Limerick CHAMBER

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2017 Pre-Budget Submission

PRO-BUSINESS, PRO-SOCIETY
CONTINUING SUSTAINABLE GROWTH

AUTUMN 2017

96
Limerick
CHAMBER
CHAMBER OF COMMERCE
meet

Section 1.1.1 National

As the Irish economy continues its strong growth, the Irish central bank has forecast GDP growth rates of 4.5% and 3.6% for 2017 and 2018 respectively. National government need to ensure they introduce taxation policies that will provide long-term stability and growth for the country, its citizens and the businesses which drive it. In an increasingly volatile post Brexit international environment, Irish government Fiscal policy is decidedly crucial. To ensure an appropriate balance between taxation and expenditure measures; is essential as the Irish economy continues along a growth trajectory. Although revenues continue to be strong and stability in our country's macroeconomic indicators continue to be positive, government must remain focused on; spending tax payer's money most effectively on strategic investments.

The recent successes of the Irish economy have generally relied on strong export growth performance and maintaining attractiveness for inward investment. In Budget 2018, government must enact policies which support Ireland's value proposition as a competitive and attractive location in which to invest. Costs of employment are particularly significant for Ireland's indigenous SME sector, as it continues to create almost two-thirds of all new jobs. Budget 2018 must ensure that it minimises business and employment taxation burdens; while supporting job retention and creation. As the Irish economy evolves innovation is playing a more significant role, and our entrepreneurs differentiate us; as a dynamic and creative country. A fair and equitable taxation and social protection system must harness and reward Ireland's growing volume of entrepreneurs.

The value proposition of mobile talent as a critical factor of production is increasing as skills shortages deepen across a number of sectors. Ireland must seek to continue to be an attractive location for skilled individuals to relocate to. Marginal rates of taxation play a key role in securing the return of Ireland's diaspora and attracting continued inward migration. As we seek to expand our reputation as a country with a strong talent pool an attractive and transparent personal tax regime must be introduced.

Private consumption has surpassed the peak level achieved prior to the great recession. It continues to show strong growth but private consumption and consumer confidence levels could be impacted by Brexit and an increasingly turbulent international outlook.

Limerick Chamber is the largest business representative body in the Mid-West region with over 450 member companies who support upward of 50,000 jobs across the region.

- *M20 Limerick – Cork motorway.*
- *N69 Foynes to Limerick City upgrade.*
- *High speed broadband access.*
- *Access to quality affordable housing.*
- *Limerick City centre development.*

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National Metrics

- *Unemployment : 7.1%*
- *Annual change -June 2016 to June 2017*
- *Unemployment: -24.46%*
- *Retail sales*
  Value: +11.03%
  Volume: +16.82%
- *New car sales:*
  All fuel types: 17.83%
  New goods vehicles: 22.285%
- *In employment: +1.7%*
- *Number on live register:*
- *Consumer Price Index:-0.2%*
- *Residential Property Index: +7.9%*
- *Industrial Production Index: -8%*

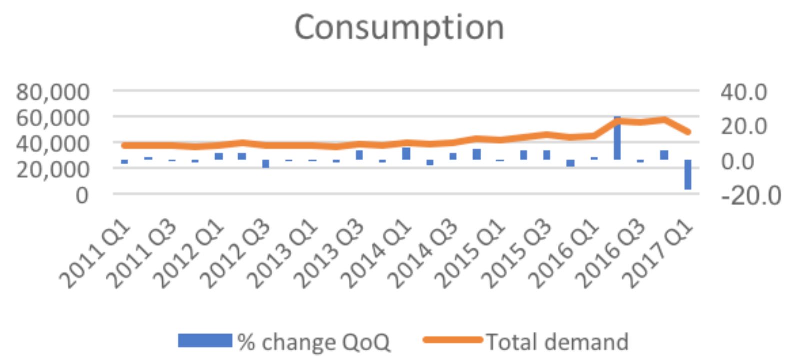

Figure 1 Data sourced CSO.ie 2017

Retail sales continue to increase but the level of discounting continues to increase. The volume index is significantly higher than the pre-crises levels but the value index continues to lag. This signifies that retailers are continuing to discount products.

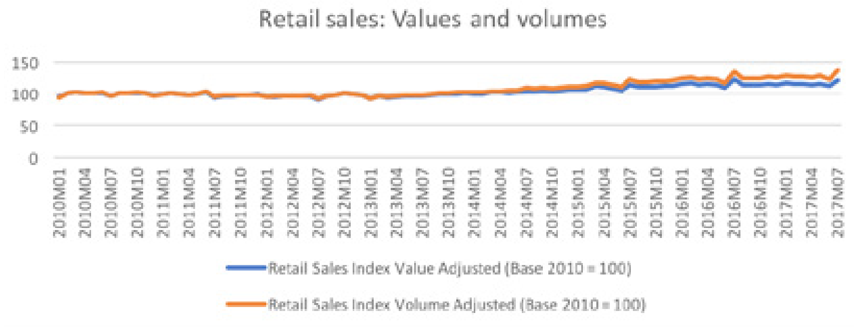

Figure 2 Data sourced NTMA 2017

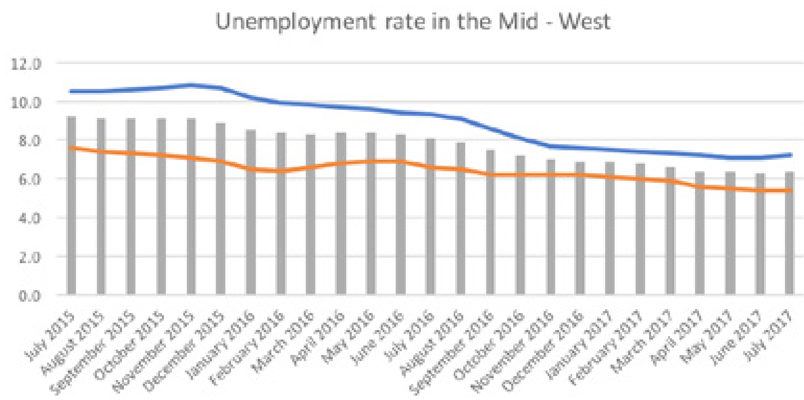

Figure 3 Data sourced NTMA 2017

The unemployment rate has decreased consistently since 2010. The level of unemployment nationally has halved in the last five years. Full employment and the associated wage expectations along with the associated lack of competitiveness are issues the Irish economy could be experiencing in the short to medium term.

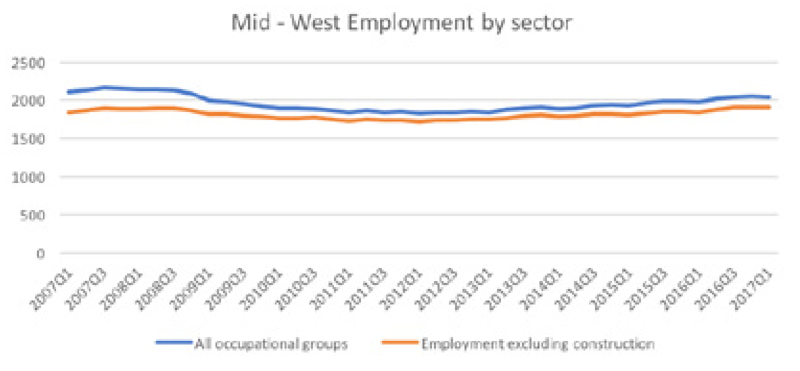

Figure 4 Data sourced NTMA 2017

Total employment continues to recover and is poised to surpass the pre-recession levels in the short term. Non-construction employment has surpassed the peak level achieved prior to the great recession.

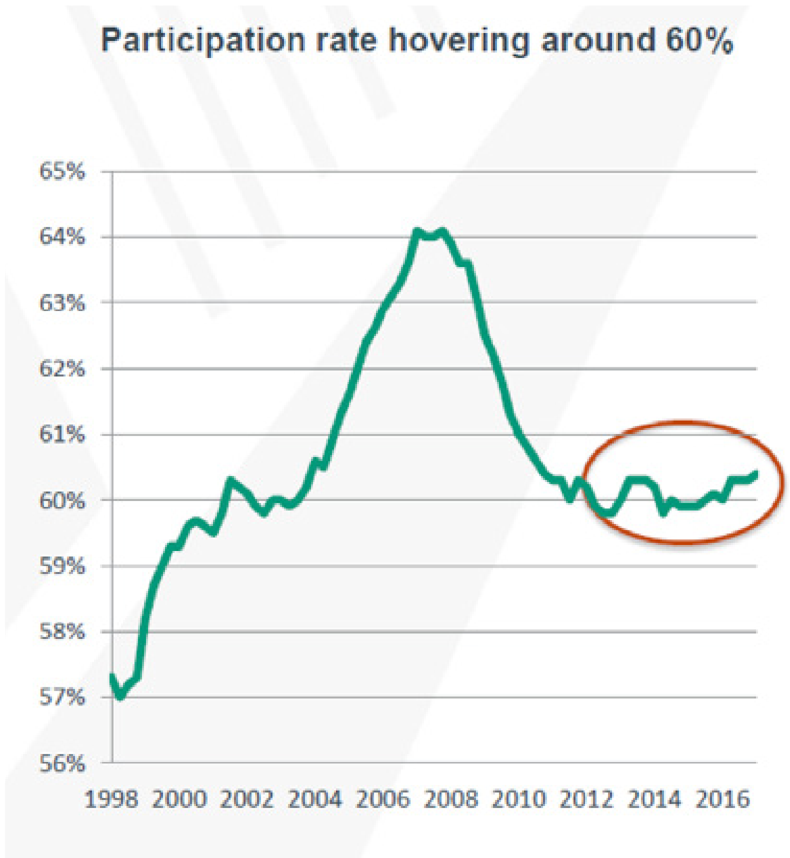

Figure 5 Data sourced NTMA 2017

Participation rates have failed to increase significantly. Labour market reforms may be necessitated to enable individuals currently excluded to return to the labour market.

