Limerick Chamber
Advancing business together

Limerick Chamber

Pre-Budget 2019 Submission

Planning for a Sustainable Future

Supporting our Workforce

Encouraging Entrepreneurship

Battling Brexit

Autumn 2018

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Introduction

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

The Department of Finance expects GDP growth of 5.6% for 2018 and 4.0% in 2019, while unemployment remains low at 5.1% nationally in June, as we ever move closer to full employment. These are positive indicators, but with a budgetary package of €3.4 billion and fiscal space of €0.8 billion, strategic choices and priorities must be identified.

Limerick Chamber asks the Government to consider Budget 2019 as an opportunity to think strategically about how we can future-proof our economy and make the best use of today's prosperity in preparing for the challenges that face Limerick, the Mid-West and Ireland.

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

Budget 2019 will be the first following the finalisation of Project Ireland 2040. As such, it crucial for our growing economy and population that investments announced in the National Development Plan (NDP) begin, and the strategic plans set out in the National Planning Framework are delivered on in the years to come. This will necessitate addressing issues with our planning and procurement systems, to ensure projects are delivered and that the NDP does not become just another well intentioned strategy that fails to have the necessary impact.

The economy continues to face significant domestic challenges, the most acutely felt being the housing crisis. The shortage of affordable housing is impacting upon both employees and employers. It is also necessary that we maintain a broad tax base and do not become overly reliant on unreliable sources of income. A prudent and medium-term approach to changes in income tax should be coupled with delivering value for money public services.

Competitiveness is increasingly under threat from the high cost of doing business and general high cost of living in Ireland. Government must focus on addressing the issues contributing to these high costs, from childcare to housing and beyond. We need to look ahead with both optimism and caution. While we presently stand in a strong economic position, careful planning and prudent spending are required to ensure we remain on a sustained path to further economic growth.

An escalation in trade tariffs or a trade war between the EU and the US could have severe consequences for our exporters, importers and our consumers. While the outcomes of these threats are largely beyond our control, they must be carefully considered by Government. While we cannot control what happens in the rest of world, we can control whether we are prepared to tackle these obstacles.

The Rainy Day Fund should play a crucial part of ensuring that we continue to have funds to invest in infrastructure in the years ahead, by acting as an equalisation fund to ensure we retain the necessary portion of GDP to meet the NDP commitments, regardless of Exchequer Returns performance. We must demonstrate that we have learned the right lessons from the economic crash, and not squander an opportunity to ensure that our prosperity is sustainable.

With the move towards reaching full employment, maximising labour market participation will be important, if we are to improve competitiveness and meet the challenges of skills shortages arising in the economy. Increasing education and training options available for businesses, including SMEs and microenterprises, will be important in addressing skills challenges. From a third level perspective, the substantial growth in enrolment of students over the last number of years has delivered a significant pool of talent into the business, industrial, social and cultural sectors. The availability of this talent has been a significant catalyst for economic growth and development in recent times. Sustaining this growth is now a challenge, which needs a multi-annual, managed and targeted response. Government must invest additional funding in the third level sector, prioritising digitisation, STEM equipment, strategic leadership and operational capacity building and energy management and environmental sustainability.

Within this Pre-Budget 2019 submission, Limerick Chamber recommends measures which will promote a sustainable future through investment in infrastructure; supporting our workforce through fair taxation and affordable childcare; encouraging entrepreneurship though tax equity for the self-employed and improving upon employee share options for SMEs; and, battling Brexit through trade supports and maintaining the 9% VAT rate for the tourism industry, bearing in mind that Budget 2019 will be the last before the UK's departure from the EU.

1. Planning for a Sustainable Future

The National Planning Framework (NPF) and the National Development Plan (NDP) aim to provide a better quality of life for communities and safeguard our environment, while delivering infrastructure to meet the future needs of our economy and society.

While the NPF has given us a direction of travel, it has not specified how we are going to get to that point. For instance, the NPF does not provide any indication as to how envisaged jobs are going to be created. The Regional Spatial and Economic Strategies (RSES) need to fill in the gaps missing from the NPF. Innovative solutions are required to ensure that city regions, including Limerick, can grow and prosper. Business as usual is not sustainable; we have to change our way of doing things. Such solutions relate to our housing, transport and energy sectors.

