



**CHAMBERS
IRELAND**
IN BUSINESS FOR BUSINESS

Submission to the Interdepartmental Group on Action Plan for Jobs, 2013

Measures to support job creation and retention in the retail sector

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Introduction

Chambers Ireland is the largest business organisation in the State. With over 55 member Chambers in our network, we represent businesses in every region and economic sector in Ireland.

Due to the way in which the Chamber Network is organised we are well placed to understand the challenges facing retailers throughout Ireland. Whether they are located in our major cities or in smaller conurbations, every retailer in the country has suffered as a consequence of the economic downturn.

Consumer confidence and levels of domestic demand are at such low levels that retailers are being forced to do whatever is necessary to remain in business until there is some upturn in the economy.

For many this has involved making employees redundant, for others it has involved identifying innovative business practices and adapting to new economic realities.

Government must do what it can to assist retailers at this time.

With 14.2% of the total workforce employed in wholesale and retail,¹ it is essential that new initiatives are introduced that will assist our retailers and bring new life to the many High Streets throughout Ireland where they do business.

Chambers Ireland is pleased to make this submission to the Joint Committee. Our submission focuses on creating the right conditions for growth. Buoyancy created by our recommendations will negate any costs attached.

It is our hope that the contribution we make can assist the Committee in improving the trading conditions of Ireland's retailers and help to retain and create employment within the sector.

¹ <http://www.skillsireland.ie/media/EGFSN%20Wholesale%20Retail%20ONLINE%20FINAL.pdf>: See page 2

1. Introduce a Reduced VAT Rate on Housing Repair, Maintenance and Improvement (RMI)

Overview/Impact:

This suggestion is primarily aimed at stimulating the construction sector; however, we believe that such a reduction would create many subsequent benefits for retailers. If homeowners are encouraged to refurbish their properties there will be an increase in purchases of soft furnishings along with brown and white goods.

We recommend a reduction of VAT, ideally to 5%, on all RMI up to a value of €50,000 on residential properties. Not only would this incentivise start-ups and create employment, it would also increase the circulation of money in the economy. This would be fully in line with EU law which has recently changed to allow member states to permanently reduce VAT to 5% in this area in order to support economic growth.²

Research conducted in the UK suggests that such a cut could create 3,625 jobs in Scotland, a country broadly similar to Ireland in economic and demographic terms, by 2015.³ Furthermore, it is estimated that this could result in a further 2,178 jobs through the multiplier effect. While it is unclear how many of these jobs would be in the retail sector, it shows how significant such a scheme could be in terms of job creation and also supporting retail sales and increasing VAT receipts for the State.

2. Introduce a Targeted Rates Reduction for Businesses in Town Centres

Overview/Impact:

Many small retailers are struggling to remain in business due to excessive rates imposed by Local Authorities. In order to guarantee their survival, allowing them to retain the important jobs they provide, we recommend the introduction of 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.

We recognise that this should be more nuanced than the Large Retail Levy and Expanded Small Business Relief Scheme⁴ currently in operation in Northern Ireland; however, the support it provides for small businesses can be the difference between these businesses remaining viable and ceasing to trade.

While we recognise that the issues of rates and development contributions are reserved functions for Local Authorities, it is the role of central Government to provide the statutory and policy framework which enables these Authorities to implement initiatives focused on retail development and job creation.

Finally, in the context of Local Authority reform, in situations where there is currently a disparity between the commercial rates in a Town Council and County Council area, every

² Item 10 to Annex III of Council Directive 2006/112/EEC (In brief, no Member State can introduce any *new* zero rates of VAT, though they may continue charging any lower rates, including zero rates, that were in place on 1 January 1991.9 In addition Member States have the discretion to charge a reduced rate of VAT - between 5% and 15% - on a specified list of goods and services. One of the items of this list is the "provision, construction, renovation and alteration of housing, as part of a social policy.")

³ <http://www.cutthevat.co.uk/cut-the-vat/research/>

⁴ <http://www.northernireland.gov.uk/index/media-centre/news-departments/news-dfp/news-archives-dfp-dec-2011/news-dfp-151211-executive-decides-on-large.htm>

effort should be taken to equalise them by reducing the higher rate rather than increasing the lower rate.

3. Give Local Authorities Flexibility over Rates to Encourage an Attractive Retail Mix in Town Centres

Overview/Impact:

The Retail Excellence Ireland Towns and Cities Review 2012⁵ identifies the “importance of the standard of retailer” as the second most important determinant of a town visit. We contend that if Local Authorities were given flexibility over rates the standard and mix of retailers in town centres would be enhanced. The increased footfall from such an improvement would have a clear impact on job creation and retention.