Regional Priorities

- *M20 Limerick – Cork motorway.*
- *N69 Foynes to Limerick City upgrade.*
- *High speed broadband access throughout the Mid-West region.*
- *Access to quality affordable housing.*
- *Limerick City centre development.*

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Limerick Chamber recommends:

- *EU Member States must retain their tax sovereignty in order to develop the tax policies that are most appropriate to their requirements. The ability to formulate tax policy and decide on rates independently is a crucial component of Member States' ability to develop their economic and social policies.*

1.2.1 Regionally

The role of Local Government also differs across the country, while the relatively recent amalgamation of Limerick's local authorities has delivered a number internal efficiencies. The business and economic development supports that are offered by Limerick City and County council vary considerably from other regions. The Limerick Chamber believes the ongoing development of several high profile sites in the City centre by the Limerick City and County councils Limerick Twenty Thirty Strategic Development DAC is welcomed. These developments should allow for continued growth and increased employment in the City centre; further reinforcing the strong economic growth seen in the Mid – West region over the last number of years.

Demographic of Limerick City and County

	City	County	Combined
Population 2011 (Number)	57106	134703	191809
Population 2016 (Number)	58319	136856	195175
Actual change since previous census (Number)	1213	2153	3366
Percentage change since previous census (%)	2.1	1.6	1.8

Table 1 Data sourced CSO 2017

In contrast to the current EU trend, Ireland has a young population; with over 25% of the population under 18 years of age. As can be seen from figure 1 just over 14% of the population of Limerick City and County are over 65 and greater than one third of the population are less than 25 years of age. This young and dynamic population is also highly educated containing 3 third level institutions, University of Limerick, Limerick Institute of Technology and Mary Immaculate College; together these institutions have an aggregate student population of over 21,000.

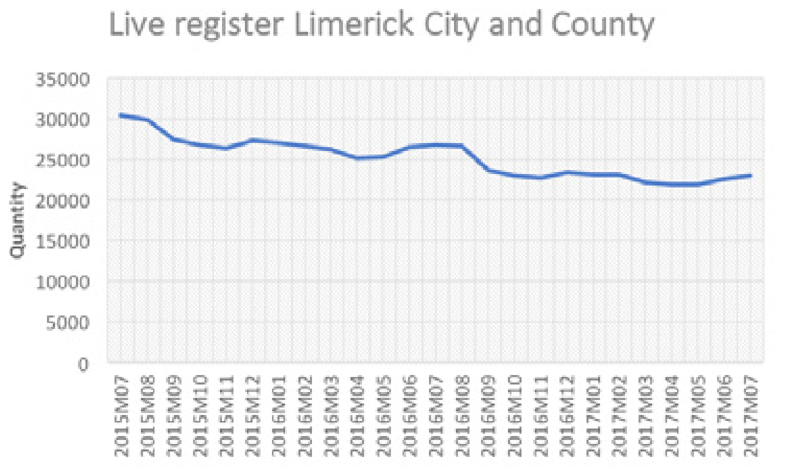

Figure 6 Data sourced CSO.ie 2017

	Jul-16	Jun-17	Jul-17	Monthly change	Annual change	Under 25 years	25 years & over
Mid-West Live register	26,720	22,606	22,991	385	-3,729	3,015	19,976

Table 2 Data sourced CSO.ie 2017

Unemployment has continued to improve nationally over the last number of years. Government needs to remain focused on continuing to reduce unemployment in Budget 2018. As can be seen from figure 2, unemployment in Limerick County has declined consistently over the last number of years.

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Limerick Chamber recommends:

Capital Gains Tax

- *Limerick Chamber recommends a further decrease of Capital Gains tax to 10% in Budget 2017 and an increase to a €10million lifetime threshold which would further encourage investors to invest in Irish enterprises.*

Marginal Tax Rate

- *A reduction of the marginal tax rate to below 50% would provide a tax system that supports productivity and will help attract and maintain a skilled workforce.*

Universal Social Charge

- *A timeline should be set out to bring the USC for the self-employed earning over €100,000 in line with that of PAYE workers.*

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Limerick Chamber recommends:

- *Ireland must continue to engage with the OECD countries cooperate in redesigning international tax structures to combat aggressive tax planning, aimed at minimising Base Erosion Profit Shifting (B.E.P.S.).*

- *Base erosion and profit shifting (B.E.P.S.) is a tax avoidance strategy used by multinational companies, wherein profits are shifted from jurisdictions that have high taxes to jurisdictions that have low tax regimes.*

- *The rate of 12.5% Corporate Tax must be maintained to ensure Ireland remains an attractive destination internationally and to secure continued inward investment.*

- *Self-employed and owner-directors should be able to avail of an opt-in social protection scheme to allow them access to social welfare should their business fail.*

Mid-West	2012	2013	2014
Compensation of Employees (i.e. Wages and Salaries, Benefits in kind, Employers' social insurance contribution) (Euro Million)	5746	5537	5618
Income of Self Employed (Euro Million)	872	883	901
Rent of dwellings (including imputed rent of owner-occupied dwellings) (Euro Million)	540	559	628
Net Interest and Dividends (payments by households of interest are deducted from interest received by households) (Euro Million)	233	124	264
Primary Income (Euro Million)	7391	7103	7412
Social Benefits and Other Current Transfers (Euro Million)	2329	2237	2207
Total Household Income (Euro Million)	9681	9157	9469
Total Income per Person (Euro)	25538	24254	24678
Index of Total Income per Person (State=100)	102	98.8	96.3
Current Taxes on Income (Euro Million)	2095	2067	2221
Disposable Household Income (Euro Million)	7586	7089	7249
Disposable Income per Person (Euro)	20011	18669	19021
Index of Disposable Income per Person (State=100)	104.3	100.7	99.2
Disposable Income per Person (excluding Rent) (Euro)	18633	17244	17232
Index of Disposable Income per Person (excluding Rent) (State=100)	106.1	102.3	99.5

Table 3 Data sourced CSO 2017

Table 3 shows, in terms of regional income per person only the Dublin has a higher per capita income than Limerick City and County. Limerick City and County has seen stronger income growth than other regions in recent years. Limerick City and County needs to attempt to continue this above average growth level.

1.3.1 Securing our future

Ireland's status as one of the most open economies in the world brings both opportunities and threats. This means that Ireland must implement long term policies to ensure our growth is sustainable. To secure our future in the long term; successive governments need to invest in childcare and education, while also meeting our international climate change commitments and securing the sustainable future of Ireland's pension provision.

Taxation

2.1.1 Taxation

It is essential to ensure sustainable tax revenue streams into the future by ensuring a sufficiently broad tax base with user based taxes and charges. The Irish taxation system should be simplified and must do more to support enterprise, encourage the self-employed and entrepreneurs to thrive and create an environment which enables indigenous companies to create jobs and drive economic growth. We must strike a balance between the extremely progressive income tax system we already have versus one that is punitive and internationally uncompetitive. Through our taxation system we have the ability to encourage entrepreneurs and innovators in creating jobs and strengthening the economy, but the Irish tax system needs to be made more equitable to the self-employed if this aim is to be achieved.

Ireland has one of the most progressive tax system of EU and OECD members but with a very low entry point for the top rate of tax. Government must ensure that it recognises the contributions made by entrepreneurs and job creators to the economy. Ireland needs to do more to foster a culture of entrepreneurship and support the Irish start up community, particularly as post Brexit Ireland may face increased competition for our high potential start-ups from the UK. Government must also protect Irelands attractiveness to inward investment and ensure that we maintain sovereignty in our taxation policy, while working with international partners to ensure fairness in international taxation.

Ireland has one of the highest marginal tax rates in Europe. What is particularly damaging is that this rate kicks in at a level which is much lower than in any other European country. Comparative figures from the ESRI and the UK's Institute for Fiscal Studies show that while less than 20% of UK workers face losing more than 50c from a €1 pay increase in tax and benefit changes; the same figure in Ireland is more than double that. These high losses are a barrier to labour market participation in particular for second earners whose labour market decisions are much more sensitive to tax and benefit changes. Irish workers currently hit the 49.5% rate of tax at less than the average wage, which is €36,500. The same figure for the 40% rate in the UK is now equivalent to €55,000. This is partly a result of their longstanding policy of automatic indexation of tax bands. In a similar fashion, Budget 2018 should see the entry point to the top rate of tax

Limerick Chamber recommends:

Retain the 9% VAT Rate

- *Limerick Chamber is calling for the retention of the reduced VAT rate of 9% for those operating in the hospitality and tourism sector and a commitment to maintain this rate for the foreseeable future.*

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Limerick Chamber recommends:

- *Implement schemes which allows for individuals to loan to or invest in startup companies or SMEs, exempted from tax up to a threshold of €10,000 per annum.*
- *Increasing the turnover threshold under which VAT can be accounted for on a cash receipts basis to €3 million.*

indexed to the rate of wage growth in the economy. Given employment and wage developments, full indexation of the top rate entry point to wages would cost in the region of €170 million in 2018.