1.1 Project Ireland 2040

Project Ireland 2040 commits to €116 billion investment in infrastructure over the next ten-year period.

Recommendations

- Government must ensure that the plans laid out in the NDP and the targets set in the NPF are committed to and met. We must ensure that Ireland moves closer to the highest levels of public investment in infrastructure in the OECD.
- To ensure that we can meet the targets and deliver the projects committed to in Project Ireland 2040, Government must commit to a review of our planning and procurement processes.

1.1.1 Restoring more Balanced Economic Growth

Smart growth in our cities must go hand in hand with intercity connectivity. While competition clearly exists between the regional cities, together these interlinked city regions are a greater competitive, collaborative force. Recognition and reinforcement of the interlinks and co-operation between the interconnected regional cities is needed, to increase their combined competitiveness and synergistic impacts on their growth potential, and thereby overall national performance. Enhancing these interlinks will increase the collective capacity to market the combined city regions from an economic development perspective, and will act as a catalyst for greater collaboration among the key stakeholders in the regional cities. More balanced growth across our cities is a win-win. It will facilitate the regional cities in reaching their currently underutilised potential, while reducing the overheating currently being experienced in Dublin.

Developing our regional cities, more ambitious targets on their growth prospects and strengthening interlinks and co-operation between them, must be a primary focus, to ensure more balanced regional growth and development. Doing so will drive both the national economy and the performance of its regional hubs.

Recommendations

- Government needs to further support the development of our second-tier cities, including Limerick, in a coordinated manner, so that they are complementary to the role of Dublin as our Capital city; yet also to cohesively support the development of our cities' wider regions.

1.1.2 Delivery on Key Growth Enablers for Limerick and Mid-West

The Government should ensure delivery of key infrastructure to future-proof growth and development across Limerick and the Mid-West region. Infrastructure projects to be prioritised, as outlined in the NDP, include delivery of the M20 along the original route envisaged (via Mallow), completion of the Northern Distributor Road in Limerick. The development of the Northern Distributor Road in Limerick is vital to the creation of a 'knowledge corridor', which will link the Shannon Free Zone, the LIT Campus at Coonagh and the University of Limerick, in addition to accessibility to the National Technology Park, which is critical to attracting further FDI.

Furthermore, it is important to prioritise investment in Shannon Airport and Shannon Foynes Port, including related transport and road infrastructure. In addition, faster rail links between Limerick and Dublin/Cork are needed to enable better inter-city connectivity by enabling faster commute times.

To attract residents and workers to an urban area, it must have a vibrant, thriving city centre at its core. For this reason, as outlined in Limerick Twenty Thirty Plan, the reinvigoration of Limerick city centre, via the LUCROC (Limerick Urban Centre Revitalisation – O'Connell Street) project, is vital to ensuring a population influx to Limerick city. Enhancement of the public realm in Limerick city centre is needed to lay necessary foundations to increase retail investment and activity. Hence, funding should be allocated from the Urban Regeneration and Development Fund to ensure optimum delivery on the LUCROC project, which is a key growth enabler for Limerick city.

Roads

Addressing inter- and intra-city infrastructural deficits must be a key focus.

Recommendations

- Funding should be allocated from the Urban Regeneration and Development Fund each year, to ensure progress on key projects to enhance economic growth and development across Limerick and the Mid-West.
- Delivery on the M20 Cork to Limerick Motorway, which was allocated €900 million in the NDP and has been given an estimated completion date of 2027, should be progressed as a matter of priority.
- More locally, the Northern Distributor Road is a vital piece of infrastructure necessary for further economic development in Limerick.
- Upgrade of the Limerick to Foynes Road (also included in the NDP) should also be prioritised.

Shannon Airport

Over 40% of US FDI companies are within Shannon Airport's catchment, reflecting its importance as a key FDI enabler. Limerick Chamber welcomes the fact that the significance of air connectivity, and thereby Shannon Airport, to the Mid-West region has recently been reinforced, with the Governments' indication in the NPF that Shannon will be included in the Metropolitan Area Strategic Plan for Limerick, as part of the Regional Spatial and Economic Strategy process.

