live, work and visit. Galway Chamber has a vision which sees its population double by 2040 and average output increase at double the national rate. It is an ambitious vision that calls for an integrated approach to development, planning and infrastructure.

We believe that our following suggestions for Budget 2019 are key to achieving our vision and associated goals.

Dave Hickey, President

Galway Chamber aims 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 (i) encourages entrepreneurship and the establishment of new enterprises, (ii) strengthens and improves indigenous companies, (iii) continues to attract FDI, and (iv) 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 and Local Authority Charges**
- 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 significant resources to support the following development initiatives within Galway:

Job Creation, Regeneration, Innovation, Entrepreneurship

- The continuation of support to the Galway City Innovation District, of which the PorterShed, our community co-working space, is the flagship;
- The establishment of a Galway City Conference, Exhibition and Performance centre as we move towards our designation as the European Capital of Culture 2020;
- The creation of the Galway Development Authority, with responsibility for the development of a master plan for a new business district including Ceannt Station, Nun's Island and Galway Harbour; and
- The provision of funding to support a City led innovation network with an ecosystem for the County and Region.

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 2019 budget measures.

Marine Energy Resources

The majority of Ireland's potential ocean energy resource lies off the west coast 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;
- The development, promotion and implementation of a national policy regarding all aspects of ocean energy including offshore Wind, Wave and Tidal;
- 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; and
- The establishment of a centre for Marine Research and Finance.

Road Infrastructure

The current chronic traffic congestion is a severe deterrent to both businesses currently operating in Galway and those hoping to invest here. In this regard, we call for:

- The creation of a Master Plan for Galway, incorporating a mass transit strategy extending out to the Ardaun area of Galway city, including Sandy road, as well as Galway Airport, the new industrial and enterprise zones, park and ride facilities and cycleways; and
- The speedy completion of the Galway City Ring Road, as provided for within Project Ireland 2040. This is an essential transport aisle to allow connectivity for vehicles destined for Connemara, the wider west Galway region, south Mayo as well as significantly improving City Traffic.

1. GALWAY – Continued

Galway Transport Strategy

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

In order to address the economically crippling traffic issues in Galway city, Government must ensure that the full allocation of €20 million is made each year to support the national Transport and Traffic Strategy.

We also call for the development of (i) a high-speed rail network between Galway and Dublin and (ii) increased public transport within Galway city and across the county, including bus and rail.

Airports outside of Dublin have a critical access role particularly in relation to high tech FDI and knowledge intensive firms. Equally, these airports have a critical role to play in supporting inbound tourism industry, a key driver of regional economies.

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.
- State agencies should be resourced to increase levels of investment in areas of niche tourism to distinguish Ireland as a destination, such as high quality food, walking and cycling routes across the county to promote activity in every region to attract diverse visitors.
- Councils must collaborate with business and other groups to improve visitors' and residents' experiences in Galway city centre and Salthill by preparing and implementing plans for improved streetscapes; greater and more accessible visitor parking; better and more widely used festival lighting; increased visibility of wardens and Gardai in high traffic areas and greater use of the Irish language in business.
- Government must support, encourage and ensure the success of Galway 2020 as the enormous tourism and cultural opportunity which it represents for Galway and the region.

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.
- Increased emphasis on innovation by providing State agency support for marine, technology, creative industries and medtech accelerators, linked to innovation hubs

within the county and region. Greater emphasis and support for the provision of enterprise spaces for start ups and growth companies.

- IDA capital funds must be used to support the accelerated development of their currently owned lands.

1. GALWAY – Continued

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.

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.
- 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.
- We welcome the merger of Galway City and County Councils which will eliminate duplication of resources, freeing up staff and funding to focus on priority service and development areas.

3. INFRASTRUCTURE

Project Ireland 2040

- Connectivity is the key issue for the West of Ireland and is inclusive of broadband, road, rail, port and airports and without these components, no other initiative will have any significant impact for the future economic growth of the region. Post Brexit, the West of Ireland will be the remotest part of Europe. In this context, we call for the Government to ensure that significant capital spend is directed towards Galway and the West to ensure that it continues to grow and develop.
- 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.
- 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.

3. **INFRASTRUCTURE – Continued**

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.

Sports and Recreation

- Provision of sport and recreational centres of excellence. With established links to third level institutes like NUI, Galway, and GMIT, such facilities could become centres of excellence and provide great benefit to the student population as well as the local population. Such centres of excellence would play a key role in promoting healthy lifestyle choices for everyone.

Health and Wellbeing

- A new acute hospital to service Galway and the region, incorporating a medical campus to support greater integration between Higher Education Institutions, medical devices companies, technology providers, pharmaceutical companies and the health service.

Planning

- A comprehensive review of the planning process nation-wide in line with the principles of PI2040 including the rights of disinterested objectors, statutory time limits on An Bórd Pleanála decisions and judicial reviews, etc.

Housing

The current housing crisis, and lack of affordable housing, is one of Ireland's biggest issues which requires immediate attention as it is impacting our ability for economic growth. Significant related business issues are (i) high rental costs for companies located in urban areas, (ii) the ability to attract talented workers and (iii) wage pressure due to the increased cost of living.

- The Living City Initiative should be rolled out, subject to a review with improvements to the existing incentive scheme.
- Government should increase 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.
- 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.

3. INFRASTRUCTURE – Continued

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.
- Enable the West to become a ‘Green Energy City and Region’. Planning for the Galway region must promote investment in tidal, solar, wind and other sources of energy. Renewable energy targets should be set and achieved: 35% green power to the Galway grid by 2025 and 85% by 2040. Similar emphasis and targets should be placed on water conservation and carbon emissions.

4. COMMERCIAL RATES and LOCAL AUTHORITY CHARGES

- Budget 2019 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.
- Businesses must be enabled to compete on a level playing field across all counties in Ireland.

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 to offer subsidised, competitive, accessible training to employees. Any disincentives to training and upskilling must be removed.
- Apprenticeships must be resourced, encouraged and supported.
- 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 new markets and for the “eEnabling” of SMEs.
- Currently, the 3rd level institutions receive the same level of capitation assistance for STEM and non-STEM, while it costs more to deliver the STEM courses. 3rd level institutions must be incentivised to provide more STEM courses to produce more stem graduates for increasing local business needs.
- Increase targeted training to sectors in the hospitality and construction sectors struggling to fill vacancies due to a lack of suitable candidates.

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.
- Encourage share ownership in enterprises by restructuring tax on share options.

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 2019 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.
- 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.

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 year "Regional Action Plan for Jobs" of €250m is totally inadequate and we 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 SMEs 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 encouraging City Working - tax breaks be extended to encourage inner city employment projects such as developing City Centre Innovation Districts.

Grow quality jobs through job creation and business development supports along with business parks. The focus needs to be on quality jobs rather than supporting those on lower wages through rent support etc. The change in focus would increase tax takes and reduce supports. The creation of quality jobs would generate increased economic activity for Galway and the West and would solidify our position as an economic hub.

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
July 2018**

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