



**Chambers
Ireland**
Advancing business together

**Chambers Ireland Submission to
the Oireachtas Committee on
Budgetary Oversight**

September 2018

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of businesses from all areas in the country and represent their views. We welcome the opportunity to contribute to the work of the Committee on Budgetary Oversight ahead of the preparation of Budget 2019 next month.

Budget 2019- Context

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. Budget 2019 comes at an important moment for Ireland as we confront an uncertain world. While the economy is performing strongly, the threat to Irish businesses posed by Brexit is severe. Further, Ireland is uniquely exposed to increasing volatility in global trade as certain states become increasingly protectionist.

In drafting our submission, we consulted with our Chambers who make up a network of 41 affiliated chambers located in every major town and city of Ireland, who represent businesses of all sizes and across all sectors. The message we heard from our Network in these consultations was clear; we must focus on the delivery of Project Ireland 2040 and the National Development Plan if we are to ensure continued growth and we must take steps to boost our competitiveness and resilience ahead of Brexit.

Our submission, which you will have received a copy of, focuses on four key areas- planning for a sustainable future; supporting our workforce; encouraging entrepreneurship and preparing for Brexit. For our presentation today, we will focus specifically on our recommendations regarding infrastructure and planning for a sustainable future, along with our recommendations on how Government can best support businesses and the wider Irish economy ahead of the UK's departure from the EU next March.

Planning for a Sustainable Future through Delivery on Infrastructure Commitments

Budget 2019 will be the first following the finalisation of Project Ireland 2040 and it is crucial 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, public transport, housing, energy and broadband infrastructure outlined in the National Development Plan are essential for businesses and for the quality of life of employees.

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

As such, Chambers Ireland welcomed the €116 billion announced for the National Development Plan under Project Ireland 2040. 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.

Chambers Ireland has in the past 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. Given that we are about to enter a period of economic volatility, we support Minister Donohoe's commitment to its establishment. In our Pre Budget Submission, we recommend that the Fund be used to ensure continued investment in infrastructure.

Since 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, we believe that using the Rainy Day Fund to support the delivery of the National Development Plan, should growth fall below the required 2%, would ensure that we don't find ourselves unable to maintain investment in capital infrastructure in times of recession, as happened in the very recent past. We also recommend that Government monitor corporate tax receipts and transfer any revenue generated above profile to the Rainy Day Fund.

Supporting Irish Business to Prepare for Brexit

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 acknowledgement that once the UK departs the Union, the Irish economy will be severely impacted, with many Irish businesses likely to suffer adverse consequences. Further it is likely that the current uncertainty is damaging confidence and is delaying and discouraging investments, which could have adverse economic impacts in the years to come.

Chambers Ireland has been regularly speaking to our Network to gauge their views on what they see as the biggest challenges posed by the UK's departure and what they propose to mitigate any negative impact. Six months out from the UK's exit date our members continue to be concerned about the lack of clarity on the trading relationship that will exist between the EU and the UK after March 2019.

In a survey carried out in spring this year, the majority of Chambers told us that Brexit presents far 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 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 their staff as required (for example in customs procedures etc), and ensure that the tourism industry remains competitive and continues to attract visitors from the UK and all around the world. As Budget 2019 is the last before the UK's exit, we now have an opportunity to make smart

reforms and strategic investments that will enable us to meet the challenges we are likely to face in the coming years and to help businesses prepare fully.

Government should continue to make funding available through the Brexit Loan Scheme and to expand the funds to support more businesses that may wish to innovate in response to Brexit. Businesses must be supported to take practical steps to prepare for the UK's departure in 2019.

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. Government must take serious steps to ensure that the Tourism sector is supported post Brexit. The tourism industry is particularly vulnerable to external shocks. Indeed, a recent survey of the Chamber Network found that the impact of Brexit on Ireland's tourism industry was one of the top three concerns of our members. Therefore, we believe that maintaining the reduced 9% VAT rate for the hospitality sector is required to support tourism businesses through the volatility currently being experienced because of Brexit.

In addition to this, it is now more crucial than ever that we are promoting Irish tourism abroad and 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 to reduce our reliance on the UK and US markets.

Concluding Comments

Ireland's economic competitiveness is increasingly under threat from the high cost of doing business and general high cost of living across Ireland. Government must focus on addressing the issues contributing to these high costs, from making childcare more affordable and increasing the delivery of housing. Government must also ensure the secure and affordable provision of energy for every businesses and communities across 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. At the same time, we must ensure that we are making strides towards decarbonising our energy supply as much as possible.

You will note that our Submission is comprehensive and makes a range of recommendations to Government on how we can support and encourage a culture of entrepreneurship, how we can boost labour market participation, narrow the gender pay gap and support our workforce by tackling issues such as housing shortages, climate change, skills gaps and investment.

Ireland is in a strong economic position and Budget 2019 is an opportunity to prepare for any difficulties ahead. Careful planning and smart decisions will ensure that our economic prosperity is sustainable, so that we are ready to seize all future opportunities and weather all threats.