Recommendations

- Limerick Chamber asks that the Government ensure a level playing field by allowing Shannon Airport to apply for financial CapEx support on an equitable basis with other airports outside of Dublin.
- We ask that the Government provides additional support for year-round service to key business and FDI related routes and increase agency programmes that target regional year-round tourism, to boost connectivity and economic growth in the region.

Shannon Foynes Port Company (SFPC)

The significance of SFPC within the Irish port sector is recognised at national and European levels. Indeed, SFPC is recognised by the European Commission as one of the three core ports in Ireland under the Trans-European Transport Network2 (TEN-T). Expansion and infrastructural development in the deep-water Port of Foynes offer significant growth potential.

Rail and road infrastructure is vital to the future development of SFPC, including improvements to the Limerick to Foynes road and re-instatement of the existing rail link to the Port of Foynes to maintain the Port's Core Ten-T status. Managing the natural attributes of the Estuary and its destination as an Ocean Energy Hub is also a critical function as the renewable energy sector expands.

Recommendations

- Government should prioritise investment in transport links to Shannon Foynes Port Company (SFPC), including upgrading the road from Limerick to Foynes and reinstating the Foynes to Limerick Rail Link to maintain the Port's Core Ten-T status.
- Government should recognise the potential of strategic sites within the Shannon Estuary to drive regional and local economies.

1.2 Rainy Day Fund

Limerick Chamber welcomes the Government's announcement in Budget 2018 about the establishment of a Rainy Day Fund in Budget 2018, perceiving such a Fund as an opportunity to ensure greater long-term stability in capital spending.

The NDP is underpinned by projections of the economy's potential growth, which is assumed at a minimum of 2% over the period 2022 to 2027. Using the Rainy Day Fund to support the delivery of the NDP would ensure we do not find ourselves unable to maintain investment in capital infrastructure in times of recession.

Recommendations

- Government must establish the Rainy Day Fund and transfer an initial €500 million to the Fund.
- We recommend that Government gradually increase State contributions to the Rainy Day Fund, assuming growth continues, as projected. We specifically recommend that Government monitor corporate tax receipts and transfer any revenue generated above profile to the Rainy Day Fund.
- We recommend that the Rainy Day Fund be used to support continued investment in infrastructure and the delivery of the NDP should growth dip below the required 2% per annum, as set out in Project Ireland 2040. Only if growth dips below the required 2% should the Rainy Day Fund be accessed to fund capital investment.

1.3 Corporate Tax

Ireland's clear and transparent corporate tax system and corporate tax rate of 12.5% have been contributing factors for MNCs choosing to locate their operations here. Certainty in tax is an attractive asset and is particularly important considering the reform of the US corporation tax code, the UK's forthcoming exit from the EU and ongoing discussions at EU-level regarding a Common Consolidated Corporate Tax Base and digital taxation.

Ireland's corporate tax receipts have increased significantly in the last two years, rising 57% to €7.35 billion in 2016 and rising again by a further 11% to €8.2 billion in 2017. Although experts do not see a threat to the sustainability of Ireland's corporate tax receipts in the immediate term, it should be emphasised that as a small open economy, Ireland is very exposed to external shocks. The increasing concentration of Irish corporate tax receipts could pose a risk to the Exchequer, where external factors may influence MNCs relocating elsewhere, resulting in a significant decrease to corporate tax receipts. It is also worthy of note that many other economies are proactively reducing their corporation tax rates. While the scope for Government action in mitigating these factors is limited, it is imperative that Government continues to be mindful of the risks.

Recommendations

- Government must maintain and defend Ireland's 12.5% Corporate Tax Rate and offer businesses certainty in the face of global changes.
- Government should ensure Ireland maintains sovereignty in taxation policy, while working with international partners and the process of OECD Base Erosion and Profit Shifting to enhance fairness in international taxation.
- Government should exercise caution in over-reliance on corporate tax receipts in the medium term and considers transferring revenue raised from over profile corporate tax receipts into the Rainy Day Fund.