The French Contribution Economique Territoriale (CET)⁶ is one example of how Local Authorities are given greater independence in the funding and administration of their local areas. Incorporated within the French Government’s ‘National pact for Growth, Competitiveness and Employment,’⁷ this local business tax is designed to help stabilise the tax environment. The overall aim of the pact is to “provide businesses operating in France with the means to reposition themselves on a sustainable and offensive footing in international markets, while also boosting the competitiveness of the French economy.”⁸

Furthermore, a new business, set up as an auto-entrepreneur, can benefit from an exemption from business rates for three years on the condition that they opt to pay a fixed standard rate of income tax each month.

The recently introduced Rates Rebate Scheme in Limerick, which allows new businesses to claim a rebate of up to 50% in their first year and 25% in their second year, is a model that Government could encourage other Local Authorities to follow.

The correlation between a proactive, supportive Local Authority and a strong business revival is seen in Cleveland, Ohio,⁹ where businesses are encouraged to move ‘downtown’ through a range of schemes and incentives.

4. Deliver on Plans to Support more Retailers to Trade Online

Overview/Impact:

Patterns of consumption have moved online. Eurostat figures show that almost 60% of Irish internet users bought or ordered goods online in 2012.¹⁰ Of these users, over 60% made purchases from EU countries other than Ireland and almost 30% made purchases from outside the EU.¹¹

⁵ http://www.retailexcellence.ie/images/uploads/downloads/REI_Town_City_Review_2012.pdf

⁶ <http://www.french-property.com/guides/france/working-in-france/starting-a-business/other-business-taxes/>

⁷ <http://www.invest-in-france.org/Medias/Publications/1888/France-National-Pact-for-Growth-Competitiveness-and-Employment-JAN-2013.pdf>

⁸ Ibid., p 1

⁹ <http://www.downtowncleveland.com/business/incentives.aspx>

¹⁰ http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-050/EN/KS-SF-12-050-EN.PDF: See figure 9

¹¹ Ibid: See figure 10

With online consumer spending estimated at €3.7bn in 2012 and estimated to rise to €5.7bn by 2015,¹² Irish traders must be encouraged to move into the online space if they are to compete in today's marketplace.

Government has already earmarked this sector as one where disruptive reforms can help to secure more trade for Irish owned and operated businesses.¹³ Rapid implementation of this disruptive reform, coupled with the migration of all Government payments to customers and suppliers to payment by electronic means only, would further support the transition to an ePayment economy. In turn, this would support the migration of significant numbers of Irish retailers from exclusively retail focussed businesses to etail and retail businesses.

At the same time, the stamp duty charge on payment cards should be abolished. This would further encourage consumers and retailers to make the transition to ePayment, resulting in savings of more than €1bn in transaction costs,¹⁴ while also providing enhanced traceability on cash transactions for VAT revenue gathering purposes.

5. Challenge Black Market Activity

Overview/Impact:

Counterfeit products of all kinds have a considerable impact on the profitability of legitimate retailers. Revenue Commissioners made seizures of goods with a value of €5,437,334 in 2012.¹⁵ As this figure relates to seized goods alone, the true scale of the problem remains unknown; this could be just the tip of the iceberg.

The sale and purchase of counterfeit goods takes footfall away from legitimate traders. The sale of counterfeit cigarettes, for example, takes secondary spend away from retail areas that depend on it for their survival. We note that certain policies that seem attractive are actually counterproductive. For instance, the Department of Health has announced that Ireland will become the second country to introducing plain packaging for cigarettes. While this policy is based on long term health considerations, it fails to take into account the impact on retailers.

Our international organisation the International Chamber of Commerce's counterfeiting group states that branding allows consumers to make better choices in the marketplace: "Plain packaging makes it easier for packaging to be copied by counterfeiters, exposing consumers to products with unknown and potentially dangerous ingredients."