Taxation of entrepreneurs and small business is an issue which has received a lot of warranted attention in recent times. Over the past decade, policymakers across the board have lauded entrepreneurs as being central to developing indigenous firms which can compete globally. The signals government send through our tax system, however, differ greatly from the rhetoric. Improvements were made in Budget 2017 but the new Government must build on these in the upcoming Budget.

Commitments need to be followed through; with changes to taxation the single biggest step the Government can make to encourage more people to go into business for themselves. With the higher rate of USC for the self-employed and the higher rates of CGT introduced in recent years, our tax system has gone in the opposite direction to much of enterprise policy. If government are truly serious about creating a highly-skilled entrepreneurial economy the level of recognition which has been given to the issue needs to be backed by actions.

2.2.1 Maintain the 9% VAT for Hospitality and Tourism Sector

This VAT rate was reduced in Budget 2011 from 13.5% to 9% for Hospitality and Tourism Sector to give a much-needed boost during the financial crisis. Over 30,000 jobs have been created in this sector since 2011 with the sector accounting for 7% of total employment in the economy. Employment in the tourism and hospitality sector has a particular regional importance, providing much needed employment in rural Ireland. It is important to protect and maintain these regional and rural jobs. The reduction in the VAT rate has improved the competitiveness of this sector.

The importance of the 9% VAT rate has increased in light of Brexit and the potential challenges that this imposes on the Irish tourism sector. Brexit will impact tourism through currency volatility and a potential reduction in visitor numbers from the UK. Recent reports from Dublin Airport highlighted that numbers of British people travelling to the State's biggest airports has dropped significantly in recent months. CSO figures state that

42% of tourists to Ireland and 44% of business travellers to the Republic are from Britain.

Limerick Chamber is in favour of retaining the 9% VAT rate for the hospitality and tourism sector as an important support to help combat Brexit challenges. Now is not the time to increase this VAT rate which provides a crucial support to regional and rural employment in the hospitality sector.

In a time of great uncertainty for the tourism sector, the retention of the 9% VAT rate can help ease concerns and give a degree of certainty to businesses operating in the tourism and hospitality sector so that they can plan with a degree of certainty for 2018. This VAT rate will continue to provide an important support for the rural economy where in certain locations employment can be dependent on the success of the tourism and hospitality sector. Retaining the 9% VAT rate will help to maintain the cost competitiveness of businesses operating in this sector. The 9% VAT rate also helps Ireland international competitiveness rankings as it is one area of taxation where we show a competitive advantage to many countries in the EU. Budget 2018 is not the appropriate time to consider any increases to the 9% VAT rate on the hospitality and tourism sector. The 9% VAT rate must be retained in the short to medium time frame.

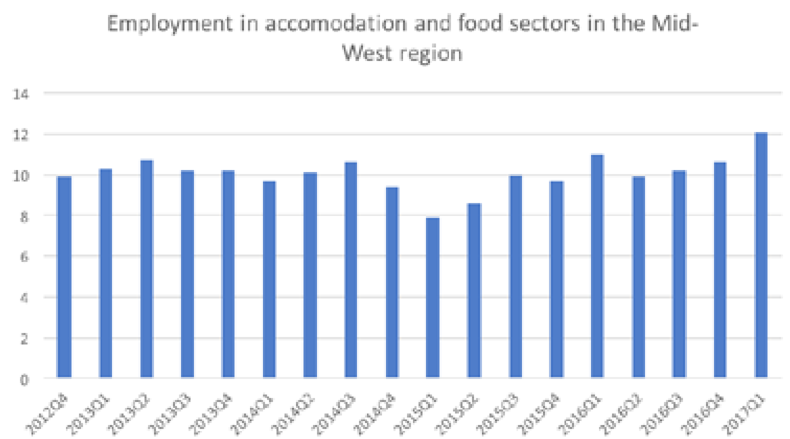

Figure 7 Data sourced CSO 2017

Employment level have increased by 2200 jobs over the period Q4 2012 to Q1 2017, this is an increase of over 22%.

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Limerick Chamber recommends:

- *Ireland should be spending at least the equivalent of 4% of GDP on public infrastructure.*

4 Main areas where investment is required in Budget 2018 are:

- *Transport*
- *Housing*
- *Water*
- *Broadband*

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Limerick Chamber recommends:

- *Government should at least double the €5.1 billion currently committed to capital funding over the period 2017 to 2021*

2.2.1 Corporate Taxation and Transparency

Events in recent years have brought renewed focus on international corporate tax structures. Ireland's clear and transparent corporate tax system and corporate tax rate of 12.5% have been a contributing factor for multinationals choosing to locate operations here. Limerick Chamber has welcomed the recommendations in the OECD Base Erosion and Profit Shifting Report on reforming the international tax system to tackle avoidance. We need clear international solutions to tackle the gaps and mismatches in existing international tax rules and we must avoid uncertainty in the system for multinationals on the future of international tax structures. We consider tax authorities of sovereign governments to be the most appropriate authorities to process complex and confidential data relating to a company's tax returns. We also believe that steps to reform international tax frameworks must be taken multilaterally rather than by individual countries or blocs.

2.4.1 Social security for self employed

Limerick Chamber welcomes indications from the Department of Social Protection that the benefits available to the self-employed after payment of PRSI contributions will be expanded. At present, there is a significant variation between the social benefits available to the self-employed paying Class S PRSI and to employees. The self-employed and owner-directors should be able to avail of an opt-in social protection scheme to allow them access to social welfare in the event of their business failing. Providing a wider opt-in PRSI scheme for the self-employed will create a more supportive tax environment for entrepreneurs and job creators in the event of business failure or an illness that prevents them from working.

2.5.1 Small investor scheme

A scheme should be implemented which allows for individuals to loan to or invest in start-up companies or SMEs, the interest or dividends they obtain should be exempted from tax up to a threshold of €10,000 per annum. The purpose of this scheme would be to create additional funding for SMEs from alternative sources to the traditional sources of banks, grants, venture capital etc.

2.6.1 VAT cash receipts threshold

Businesses can currently have turnover of up to €2m and are only required to reconcile VAT with Revenue when the cash is received or paid as opposed to businesses being required to reconcile with Revenue when invoiced. Increasing this threshold to €3 million should be of great benefit to SMEs from a cashflow perspective. This may reduce their requirement for overdrafts or other external funding.

3.0.0 Expenditure

3.1.1 Where investment is required

Investment in infrastructure is needed not only to protect our ability to attract investment but also to ensure our indigenous economy can continue to grow. It is vital that we address infrastructure funding in Budget 2017 and ensure that our infrastructure system is capable of meeting the needs of a modern developed economy; in order to protect our ability to attract investment and to enable indigenous businesses to continue growth. Investment in our housing, transport, broadband and water services are essential to meet the needs of a growing economy. The economy will suffer if the Government do not tackle the housing crisis and create a properly functioning housing market.

Housing Data for Limerick

Housing Stock - 2011 (Number)	82553
Vacant holiday homes 2011 (Number)	453
Other vacant dwellings 2011 (Number)	9661
Total vacant dwellings 2011 (Number)	10114
Vacancy Rate - 2011 (%)	12.3
Housing Stock -2016 (Number)	82741
Vacant holiday homes 2016 (Number)	393
Other vacant dwellings 2016 (Number)	8463
Total vacant dwellings 2016 (Number)	8856
Vacancy Rate - 2016 (%)	10.7
Actual change in vacant dwellings (Number)	-1258
Percentage change in vacant dwellings (%)	-12.4

Table 4 Data sourced CSO.ie 2017

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Limerick Chamber recommends:

- *M20 Limerick – Cork motorway.*
- *M20 between Cork and Limerick is a major requirement regionally and nationally.*
- *Estimated additional 4,000-5,400 direct jobs in the region if the motorway is developed*
- *Government should proactively explore opportunities presented by current historically low rates of interest.*
- *M20 would increase labour force within a 45-minute commute of major employment centres by 23%.*
- *Provide an annual gross exchequer impact of up to €128 million at an estimated cost of €800 million.*

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Limerick Chamber recommends:

- ***N69 Foynes to Limerick.*** *The upgrading of the N69, Foynes – Limerick road to motorway standard.*

- *Establish a vacant land tax that is calculated based on land value, thus encouraging a "use-it-or lose-it" approach to land ownership.*

- *Introduce a 'Help to Buy Scheme' to assist first time home buyers.*

- *Introduce a tax incentivised savings scheme for future purchasers of new homes.*

3.2.1 Where We Need to Invest: Capital infrastructure

Infrastructure refers to structures, systems, and facilities serving a country, city, or area, including the services and facilities necessary for an economy to function. Investment in infrastructure development can boost the economic growth. The construction of essential public infrastructure is an important ingredient for sustained economic growth and poverty reduction. Infrastructure development programmes contributes to the rebuilding and development of physical infrastructure. It helps communities by improving their access to essential infrastructure, such as schools and houses; easing access to water supply schemes; employing local skilled and un-skilled labour for construction work.

