



*Submission to the Marine Taxation Review for Irish
Government*

May 2015

Galway Chamber is pleased to make this submission in respect of the Marine Taxation Review the focus of which is on the seafood, ports and shipping sectors that is being carried out by INDECOR Economic Consultants.

Galway Chamber is the premier business organisation in Galway City and its hinterland. We currently represent approximately 500 companies. It is a privately constituted organisation that works for the interests of businesses, and for the economic development of the City and Region.

Our Vision Statement: 'Galway at the leading edge'

The message from this vision statement is that Galway will strive to be the best at whatever it undertakes, to achieve excellence in everything, to be to the fore in new developments and to be the leading location in every endeavour it undertakes. Most of all this vision statement is an attitude and way of thinking. This vision is intended to be a motivator, a target to be achieved and a commitment to excellence. This vision can be applied to all aspects of life and business in Galway.

Therefore our Mission is to:

Make Galway the leading location for business, investment and people.

Our activities include advocating on behalf of businesses, providing opportunities for business networking, export

documentation, trade information, business promotion & support and encouraging mutual business support between members.

We are affiliated to Chambers Ireland, national coordinating organisation to sixty Chambers countrywide.

We have long been supporters of our local Port and are currently a support organisation for the Development of Galway Port.

Economic Importance of the Maritime Sector

The maritime sector has a particularly important economic importance for island economies, such as Ireland, and those countries that have a coastline.

This is well noted as in The Irish Competition Authority, in its report on the Irish Ports Sector, noted that seaborne trade accounted for 84 per cent by volume and 71 per cent by value of merchandise movements. The total value of merchandise trade for Ireland in 2014 was €142.5 billion, equivalent to 77% of GDP. Exports accounted for a higher proportion (63%) of total merchandise trade value than imports highlighting the importance of the merchandise trade to the Irish economy.

External trade has a particular importance for the manufacturing sector in that exports represent nearly 90% of the value of total gross output in the manufacturing sector. There are over 132,000 persons employed in manufacturing local units which are engaged in exporting, accounting for 83% of all employment

in manufacturing enterprises. It is thus clear that a large number of jobs in the manufacturing sector are related to exports; this serves to highlight further the importance of external trade to the Irish economy, and the important role that ports play in supporting and developing the Irish economy.

Marine Tourism and Marine Festivals

Ireland, also, is an important location for maritime tourism: the country hosts many yacht clubs around our Irish coasts and is a popular destination for regattas and international racing competitions such as the Volvo Ocean Race, Tall Ships Races that have been held in Dublin and Waterford, and that will visit Belfast in 2015, Clipper Round the World Race and the Le Figaro Race. A report¹ from the J.E. Cairnes School of Business & Economics at NUI Galway revealed that the 2012 Volvo Ocean Race Finale was worth €60.5 million to the Irish economy comprising direct expenditure of €35.5 million and indirect spend during the festival period of €25 million. Over 500,000 visitors attended events during the festival period, with 16 per cent of those coming from outside of Ireland.

Maritime Festivals also bring significant economic boost to those port cities that host and organise them.

Ireland also attracts a large number of cruise vessels to our

¹ *An Economic Assessment of the Volvo Ocean Race Finale, Galway 2012*

shores generating significant spend by their passengers and crew during their visits here. In 2010, according to a Failte Ireland Report, there were 202 calls by cruise ships to Irish ports carrying 204,489 passengers. Direct spend from passengers and crew who disembarked at Irish ports, including port charges, was estimated at €20.3 million. In 2013, some 280 cruise vessels visited Irish ports.

The two major Irish ports, Dublin and Cork, will together host in 2015 some 140 cruise vessels including the 11th largest cruise vessel, the 333 metre long MSC Splendida that carries 4,600 passengers and crew. Other ports, such as Galway, Dun Laoghaire and Waterford, also welcome cruise vessels annually.

A supportive financial environment is important to ensure that Ireland remains an attractive and competitive location for industry and is well placed as a destination of choice for the maritime tourism and leisure sectors.

The cruise industry is a major contributor to the Irish economy, both directly and indirectly, in terms of spend by visitors and the ships themselves when in dock. Much of the impact arises in tourist locations away from urban centres sustaining part-time and full-time jobs and local employment initiatives. There is evidence to show that up to 30 per cent of cruise visitors return to Ireland for an extended stay because of the positive reaction that they got from their initial visit to Ireland.

We believe that appropriate tax reliefs and credits should be provided to those involved in promoting and supporting the cruise industry

Corporate Tax, Capital Allowances and Tonnage

We support the retention of the current corporate tax and tonnage tax regimes. They are critical for the attraction and retention of foreign direct investment and the sustainability and growth of the shipping and ports' sectors.

Port Infrastructure

Most Irish ports are experiencing infrastructure constraints brought about by increased activity but primarily arising from the growth in vessel size, capacity and service needs.

A failure to address these demands results in the unnecessary diversion of trade to an alternative port that gives rise to additional transport costs for the port user that impact customer competitiveness. In addition, there are environmental, pollution and safety impacts.

Currently only the largest of Irish ports can fund expansion from their own resources. EU grants are only available to core ports. Within the context of State Aid Rules, we urge innovative tax solutions that will aid Irish ports fund their infrastructure needs

TENT-T Funding

Due to the exclusion of Galway and other 'Ports of Regional Significance' from TENT-T Funding (which allows up to 20% EU grant aid for infrastructure projects), it is the view of Galway Chamber that the Irish Government should provide up to 20% grant aid for Ports of Regional Significance. This would support a real commitment to balanced regional development.

VAT Exemption

Local authorities and other public bodies are required to pay VAT on all purchases of goods and services, including maritime-related goods and services that reduces their overall funds for expenditure and thus restricts their ability to deliver the range of services that the public requires.

The Marine Institute also pays VAT, for example, on large navigational ODAS buoys and outlay, approx. €2million annually, which cannot be claimed back.

We recommend that Public authorities should be exempt from VAT on maritime-related purchases

Summary

- Ireland is an island relying on its ports for the import and exportation of goods, and is therefore reliant on an efficient and competitive port sector.
- We urge innovative tax solutions that will aid Irish ports fund their infrastructure needs

- Cruise and leisure tourism are major elements, and becoming more so, of the Irish tourism offering generating significant revenue and sustaining many jobs
- A failure to sustain the Irish maritime sector will impact Ireland's recovery and growth, and will affect the many jobs reliant on an efficient and effective port structure.
- The provision of the appropriate tax credits and reliefs will help ensure the ongoing sustainability of the Irish maritime sector
- The Irish Government should underline its commitment to balanced regional development by providing 20% grant aid for infrastructural projects to Ports of Regional Significance.