¹² <http://www.upc.ie/pdf/upcdigitalindex.pdf>

¹³ See <http://www.djei.ie/publications/2013APJ.pdf> pp35-37

¹⁴ The Central Bank estimates that the cost of Ireland's payment system is 1.4% of GNP and savings of up to €1bn could be made if Ireland was to match best practice in Europe. For details see pg 6:

<http://www.centralbank.ie/paycurr/paysys/documents/national%20payments%20plan%20-%20final%20version.pdf>

¹⁵ <http://www.finegael.ie/our-people/tds/alan-farrell/dail-question-on-governme/>

6. Encourage Local Authorities to work with Retailers and Business Organisations to Introduce or Expand Town Centre Development Schemes

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7. Introduce a High Street Innovation Fund

Overview/Impact:

The impact of out-of-town retail parks on traditional town centres is dramatic and runs counter to the Guidelines for Planning Authorities on Retail Planning¹⁶ which states:

“The town centre is the focus for a range of commercial and community activities, resulting in a mix of, often interdependent, land uses which contribute to a sense of place and identity. It includes a combination of natural features: historic buildings, cultural, civic and governmental buildings, as well as public spaces. This physical form and mix of functions, which will have evolved over a considerable period of time, makes a town centre different from a shopping centre and provides much of its character which can be further enhanced by introducing appropriate new uses into historic buildings. It also has a high level of accessibility to employment, services, and facilities for all the community”

The decline of town centres has an impact which transcends the interests of retailers as traditional sites of community activity and social interaction are lost. Conversely, the Retail Excellence Ireland study cited previously shows that the best performing town centres have:

- Retained a significant proportion of retail activity;
- Have a broad and engaging retail mix; and
- Have a good dining and entertainment mix.¹⁷

Government can encourage Local Authorities to work with Business organisations to improve town centres.

Shop LK,¹⁸ an initiative of Letterkenny Chamber, funded and supported by Letterkenny Town Council, shows how successful such schemes can be. Since its inception in 2004, initially as a branding exercise, it has developed to include a voucher scheme and car parking policy sensitive to the needs of retailers. The voucher scheme achieved its target of €1m worth of sales in 2012.

Government could also follow the lead of the UK and introduce a High Street Innovation Fund.¹⁹ Local Growth Minister, Mark Prisk, has announced that seven towns will receive a share of a £1m High Street Renewal Award. This award recognises the work done by Local Authorities and acts as an incentive for others to ‘up their game’.

¹⁶ <http://www.environ.ie/en/Publications/DevelopmentandHousing/Planning/FileDownload,1613,en.pdf>: See page 8.

¹⁷ http://www.retailexcellence.ie/images/uploads/downloads/REI_Town_City_Review_2012.pdf: See pg 13

¹⁸ http://www.shoplk.ie/about_shop_letterkenny

¹⁹ <https://www.gov.uk/government/news/fund-rewards-high-street-innovation>

8. Encourage Car Parking Charges Sensitive to the Needs of Retailers

Overview/Impact:

Many retailers located within town and city centres are placed at a competitive disadvantage due to the car parking fees applied in these areas. Many out-of-town centres provide free parking which adds to the impression of convenience used to attract consumers.

Coordinated reform of the application of car parking charges could significantly help struggling town centre businesses. These should be strategically applied on a County-wide basis to support footfall rather than focus purely on revenue generation.

For example, Letterkenny currently offers free parking for up to 30 minutes. Subsequent fees are kept to a minimum and are paid using convenient parking bays, located throughout the town.

In the context of plans to abolish Town Councils in 2014, we believe that some of the savings arising should be specifically earmarked to guarantee free parking provision at optimal time periods to support footfall and encourage consumers to shop in town centres. In this context, a parking 'window' of two hours would be ideal, especially on busy shopping days such as Thursday through to Saturday.

9. Reduce the Standard Rate of VAT to 21%

Overview/Impact:

Consistently through the 1990s and early 2000s, Ireland learned the lesson that reductions in the rate of VAT leads to increases in revenue. While we accept the specific challenges faced in the last five years, at some point there is a need to revert to previously successful policies.

Arguably the greatest challenge facing retailers in Ireland is the lack of consumer confidence and domestic demand. After a startling decline of over 20%, the most recent ESRI report predicts a slight improvement in demand in 2013.²⁰ However, this is based on the assumption that the European economy returns to growth in 2014; an assumption that is far from certain.

The NESC report Ireland's Economic Recovery: An Analysis and Exploration²¹ suggests: "domestic demand requires fresh analysis and innovative responses"; however, we contend that a reduction the standard rate of VAT could provide the impetus to get people spending again. This proposal would also have the added benefit of increasing the velocity of money in the economy, making such a move virtually revenue neutral for the Exchequer.

²⁰ https://www.esri.ie/news_events/latest_press_releases/quarterly-economic-comment-1/index.xml

²¹ http://files.nesc.ie/nesc_secretariat_papers/nesc_secretariat_paper_01_2011_executive_summary.pdf: see page 3