A large volume of Irelands existing infrastructure is deficient or functionally obsolete. Public investments such as infrastructure are vital to long-run economic growth and fuel higher incomes and living standards for decades. Infrastructure investments create jobs now, when we need them most. Infrastructure creates 16 percent more income than a payroll tax holiday, nearly 40 percent more than an across-the-board tax cut, and over five times as many as temporary business tax cuts. The construction industry has been disproportionately impacted by the recent recession and has had even greater unemployment levels than the economy as a whole. The cost of borrowing is insanely cheap currently. Deferring maintenance of infrastructure saves money in the short run, but costs much more in the long run. It's certainly cheaper to repair a bridge or a road rather than to rebuild it after its collapse.

The Programme for Government commits to spending an additional €5 billion on capital over the term of the current Capex plan. It also commits to bringing a review of the plan forward to 2017 to effectively target appropriate capital projects. These are both welcome developments but are unlikely to be sufficient in order to head off the real risk the economy faces following a decade of underinvestment. Averaging 2.2% of GDP per annum, even with added expenditure, the Exchequer contribution to the new capital plan will be the smallest on record (since 1970) and likely its smallest in the post-war era. Ireland has a relatively weak public infrastructure, as witnessed by our international rankings, and the fastest growing population in Europe. At the same time our average level of investment has been half that of our European competitors - many of whom have spent between 3% and 4% of GDP over decades on public investment. Over the long-term this investment will be a key driver of competitiveness. As such Ireland, should be spending at least the equivalent of 4% of GDP on public infrastructure Ireland needs greater levels of investment in capital infrastructure. The projected levels of public capital expenditure laid out in the Stability Programme Update 2016 remain low by historical and international standards according to the Irish Fiscal Advisory Council. While Limerick Chamber recognise the government commitment to provide an increased level of capital investment in the mid-term capital plan review, this will still leave Ireland with one of the lowest levels of infrastructure investment in the EU. It is also worth noting that given average deprecation costs of around 2.1% of GNP, there is very little scope for new capital projects. The National Competitiveness Council recently highlighted that infrastructural bottlenecks now have the potential to undermine Ireland's competitiveness. Substantial and sustained capital investment is needed for Ireland to maintain economic growth in the long run. Along with increased capital expenditure, we must ensure that infrastructure projects are based on robust analysis of future business and population needs and avoid the short-term bias and policy instability which politically motivated projects often produce. Limerick Chamber has previously called for the creation of National Infrastructure Commission to independently assess and prioritise infrastructure projects of strategic importance and we again reiterate the need for such a body in conjunction with increased investment in infrastructure. A lack of investment in Ireland's infrastructure since the start of the economic downturn has led to serious deterioration of the existing infrastructure stock. At the same time, demographic changes are placing ever greater pressure on our infrastructure system and new infrastructural needs are emerging. Limerick Chamber believes that there are four key areas of infrastructure that urgently require investment nationally. These are; Housing, Water, Transport and Broadband.

3.3.1 M20 Limerick – Cork motorway.

Connecting Ireland's 2nd and 3rd cities with a motorway is critical to support competitiveness and economic growth in the Atlantic Corridor as a whole. As far back as 2007, the Cork to Limerick Route Pre-Feasibility Report concluded that the route between Cork and Limerick suffered from capacity issues and needed to be upgraded to a higher quality. The upgrading of the N20, Cork – Limerick road to motorway standard was previously well advanced by Transport Infrastructure Ireland.

Limerick Chamber recommends:

- *The implementation of the "Vacant Site Levy" should be brought forward to 2017 and the 3% rate reconsidered.*
- *The rate of 3% of the market value of the vacant site is too low to incentivise bringing the land to market as annual land value increase are currently running in excess of this rate.*
- *Introduce a temporary VAT rate of 9% for residential construction for a two year period.*

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Limerick Chamber recommends:

- *Introduce of 100% tax deduction on the interest expense incurred on loans to investors in residential property.*

A preferred route was selected but this project was ultimately cancelled by the incumbent government a number of years ago, due to a lack of funding. The M20 is a key part of the required road infrastructure for connectivity between the "Atlantic City" Regions, allowing the West to act as a Dublin counterbalance. The upgrading of the N20 has been identified as consistently by far the single biggest economic issue in the region. As journey times grow ever more critical from a doing business and competitiveness perspective, the lack of vision in improving links between Cork and Limerick will greatly hamper growth in the region. The current road connection between Cork and Limerick is inadequate for the regions current needs and will become increasing inadequate with each passing year to the extent that it will negatively impact on growth opportunities within the wider region. The completion of the M20 to motorway status would improve synergies between the Cork and Limerick locations. Current severe capacity constraint on the N20 is restricting growth potential in our second and third cities, and also limits access to business and communities across Limerick, Clare, Kerry, Cork and up into Galway. A recent report carried out by Red C Research for Limerick and Cork Chambers; found that some 98 per cent of respondents believed it would boost economic links between Cork and Limerick with 97 per cent predicting a reduction in traffic congestion and journey times between the two cities. The report also highlighted that the M20; would have the potential to support an estimated additional 4,000-5,400 direct jobs in the region. Along with this the M20 would increase labour force within a 45-minute commute of major employment centres by 23%. The report finds that this could provide an annual gross exchequer impact of up to €128 million, depending on the nature of investment attracted.

The M20 would create complete the Atlantic corridor stretching from Cork to Limerick and up to Galway, which would stimulate the local economies as well as providing a strong complement to Dublin. The development of the M20, will save time and increase economic and social opportunities for inhabitants of the West of Ireland, along with associated national positive externalities. It would effectively create a three-city region with a critical mass at a level that would redouble its capacity to win major inward investment. Two of those cities, Limerick and Galway, will have motorway connectivity by the end of this year.

The M20 is potentially the infrastructure project which has the capacity to impact the local, regional and national economy most positively. The M20 to Cork is the missing link in the existing motorway network. Its delivery would be of national significance in that it would complete the national motorway network. Delivery of the M20 significantly increase connectivity and competitiveness along the Atlantic Economic Corridor; benefitting not just the South West, Mid-West and West but with the ripple effect extending out into the North West, Midlands and South East.

3.4.1 N69

The N69 Foynes to Limerick road is a concern to the Limerick Chamber along with numerous local and regional stakeholders throughout the Mid-West region. The upgrading of the N69, Foynes – Limerick road to motorway standard has been previously well advanced by Transport Infrastructure Ireland. A preferred route has been identified but the project has not yet received approval for funding. Growing demographic, large companies such as Aughinish Alumina and the growth of Foynes port have all been contributing to the major increase in traffic on the N69.

3.5.1 Housing

It is clear that the State needs to play a significant role in the provision of affordable housing for those who cannot afford private rents. Failure to do this will lead to a build-up of social and economic problems – such as desegregation, competitiveness pressures and urban sprawl. Under the current fiscal rules, it will be difficult to deliver sufficient social housing over the coming years. In 2015 the Irish State only delivered 75 new build social houses at a time when demand is at an all-time high. Housing acquisition, which has been the preferred form of social housing provision for local authorities, will only make the housing crisis in the rental sector even worse and push families back into the system.

Limerick Chamber recommends:

- *A sustainable funding model for Irish Water must be agreed and implemented as soon as possible to allow for urgent investment in our water network.*
- *The funding model of Irish Water must include appropriate charges for both domestic as well as non-domestic users. Businesses and households must pay their fair share.*
- *In order to support resource sustainability and the principle of equity, water consumption levels must be a factor in the calculation of any water charges.*

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New House Registrations

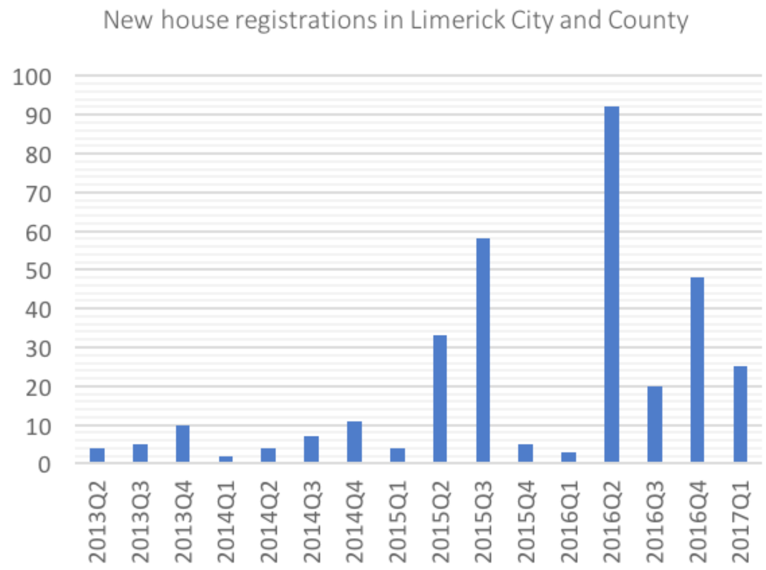

Figure 7 Data source CSO 2016

As can be seen from figure 5, the number of new house registrations is still a fraction of the number produced during the "housing bubble" but also a fraction of the quantity required to sustain a functioning housing market. The housing crisis is one of the biggest socio-economic challenges in Ireland's recent history. Limerick Chamber welcomes the introduction of the Housing Action Plan and its commitment of €5.35bn of investment in housing over the coming years. The lack of suitable housing is threatening Ireland's overall economic performance and it is essential that we see an increase in affordable housing as soon as possible. The rising cost of housing in urban areas is driving higher wage demands, and making it difficult for companies to find accommodation for their employees, particularly hindering FDI. The domestic economy is being impacted as the consumer spending necessary to support the domestic demand is curtailed as households divert a disproportionate percentage of their income towards accommodation costs. Ireland needs to rapidly increase the construction of the right mix of accommodation, in the right locations, and at the right price. This can only be done through a mix of increased private and social housing construction. While the Housing Action Plan sets forth many policy proposals in a bid to increase housing supply and stimulate private sector investment in housing, we must also be aware that our taxation system can be a vital tool in incentivising the appropriate housing supply.