1.4 Housing

The housing crisis is one of the biggest issue facing Limerick and Ireland's society and economy. The lack of supply of affordable housing is a significant threat to our competitiveness and future economic growth.

The under-supply of adequate housing options in Limerick and other city regions is having a detrimental impact on businesses, through increased cost of living affecting wage pressures, their ability to attract appropriately skilled workers, and high rental costs for companies located in urban areas. Measures included in the Rebuilding Ireland Plan do not go far enough to tackle the severe shortage of housing supply across Ireland. Policy changes focused on the status quo, and an over-reliance on private sector building to ramp up supply, are not working. Failure to adopt innovative solutions to the crisis has resulted in little change and no meaningful increase in supply to date.

A construction standards regulator should be established to operate in conjunction with the recently announced planning regulator, to ensure that standards are being met and that the regulatory system supports those who adhere to both construction and planning regulations.

From a city planning perspective, there is a need to support high-standard higher density development in the city centres, including Limerick, in recognition of limited land availability and potential environmental benefits of high density development. Recent data from Census 2016 indicates that there are 2,564 vacant residential units within Limerick city. Bringing older properties back into use not only benefits our city centres, but also has positive environmental impacts.

Recommendations

- Government must evaluate the effectiveness of the Vacant Site Levy and should amend the Urban Regeneration and Housing Act 2015 as required to ensure that the Levy is adequately disincentivising land hoarding and is effectively increasing land supply to the market.
- The Living City Initiative should be subject to a review with improvements to the existing incentive scheme.
- A Construction Standards Regulator should be established to operate in conjunction with the recently announced Planning Regulator, to ensure that standards are being met in the construction of dwellings.
- The recommendations contained in the Kenny Report (1973), in particular that land suitable for building may be compulsorily acquired by local authorities for a cost no more than 25% above its zoned value should be introduced as a measure to tackle the continuously increasing price of land and the resulting low supply and high cost of homes on the market.
- Government should double the Local Property Tax on properties vacant for 2 years or more as a measure to tackle the high number of vacant properties in the areas of greatest need.

1.5 Decarbonisation

The secure and affordable provision of energy is vital for every business in the country. The importance of protecting Ireland's energy security is likely to increase over the coming years, due to demographic pressures, increased levels of economic activity and potential political risks. Improving and expanding Ireland's grid infrastructure through increased investment must be prioritised to provide for our long-term energy security and to address the sustainable delivery of future energy needs. Energy capacity, continuity and security is extremely important for the ability of Ireland's regions to compete for investment and attract companies to establish in an area.

Concurrently, we must ensure we make strides towards decarbonising our energy supply as much as possible. Areas such as biogas and carbon capture and storage should be explored by Government, as a means of tackling and offsetting significant fines faced, should we fail to meet our climate change commitments.

20% of Ireland's Greenhouse gas emissions currently come from heat generation and a further 20% from electricity generation. Ireland is set to build at least 500,000 new homes by 2040; it is imperative that we avoid a new carbon lock-in, while continuing to address the emissions caused by our existing housing stock. Residential and commercial new builds must be constructed with integrated low carbon technologies, such as heat pumps and district heating schemes, where viable. Retrofitting must continue, but there is significant capital cost to this, and we now have the opportunity to negate the need for retrofitting in the future by ensuring that new builds take advantage of the best energy performance technology available.

Recommendations

- Residential and commercial new builds must be built with integrated renewable low carbon technologies, such as heat pumps and district heating schemes, where viable.
- Government should continue to invest in the phasing out of inefficient heating systems in buildings through the retrofitting scheme, to enable homes and businesses to move to low carbon heating solutions.
- The gas network is essential if Ireland is to meet climate change targets. By utilising the existing gas network, ecarbonisation targets can be reached whilst providing the lowest cost to consumers and the Exchequer, the least disruption to end-users, while enhancing Ireland's security of supply and providing jobs for rural Ireland.
- Government should explore and support carbon capture and storage opportunities for Ireland that can ensure a viable long-term solution to carbon emissions, which also enables the use of existing infrastructure.
- Government should increase the incentives and supports for businesses to engage in the circular economy, including incentivising waste reduction at source and re-use of materials.
- Government must invest more in energy efficiency auditing for businesses via the Environmental Protection Agency, in addition to associated promotion campaigns.

