

The Cost of Doing Business

**Opening remarks by Pat Davitt, CEO of the Institute of Professional
Auctioneers and Valuers (IPAV)**

**Presented to the Oireachtas Joint Committee on Business, Enterprise and
Innovation**

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Good Evening Chairperson, Deputies and Senators.

Firstly, I wish to thank Chairperson Mary Butler TD and all Committee Members for this opportunity; IPAV is delighted to take up the invitation to appear before you this evening to discuss the issues raised in our submission to Oireachtas Joint Committee on Jobs, Enterprise and Innovation

My name is Pat Davitt, I am the CEO of the Institute of Professional Auctioneers and Valuers.

IPAV's areas of concern are outlined in our submission which I expect you all have, and I would like to highlight some of the key ones in the short time available to me. The majority of IPAV members operate in the SME sector. We have had an ongoing concern that despite much rhetoric emanating from official circles about the importance of the SME sector to the Irish economy very little in terms of real progress has been achieved.

In terms of doing business in small to medium sized rural towns in Ireland today we need to look at the broader economic impact the recession has had on rural towns and the economic realities arising from:

- **Neglect of rural towns**, lack of investment
- **The large numbers** of empty retail units
- **Infrastructural deficits** - water and sewage services, broadband, schools, roads
- **The exit of Banks**, Garda stations and post offices

Whilst the economy went through a sharp correction during the recession, resulting in some businesses being completely devastated and most struggling to survive, there was no such correlation across a significant number of overheads:

- **Taxes**, Employment Tax and Employers' PRSI in particular: The latter is a large cost at 10.75% on all earnings over a low threshold
- **Building Insurance**, Public and Employers' Liability and Professional Indemnity
- **Motor Insurance** and Motor Tax: increasing per annum from 18% to 20%
- **Telephone**, Broadband & Electricity
- **Auctioneers' Licenses** for Employers and Employees and Regulation and Compliance Costs
- **Increasing bank charges**, cost of finance for business development
- **Commercial Rates**; A cost that awaits a business before it opens its door. A range of services were once provided for such charges, like bins, water and street cleaning.

In the Countrywide Rates Re-valuation, the rate purse of 1.5 Bill Euro has remained the same, this is notwithstanding the recession from 2007 to 2014 and the fact that many IPAV Members experienced a fall of 50% in their fee turnover, as the price of property halved, and is still 40% behind where it was in 2006, except for some parts of Dublin. All the Re-valuation is doing is merely taking from Peter to give to Paul.

In the most recent Valuation (Amendment) Act of 2015, IPAV placed huge importance on the intended outcome; the linking of the Commercial rates to the actual rent being paid for the commercial building. The rental income from some commercial buildings in Rural Ireland is so low that very little commercial rates should be payable. But the intended outcome has not happened. The issue with these properties is that the Valuation Office (V.O.) will either not accept the reality of the low rents or it will analyse the passing rents incorrectly and then link the valuations on these properties to the tone of the valuation list that the Valuation Office itself has created.

The Valuation (Amendment) Act 2015 has made two very important changes among others.

A) Section 30 Valuation Act 2001 which allowed a 2nd appeal to the V.O. has been abolished, and

B) Section 19 of the Valuation Act 2001 is amended by Section 7 (b) (5) Valuation (Amendment) Act 2015, which means the grounds of appeal that ordinary rate payers can make in the Valuation Tribunal are now limited to appealing against the tone of the valuation list. (Appealing against the tone means - when the **Final Valuation Certificates** are issued by the V.O., one can only appeal on the basis that a valuation is incorrect relative to other comparable valuations on the list, and not contest the rental values that make up those valuations, regardless of whether those rental values are excessive or not), and hence completely undermining one of the most important intentions of the Bill - the treating of all rate payers in a fair way. Indeed in many of the re-valuations the **Proposed Valuation Certificates** were appealed by property owners or tenants but many of the appeals were not listened to by the V.O. during the re-valuation process. The reason for this change in the act

I believe was **the V.O. viewpoint had been overturned by the Tribunal virtually all the time.**

IPAV recently contacted the Minister of State for Housing, John Paul Phelan TD, seeking clarification on his remarks, made at an IPAV conference that indicated an intention to take away the temporary abatement for vacant premises (an allowance property owners' can claim if a commercial building is unoccupied). This is at a time when none of the 31 rating authorities are able to collect their full current rates. Looking at the audited figures the percentage rates collected range from 63% in Donegal to 96% in Fingal. **I am not aware how much money is involved here** or indeed how much money is involved in **the Minister's new proposals.**

From IPAV's point of view, this would be a damaging course of action and serve as another nail in the Rural Ireland Coffin. For property owners who cannot secure a tenant, and there are many, the Minister suggests "to change the use of your building". However, where do property owners obtain the finance to do this? In addition to financial constraints, planning laws, development plans and processes are also prohibitive in changing the use of commercial buildings.

The big question is how and when are rate payers going to get a fair crack of the whip?

On top of this many businesses are continuing to struggle with high debt levels, much of which has still not been resolved in a realistic way by lenders.

These are some of the issues we wish to put before the Committee and I thank you for allowing me the time to address them and bringing them to your attention. I am happy to take any questions you may have.