National Cost of Housing

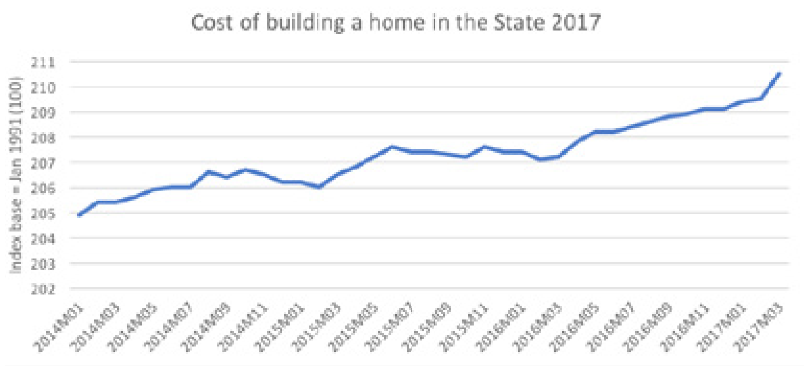

Figure 8 Data sourced CSO 2016

The cost of housing is seeing a return to increasingly unsustainable rates of price increases. The average price of a home in Limerick City and County in Q2 2017 was €170,866. The increase year on year is 12% and the increase from trough is 29.9%.

	Single Bedroom		Double Bedroom	
Limerick City Centre	€292	4.30%	€358	5.90%
Limerick City suburbs	€286	5.90%	€345	16.20%

Table 5 Data sourced Daft.ie 2017

In the 12 months from February 2016 to January 2017 the cost of renting a single or double bed increased in all Munster regions. The rate of increase is greater outside the City Centre region, at the current rates of increase Limerick City suburb accommodation will be more expensive than City Centre in the next 12 months.

3.6.1 Transport

Good transport links enable regional networks to develop, and give businesses better options and opportunities for trade. Without increased investment in transport we risk undermining our ability to support economic growth, as well as damaging our national competitiveness. Recent years have seen reduced levels of investment in road transport and we have been allowing our infrastructure to depreciate through this lack of investment. Our tourism industry, imports and exports, along with our ability to attract FDI are all compromised if our transport networks cannot deal with increasing demand.

Limerick Chamber recommends:

- *Government must commit to developing a package of non-fiscal behavioural incentives to support the uptake of low emission vehicles that can be rolled out, including free tolls/use of bus lanes/ free on-street parking while charging.*
- *Government must also roll out appropriate fiscal incentives to support the uptake of Electric Vehicles, including reduced Benefit in Kind taxation and zero motor tax for zero emission capable vehicles.*
- *Government must invest in the electrification of Ireland's heavy use public transport and licensed taxi fleet.*

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Limerick Chamber recommends:

- *Government must prioritise investment in roll out of the National Broadband plan to areas where there is a capacity to generate an economic activity amongst local businesses.*

- *Limerick Chamber is of the view that download and upload speeds should take into account the future needs of businesses, and the current minimum goals of 30mpbs for downloads and 6mbps for uploads should be increased to reflect the pace of development in this sphere.*

Limerick Chamber recognises the necessity to prioritise the funding for steady state maintenance of our road infrastructure which will prevent the network from depreciating further. Enhanced urban connectivity should be delivered as a priority. As Ireland's economic hubs continue to grow, so too must the connectivity within and between them.

Limerick Chamber support the goal to restore funding in land transport to long run average rates for developed countries; but given the severe underfunding in recent years, we would like to see additional capital funding being front loaded to ensure our transport network can cope with current demands.

3.7.1 Broadband

Government cannot expect businesses to grow and thrive in Ireland if we do not provide them with the same opportunities to connect and trade online compared with their international competitors. Next Generation Broadband provision is needed for Irish businesses to expand their trade internationally and to increase online service provision and e-commerce opportunities, as well as to facilitate FDI. A significant digital divide currently exists between urban and rural areas. Accelerated investment is required across the country to reduce this divide and to enable Irish SMEs to compete on a level playing field.

Access to high-speed broadband is no longer a luxury but an economic necessity, though for many homes and businesses around this country it remains unavailable. Next generation broadband provision is a pre-condition for Irish businesses to trade both nationally and internationally, and to increase online trading and e-commerce opportunities. Accelerated investment is required across the country to reduce the pronounced digital divide that currently exists between urban and rural areas, and to enable SMEs to compete on a level playing field. Improved broadband infrastructure nationally will enable rurally based entrepreneurs to establish businesses and create employment opportunities in their own localities.

Low population density and challenging geography are the key factors contributing to the digital divide. Rural Ireland has an extremely low population density of only 27 inhabitants per km2, and there is considerable population dispersion; the distances between individual premises are significant. Roughly 76% of urban households have broadband access, compared with only 61% of rural households. While commercial investment programmes by SIRO, Eircom, UPC resulted in broadband speeds of at least 30mbps reaching 80% of all homes in Ireland and 62.5% of all businesses by the end of 2016, the challenges and high costs of rollout in rural areas mean more commercial deployment is unlikely. State intervention has been identified as the best way to close this divide and meet the European Commission's Digital Agenda Goals. The Department of Communications, Energy and Natural Resources (DCENR) has identified the areas likely to require state intervention; in this 'Intervention Area' there are a total of 990,000 citizens, which is 21% of the population. 84,500 'delivery points' were added this past year due to expected commercial investment not materializing, increasing the size and scope of the Intervention Area.

The digital divide that currently exists between urban and rural Ireland must be addressed as soon as possible to enable businesses all over the country to compete on a level playing field. Improved broadband infrastructure nationally will enable entrepreneurs in any area to establish a business, create jobs and contribute to the economy. Broadband is not only an economic issue, it also a quality of life issue, and businesses are keenly aware of the flexibility which enhanced connectivity can bring, making a location more attractive to investors.

The National Broadband Plan (NBP), which has already been significantly delayed, must be rolled out as soon as possible in order to allow for Ireland's regions and rural areas to have access to high quality broadband and the benefits which this brings to businesses and people. Rural and regional Ireland cannot be left behind on such a vital element of modern life.

As of 4 July, 2017, the NBP has been delayed yet again for another year, where it may be 2019 before we can expect the first homes to be connected4. This only reinforces our message for action from Government to solve this pressing and serious issue. While it is now likely that the NBP will have to be revaluated in light of the 300,000 premises recently removed from the 'Intervention Area' of the NBP, Limerick Chamber would like to see this take place in as timely a manner as possible.

In revaluating the NBP, Limerick Chamber recommends that the Department of Communications, Climate Action and Environment examine the suitability of the download and upload speeds contained in the current plan, with a view to ensuring that the standards set are sufficiently future proofed. Chambers

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Ireland is of the view that download and upload speeds should take into account the future needs of businesses, and the current minimum goals of 30mpbs for downloads and 6mbps for uploads should be increased to reflect the pace of development in this sphere.

Limerick Chamber also recommends that the provisions for 'future proofing' broadband infrastructure be carefully examined in the bidding process and that the winning tender is allocated with this in mind. Such a significant piece of investment by the State must not be obsolete in terms of technological requirements a few years from now and must be capable of being easily and affordably enhanced or upgraded in line with future demands.

If growth is to occur at a national level, rural SMEs and start-ups must be able to access reliable and high speed broadband. Similarly, consumers in rural Ireland cannot engage in e-commerce services or shop online without such access. Educational resources are also increasingly managed online and we risk leaving huge portions of the country behind in all of these areas if the digital divide is not addressed as soon as possible. To be on the wrong side of the digital divide means missing out on economic and social opportunities, and has a serious effect on the ability of SMEs in particular to grow, to trade and to carry out simple day to day operations. As well as fostering indigenous industries, Ireland must be able to compete internationally to attract FDI. Without sufficiently fast and reliable broadband Ireland becomes a much less attractive destination from which to run a business in today's interconnected, global economy. The Government must ensure that Ireland's broadband infrastructure allows us to compete internationally as a destination for FDI, and can also meet Irish business and consumer needs. The Limerick Chamber believes the NBP should be revaluated and rolled out as soon as possible, upload and download speeds as outlined in NBP must be sufficient to meet future demands and the Infrastructure rolled out as part of the NBP must be adequately future-proofed.

3.8.1 The amalgamation of the University Hospital Limerick and the University Maternity Hospital Limerick.

The proposed amalgamation of the University Hospital Limerick and the University Maternity Hospital Limerick would enable more efficient use of electronic records systems, coordinated care of patients, and eliminate several redundant costs. Another potential benefit of integrated health systems is in addressing the persistent problem of variation in health care practice and outcomes, particularly in surgery. Patients who undergo complicated operations suffer inferior outcomes when their hospitals or surgeons rarely perform these services. An amalgamation of the University Hospital Limerick and the University Maternity Hospital Limerick would improve overall efficiency, patient access to care, and quality of care received. This should also lower costs as, the more care a hospital provides, the more efficient and less expensive it should become. For example, when University Maternity Hospital Limerick merges with University Hospital Limerick, a better-equipped hospital; patients at University Maternity Hospital Limerick should acquire improved access to specialists and to advanced medical technologies, such as high tech imaging procedures and electronic medical record systems. Overall the amalgamation should increase cost efficiencies through aachieving economies of scale from reducing fixed costs such as supply chain, business office administrative functions, and facility management.

3.9.1 De-carbonising our economy

The COP21 Paris Agreement of 2015 will have a significant impact on the policy decisions Ireland will make in the years and decades to come as we are obliged to move to a more decarbonised economy. Many issues will need to be addressed, from how we generate our electricity and how we store it, to how we build our infrastructure, operate our transport system and heat our homes and workplaces. Business will also need to play its part by working with Government to support innovation and investment in low-carbon technologies. These obligations also have financial consequences as the current legal position is that the Exchequer will be obliged to pay for compliance or, failing that, fines if agriculture and other non-Emissions Trading System Green House Gas emissions are not reduced. Additionally, should Ireland fail to meet its 2020 renewable targets under EU legislation, the State will need to pay for compliance or be threatened with EU fines in the region of €100 million to €150 million for each percentage point short of the

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Limerick Chamber recommends:

- *Proceed with the proposed amalgamation of the University Hospital Limerick and the University Maternity Hospital Limerick.*

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Limerick Chamber recommends:

- *Financial incentives should be utilised to promote the retrofit of existing and low carbon heating choices.*
- *Government should set a plan for the phase out of oil boilers in concert with measures to facilitate consumers and businesses to move to low carbon heating solutions.*
- *A range of Feed In Tariffs (FITs) need to be introduced to encourage uptake of renewable technologies.*
- *Change in legislation to allow for selling "over the fence" of excess generation.*

overall 16% economy wide target. Given this risk of significant financial penalties, the rapid transition to a low carbon economy is not a choice, but a necessity. Under EU obligations, Ireland must decarbonise its road transport sector to achieve emissions reduction targets. Government must take steps to decarbonise our transport sector and increase the take-up of low carbon modes of transport such as electric vehicles. Likewise, removing carbon emissions from our built environment will require that the deep retrofit of our building stock including insulation measures and a move to lower carbon heat sources such as heat pumps or biomass. Solar Photovoltaic (PV) Panels are undoubtedly an option that the Irish economy needs to consider when contemplating decarbonising the economy. Considering that in one hour, the sun radiates enough solar energy to cover for human energy consumption for one year. PV panels provide clean green energy. During electricity generation with PV panels there are no harmful greenhouse gas emissions. Solar energy can be made available almost anywhere there is sunlight. Solar energy is especially appropriate for smart energy networks with distributed power generation. Operating and maintenance costs for PV panels are considered to be low, almost negligible, compared to costs of other renewable energy systems. PV panels have no mechanically moving parts; consequently they have far less breakages and require less maintenance than other renewable energy systems. PV panels are totally silent, producing no noise at all; they are a perfect solution for urban areas and for residential applications. Though solar energy panels' prices have seen a drastic reduction in the past years and are still falling, solar photovoltaic panels are one of major renewable energy systems that should be promoted through government subsidy funding such as FITs, tax credits etc. in an attempt to attain the lower carbon economy Ireland has committed to internationally. Currently heads of a White paper are making their way through in the Dail.

3.10.1 Education and skills

Ireland is internationally recognised as having a world class education system and a highly-educated population. Recent years have seen the introduction of many positive changes to our education and training system; however, our economy still has significant skills gaps which risk impeding growth and future job creation. The current skills mismatches and gaps must be addressed as a priority, while also ensuring that the skills needs of the future will be met. Additionally, our education system is facing demographic challenges across all levels of education.

According the figures published by the Department of Education, the upward trend of previous years in numbers of learners at all levels of the education system will continue for the period 2015 to 2017 and beyond. Pupil numbers in primary schools are projected to increase by 25,000 between 2015 and 2018 to 569,000. Projections for second level are for an increase of 12,000 pupils over the same three-year period to 350,000. At third level, numbers of full time students will increase by almost 9,000 over the next three years to 174,000 and will continue to increase until at least 2028. This occurs in parallel to the ongoing underfunding of third level education. Since 2008 the higher education capital budget has been reduced by 85% while student numbers have increased by 25%. Similarly, the expansion and delivery of ambitious targets for increased numbers participating in apprenticeship programmes will need substantial funding.

Educational facilities have deteriorated considerably and have not kept pace with the specifications required for education in hi-tech and innovative disciplines. The capital allocation to the Department of Education and Skills must address the issue of investment in educational facilities to cater for increasing student numbers, a growing diversity of learning modes and upgrade of equipment within laboratories.

Funding and subsidisation for flexible training and education courses should be increased to allow for the ongoing professional development of those in the workforce. Lifelong learning must be supported in order to enhance the productivity of our enterprises. The National Training Fund should be refocused in light of decreasing unemployment figures to provide flexible management training to support productivity in businesses, particularly SMEs. It is imperative that Ireland's apprenticeship programmes receive the funding necessary to enable them to succeed and become a preferred option for school leavers in the longer term. 50,000 places by 2020 is an ambitious target, but supporting this strategy will pay dividends into the future.

3.11.1 Childcare

The high cost of childcare often means that for parents, particularly lone parents, it is not cost effective to both work and pay for childcare. Retaining women in the workforce has also been highlighted as a concern for employers, and was attributed, in part, to the difficulty for employees in accessing affordable childcare. Further, the reality of women's default role as care-

Limerick Chamber Recommends:

- *Government must increase the provision of training targeted to the long-term unemployed and early school leavers in order to increase overall employment levels and negate the risk of entrenched unemployment. This will help address the growing difficulty and costs of recruitment currently being experienced nationally.*
- *Increased investment in educational facilities, to cater for increasing student numbers and a growing diversity of learning modes.*
- *Continue to grow the apprenticeship programme to enable up 50,000 apprenticeships to be completed by 2021.*

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Limerick Chamber recommends:

- *There must be greater emphasis on the quality of childcare. Government should focus on educational quality levels within the childcare sector and make subsidies conditional upon educational quality standards being met.*

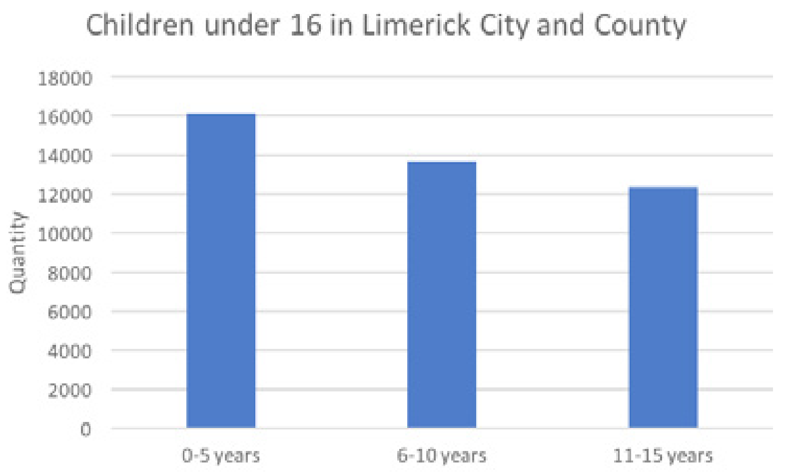
- *Lack of access to after-school services for children needs to be addressed. Limerick Chamber would like to see a national policy developed to ensure the effective provision of accessible after-school care. This should involve using facilities of public schools.*

- *Government should provide direct subsidies to the providers of child and afterschool care in the form of capitation grants. These subsidies should be based on household income.*

givers is that these interrupted career trajectories can often result in a gender pay gap, gender pension gap and an absence from positions associated with power and decision making. While these consequences (pay, pension and leadership inequality) are often examined separately, all of these gaps extend from the same root cause; being that women for the most part assume the care-giving roles in society, particularly when it comes to raising families. In some instances, this is a choice, but for many, it is often justified for economic reasons because women are either earning less than their male counterparts or the option to take parental leave is not as accessible for partners.
In our submission, last year for Budget 2017, Limerick Chamber recommended that Government should make childcare affordable by introducing direct public subvention in the long-term and reforming the ECCE scheme in the short-term. We welcomed Government's commitment to extending the ECCE model to cover a second year. We also welcomed the pledges in the Programme for Government 2016 to review and assess both the cost and quality of the childcare sector. However, we are of the view that a more detailed plan will need to be put in place to ensure that childcare is properly financed in the long-term.

As part of past recommendations Limerick Chamber has called for the provision of direct subsidies in the form of means-tested capital grants, with childcare subsides conditional on educational quality standards being met. Government has since committed to increasing investment in childcare and recently published the heads of legislation for the Single Affordable Childcare Scheme, committing to means-tested subsidies based on parental income for children up to 15 years. This is a welcome first step towards increasing investment in childcare services making it more affordable for parents. We recommend that Governments continues to invest in child-care services in the long-term and that funding secured in last year's budget (€19 million) be matched in Budget 2018. Government support for childcare services that are accessible, affordable and of a high quality requires sustained and ongoing investment. We welcome commitments within the National Women's Strategy 2017-2020 to implement, on a phased basis, a new national scheme of financial support for parents towards the cost of quality childcare, particularly with regard to proposals to maximise the use of schools and existing community facilities which have suitable environments available for school-age childcare where demand exists and where it can be facilitated by the school patron/trustees.

We also welcome commitments to promote initiatives to support women returning to work from maternity leave. We call on Government to ensure that these commitments are adequately resourced as part of Budget 2018 with measurable and achievable outputs. In September 2016, Government introduced two weeks paid paternity leave for fathers. Indications given in the Programme for Government suggest that Government plans to expand this entitlement over the coming five years. We call on Government to work with employer's groups to examine how increasing parental leave provisions can be introduced and managed with minimal burden to employers.



Improving and retaining our competitiveness as an economy must be a central part of how Ireland prepares for the impact on our economy of Brexit. Budget 2018 provides an opportunity to address gaps that may be impacting Ireland's economic performance. Ireland is competing against the top performing countries in the OECD for investment and for access to markets; if we are to position ourselves as a knowledge-economy with a highly skilled workforce, our human capital must be developed to its fullest. Therefore, ensuring that Ireland is a more equal society, where men and women are supported to reach their full potential, as citizens, employees, leaders and entrepreneurs, should be a crucial part of future policy planning. Further, by ensuring access to affordable childcare services, there are knock-on has positive implications for female labour market participation, the well-being of children, the gender-pay gap, and for Government revenues (due to higher rate of labour force participation).

Government must continue to invest in child-care services in the long-term and that funding secured in last year's budget (€19 million) be matched in Budget 2018. Government must ensure that the commitments made in the National Women's Strategy

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Limerick Chamber recommends:

- *Recognising that the current system is inadequate, a sustainable system for the funding of public sector pensions must be delivered.*
- *Regulations governing pensions must be made flexible to allow workers to gradually transition into full retirement allowing part time work or job sharing.*
- *Incentives should be implemented to encourage enrolment in private sector pensions; a subsidy rather than a tax relief may be more attractive to workers.*
- *The Government must ensure that it is as administratively easy and cost effective as possible for SMEs and entrepreneurs to establish or participate in pension schemes.*

are introduced and adequately resourced, including: maximising use of schools and existing facilities to support school age childcare, and initiatives to support women returning to work from maternity leave. Government must work with employers' groups to examine how increasing parental leave provisions can be introduced and managed with minimal burden to employers.

3.12.1 Pensions

One of the biggest risks to the future prosperity of Irish citizens is a lack of adequate pension provision amongst private sector workers. Recent studies predict that current contributions to the State pension fund will not be sufficient to pay the levels of benefits necessary for an adequate standard of living for future retirees. Figures released by the Central Statistics Office in May 2016 show that the number of workers who had a pension in the fourth quarter of 2015 fell to 46.7% compared with 51.2% in the same quarter in 2009. Additionally, the proportion of workers who expected the state pension to be their main source of income rose from 26% in 2009 to 36% in 2015. When public sector and semi-state workers are excluded, the proportion of private sector workers belonging to a pension scheme falls to 33% when compared with 37% in 2009. This reduction in the proportion of workers belonging to pension schemes comes at a time when the number of over 65s in Ireland is expected to grow significantly. The CSO is projecting that the number of people aged between 20 and 64 will increase by only 6pc to 2.96 million by 2046 but that the number of over-65s will almost treble to 1.41 million. Unless action is taken now, we will be unable to fund our future pension requirements.

4.1.1 Other issues to be considered

While it is important that the Government does not overreact in framing Budget 2018, Ireland's strategic interests must be prioritised while the post Brexit scenario remains highly fluid. This should involve policy choices which will solve strategic supply side problems and protect those industries most likely to be adversely affected by the immediate volatility. The Government should not deviate from plans for a modestly expansionary budget for 2018.

While Brexit is not the outcome Ireland would have wished for, Ireland remains well positioned to benefit from new investment opportunities. Since the advent of the OECD base erosion and profit shifting (BEPS) project, attention has been drawn to the changing global environment where capital is following highly skilled labour. The positioning of Ireland in a post-Brexit world may mean an acceleration of this trend as multinationals, and not just those in financial services, look for an attractive home within the EU. Along with investment decisions, which will affect standards of living, including housing, access to education and public infrastructure. Budget 2018 must address key tax issues – particularly the treatment of share options – which currently make Ireland a less attractive location for many of the more highly skilled workers.

The Irish government needs the conviction to stay the course on fiscal policy; this should involve policy choices which will solve strategic supply side problems and protect those industries most likely to be adversely affected by post-Brexit volatility. Investment in crucial capital and social capacity must be a priority. Given the low carry costs of debt, strong nominal growth rates, a primary surplus and considerable infrastructure gaps, investment can be achieved while eliminating the deficit in a prudent manner. The Government must ensure that enterprises do not face any regulatory, labour cost or tax increases while the current period of uncertainty exists. Ensuring a competitive tax offering for indigenous business has never been more urgent.

Following the UK's vote to leave the European Union in June 2016, one of the main concerns of the Limerick Chamber is the impact this exit will have on our economy. The almost certain reduction in trade between Ireland and the UK will have a disproportionate impact on our indigenous firms, especially exporting SMEs, which are hugely reliant on the UK as their primary market.

While larger multi-nationals that trade in international markets are likely to be better insulated from the consequences of a UK exit from the EU due to their greater resources, smaller firms are likely to feel more profound impacts. Some sectors have already felt the effects of the extreme currency fluctuations following the referendum result. More disruption of this nature is likely to follow in the months and years to come.

As part of Budget 2018, Government must take steps to support Irish business to be resilient and remain competitive. The Government can help SMEs through the provision of training in adapting to new customs procedures, the use export documentation, and facilitating increased access to new markets.

In order to prepare businesses, particularly small business, for the impact of Brexit, Limerick Chamber recommend that Government adequately resource state agencies, such as Enterprise Ireland, Local Enterprise Offices and InterTrade Ireland, so that they can assist businesses in planning for Brexit. Of particular concern to the Limerick Chamber; is that Government ensures that micro-businesses which operate cross-border are supported through such agencies.

Further, we recommend that Government adequately invests in our diplomatic and trade networks abroad we will be in a better position to capitalise on opportunities in new markets.

Limerick Chamber takes the view that given the severe impact a Brexit will likely have on our SME exporters, now is the appropriate time to introduce a trade finance programme for SME traders who wish to diversify into new markets. An Export Working Capital Scheme would target SME exporters with additional trade finance or working capital to process new orders or service new clients. Post-Brexit, there is an increased imperative to support SME exporters to expand to new markets, as access to UK market will become more challenging. Given the severe impact a Brexit will likely have on our SME exporters, now is the appropriate time to introduce such a programme. We can learn from our international counterparts. Examples of other OECD countries with such schemes in place include Australia, Canada, and Denmark.

The Action Plan for Jobs 2017 included a commitment to develop an Export Finance Initiative, working with the Department of Finance/SBCI to roll out new support to export orientated SMEs, with a pilot to be launched in 2017. The Department of Enterprise and Innovation recently secured the agreement of the Cabinet Committee for Economy Trade and Jobs to begin the development of a proposed Brexit Working Capital Guarantee Scheme and scope out the need for a longer-term Business Development Loan Scheme which would assist firms in investing for a post-Brexit environment. However, Government has acknowledged that there may be some obstacles to establishing such an initiative. EU Competition Law (Regulation No 1407/2013, the de minimis Regulation) sets out the rules for granting small amounts of financial aid to enterprises which are unlikely to affect trade and distort competition (de minimis aid). Generally, public bodies are allowed to grant aid to a single undertaking of up to €200,000 over a 3-year fiscal period without prior notification or approval from DG Competition. Ireland can only deliver the necessary supports to Irish enterprises within these EU State Aid rules. We see our recommendations primarily as steps Government can proactively take to help SMEs prepare for Brexit and help them limit any reduction in trade they might experience following the UK's exit from the EU. However, Brexit aside, we also see that market diversification and state supports for SME internationalisation will have positive economic benefits for the firms operating in Ireland.

Government need to use Budget 2018 to develop an Export Working Capital Scheme or state supported trade finance initiative for SME exporters. Ensure adequate resources for state agencies, such as Enterprise Ireland, Local Enterprise Offices and InterTrade Ireland, so that they can assist businesses, particularly cross-border businesses, in planning and dealing with Brexit. Investment in our network of embassies, and state agencies which operate in regions of strategic interest to the Irish economy.

3.13.1 A Budget Stabilisation Fund, also known as a 'Rainy Day Fund' is a form of state saving to ensure that surplus revenue is invested into a fund to be used

The Government committed to establishing a Rainy-Day Fund as part of the agreed Programme for Partnership Government. The Minister for Finance then announced in Budget 2017 that the Government would introduce a 'Rainy Day Fund' once a balanced budget is achieved in 2018 of €1 billion annually. There is a political importance to this commitment as Fianna Fáil view it as a fundamental measure agreed as part of the Confidence and Supply Agreement whereby they will facilitate the Fine Gael led minority Government to develop the annual Budget once consistent with the agreed principles.

The fiscal space in Budget 2018 is limited with €700 million of the €1.2 billion available already committed from previous spending commitments. The Government has announced that it will deliver a balanced Budget in 2018.

Despite media speculation and discussion as to the merits of a Rainy-Day Fund and the speculation of the political implications if it is not included, the Minister for Finance announced in the Summer Economic that the Rainy Day Fund would be established from 2019 onwards to be capitalised with annual contributions

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Limerick Chamber recommends:

- *Establish a budgetary stabilisation fund from general government revenue surpluses to allow for ongoing Government capital investment during downturns.*

of €500 million. This is half the amount that had been previously commitment.

A Budget Stabilisation Fund or 'Rainy Day Fund' can help to protect the vital investments required during a period of economic recession. Such funds have been used in many countries across the world as means of continuing investment in an economy during economic downturns. As a small, open economy, Ireland is particularly vulnerable to external shocks and facing the challenges and uncertainty arising from the UK withdrawal from the EU it is important that Ireland plans to protect essential state capital spending in the future.

The lack of investment in infrastructure during the recent financial crisis and economic downturn has left Ireland with significant infrastructure deficits. Beginning a Budget Stabilisation Fund now can help to ensure that a similar situation does not occur in the future, where investment grinds to a halt, and that we have the reserve capital in place to maintain and develop essential infrastructure projects. The European Commission Country Specific Recommendation for Ireland 2017 recommends that Ireland ensure the economy is more resilient to fluctuations and advises that the Fund be advanced. Government should consider establishing the Budget Stabilisation Fund in 2018 with an initial lower contribution to begin and increasing the contribution gradually in 2019 and 2020 to approximately 0.5% of GDP.

A Rainy-Day Fund won't have an immediate benefit for the economy but it should help to ensure that there is provision for the future. That in the event of an economic downturn funds will be available and the fund can be accessed to continue investment in critical infrastructure. Critics of the Rainy-Day Fund concept feel that it takes money out of the economy that could be invested now. However, it is an important reality that Ireland is a very open economy and vulnerable to global economic downturns. The Irish economy is currently performing strongly and now is the time to consider using some of the revenue being generated to save for potential future need whilst helping to ensure the economy doesn't over heat. Therefore, the benefits to the economy are more long-run benefits through greater security and economic stability.

During the economic crisis of recent years, the ability of the Government to invest in capital spending was inhibited and overtaken by the more pressing current spending needs and the fact that the state was borrowing to maintain and deliver essential services. With limited investment in infrastructure over the course of a decade, significant infrastructural deficits emerged across the country.

A Rainy-Day Fund should be established in 2018 with an initial first contribution depending on the fiscal space available. When a balanced budget is achieved and as higher levels of investment are possible we recommend a gradually increased contribution to the fund to be made in 2019 and 2020 to approximately 0.5% of GDP.

VAT on children's shoes

At this time of the year as the majority of Irish children return to school, the Limerick Chamber is calling on the Government to support families at this time. A high percentage of returning school children will have a shoe size greater than five and a half; this is the legislation cutoff from childrens to adults shoes. Limerick Chamber is calling for a voucher or token system that would allow ALL children attending school in Ireland to purchase two pairs of shoes for school VAT free, regardless of the shoe size.

Under existing legislation from the revenue commissioners, the term 'footwear', for VAT purposes, should be understood as meaning shoes, boots, slippers etc. including fur footwear but not socks, stockings etc. Neither does the term include roller blades, roller skates and the like. Currently VAT law provides that the zero rate applies to articles of children's personal footwear of sizes which do not exceed the average foot size appropriate to children under 11 years of age, which are described, labelled, marked or marketed on the basis of age or size. It is therefore important to note that the legal basis for the relief of VAT of certain children's footwear requires that the footwear in question is both:- designed specifically for the use of children and of a size no larger than the average size applicable to children under 11 years of age.

In the practical administration of the tax, the supply of baby and infant footwear, and footwear which has been specifically designed for children in sizes up to and including size 5½ (38 continental or other equivalent) qualifies for the zero rate. Children's footwear, the sizes of which exceed 5½ (38

Other issues to be considered:

- *Introduce a system that allows all school children to access a number of pair of shoes for school at a VAT free rate.*

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Limerick Chamber recommends:

- *Cooperative marketing of access routes by Tourism Ireland.*
- *Limerick Chamber believes one cooperative marketing scheme is urgently needed to focus on strategic routes to the regions.*
- *A regionally focused cooperative support scheme can help utilise existing capacity in the regions.*

continental or other equivalent) and adult's footwear, irrespective of size is taxable at the standard rate. Sports leisure footwear (trainer type footwear) is normally designed in three separate ranges, i.e. for men, for women, and for children. Accordingly, men's and women's ranges are taxable in all sizes and children's ranges are zero-rated (except for any sizes exceeding 5½). Where a particular range of such footwear is available in a single style common to adults and children, and where it is also available in the full range of sizes from smallest children's size* to large adult sizes, then it may also benefit from a concession.

Regional tourism

Strong air links are vital for the success of Ireland's tourism industry and for supporting the development of FDI. Cooperative marketing of access routes by Tourism Ireland is vital to supporting new and existing air services to Ireland. However, the lack of a strong focus on regional access is hampering the development of the Irish Tourism Sector and jobs creation. Currently, two schemes are operating to support routes into Ireland, the Cooperative Marketing Support Scheme which covers all ports and airports and the Regional Co-operative Market Access Scheme which focuses solely on access points outside of Dublin. While the Regional Co-operative Market Access Scheme which sought to encourage the regional distribution of overseas visitors was a welcome development, this scheme was tokenistic with only €1million in funding. Limerick Chamber believes one cooperative marketing scheme is urgently needed to focus on strategic routes to the regions which will ensure that there is value for money for the taxpayer and economic benefits not only for the tourism sector but also for FDI development.

A regionally focused cooperative support scheme will ensure that the excess capacity that is available in airports outside of Dublin is utilised to the full extent possible. A recent study by Indecon International Consultants for Limerick and Cork Chambers has highlighted how the State Airports of Shannon and Cork have excess capacity and could be solutions to alleviate the pressure on Dublin Airport. This will not only benefit users of Dublin Airport but will also ensure that other constrained infrastructure in Dublin such as hotel accommodation and the road network are not as congested. Shannon Airport has the ability to cater for 4.5 million passengers while Cork Airport has the ability to cater for 3.5 million passengers. Currently, the State is failing to ensure that the excess capacity available in the regions is being fully utilised, which is one of the key objectives within the forthcoming National Panning Framework.

Trends in market share of the State Airports also clearly highlight the need for a more targeted regional focus. While passenger numbers have increased in both Shannon and Cork Airports in recent years, the decline in the market share of both Cork and Shannon reflect the dominance of Dublin. Figure 1 shows how in the period since 2012, the market share of Cork Airport has declined from 10.0% to 6.8% while Shannon Airport has seen a drop in market share from 5.9% to 5.4%. These trends pose serious concerns not only from a tourism perspective but also for general economic growth in the regions. Further declines in market share of Cork and Shannon will have serious negative implications for economic development, given the known correlation between air connectivity and their positive impact on economic sectors such as tourism and FDI. These trends clearly indicate that there is little need or value for money for marketing supports for routes to Dublin Airport; except for the introduction of new strategic routes that are not already served by the airport.

Market Share of State Airports

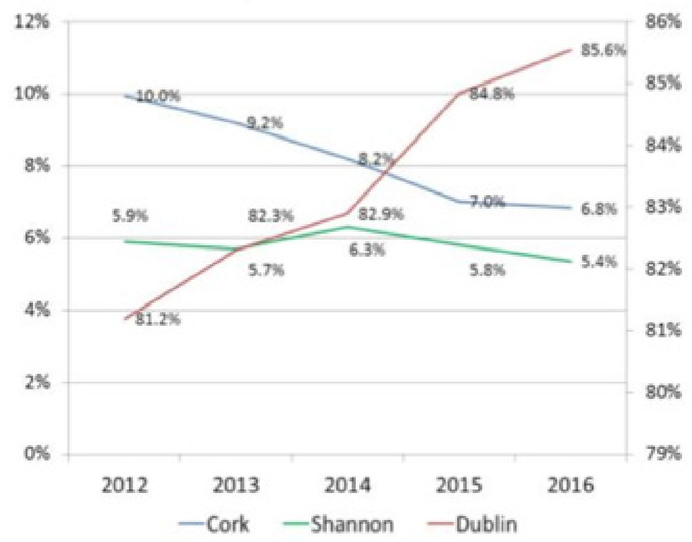

Figure 11 Data sourced Tourism Ireland

Tourism Ireland also suggests that the needs of visitors may be better met by providing greater air connectivity to the regions. Tourism Ireland's most recent market profiles show that less than 75 per cent of US visitors and 90 per cent of Canadian visitors to Ireland chose to visit regions outside of Dublin. In fact, half of US

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and Canadian travellers visit the South West of Ireland, for which the nearest transatlantic airport is Shannon. Moreover, 70% of US visitors cited the desire to visit the Cliffs of Moher and an Irish Castle, for which Bunratty in the Mid - West Region is most popular. Similar trends are evident among visitors from Europe with 70 per cent of British visitors choosing to visit regions outside of Dublin while for German and Dutch visitors the respective figures were 75 per cent and 80 per cent respectively. Clearly ensuring ease of access to key tourism markets will ensure a better tourism offering for visitors to Ireland.

A regional co-operative marketing scheme for airports outside of Dublin will ensure better use of regional assets in line with the objectives of the NPF and overall provide better value for money for the Exchequer. The regional focus adopted by the Regional Action Plan for Jobs as well as the IDA strategy is already recognising the need for a regional approach to driver the National economy.