1.6 Transport

Investment in properly integrated and efficient inter- and intra-city public transport benefits not only urban centres, but also acts as a growth enabler for wider regions.

As a significant contributor to Ireland's greenhouse gas emissions, we much invest in adopting transport options that are sustainable and will enable us to meet our carbon reduction goals.

Currently, efforts to reform motor policy are disjointed across a variety of areas, from motor tax to VRT to tolls, from excise duties and charging points to benefit-in-kind. The piecemeal changes in motor policy and taxation have contributed to a lack of clarity for both customers and businesses on the best choices for them. A clear strategy on the future of motor policy and taxation should be delivered to offer the ability to transition to a greener car within a reasonable timeframe, and to enable businesses to adapt investment plans with greater certainty.

Recommendations

- Government must invest in rapid transport corridors and rail routes for Ireland's growth driver cities, including Limerick, to tackle urban congestion and increase use of public transport.
- The transport projects announced under Project Ireland 2040 must be delivered upon, to facilitate trade and economic growth. The importance of Ireland's road network and port infrastructure are likely to increase, following the UK's exit of the EU.
- Government must deliver the promised supports for electric vehicles (EVs). A commercial charging regime for electric vehicle charging points is overdue. More initiatives and incentives to support the uptake of EVs among private individuals and by businesses, such as the introduction of an EV car sharing scheme, are required to increase the number of EVs on our roads.
- Compressed Natural Gas (CNG) is now a viable option for heavy goods vehicles and Government should invest further in CNG infrastructure and transport for inter-city or long-distance public transport services, and ensure we move away from the diesel-based fleets that HGV transport currently relies upon.
- Government should produce a motor policy and taxation roadmap, clearly laying out long-term changes in car policy over the course of the next decade as we seek to encourage a move to lower carbon emission cars through a variety of incentives and policies.

1.7 Digital Connectivity

In 2018, Limerick became the first Irish city to receive a prestigious European grant and become a Lighthouse Smart City, securing €6.5 million in EU funding to become a Smart Positive Energy City as part of the +CityxChange project. This is part of Limerick's Digital Strategy, which lays the foundation for Smart Limerick City Region and Communities. Limerick's emphasis on being a more effective, smart city should be facilitated and supported by Government. To this end, funding from this round of the Urban Regeneration and Development Fund should be allocated to the Digital District that University of Limerick is planning for the Castletroy area, which is a 'shovel ready' (Category A) project. This will assist in building the Digital City, and the Smart Limerick Region.

Limerick Chamber views the National Broadband Plan (NBP) as a vital infrastructure investment for rural Ireland and the need for a robust digital infrastructure must be recognised by Government. At present, there are areas in the Mid-West and other regions which still have little or no access to broadband.

We must ensure that Irish businesses can compete on an even playing field, and have access to the manifold opportunities that trading online brings. Access to broadband enables businesses to grow, create jobs and contribute to their local economies. Broadband is a quality of life factor and enables modern arrangements for modern businesses that want to offer staff flexibility in working lives for employees and it is therefore a significant factor in attracting FDI companies to a region.

The ongoing delay in rolling out the NBP is a cause of concern. This Plan must be rolled out as soon as possible, 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 continue to be left behind on such a vital element of modern life.

Recommendation

- The Digital District that University of Limerick is planning for the Castletroy area, connected with the Digital Quarter in the City Centre, should secure funding for this round of the Urban Regeneration and Development Fund, in order to assist in the implementation of the wider Digital City, and Smart Limerick Region strategic plans.
- The now much delayed National Broadband Plan must be delivered as soon as possible by Government.
- 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.

1.8 Water

Effective water management includes managing water service provision, river basin management, landscape, flood risk planning, coastal and marine management and climate change adaptation. It is essential to manage the efficient use of water and wastewater resources in a sustainable way which: 1) delivers an adequate supply of safe public drinking water to citizens; 2) supports economic growth; and, 3) preserves our environment.

Economic growth in the second-tier cities, including Limerick, will increase their future water demands. The water supply requirements of these regional cities need to accommodate for their growth potential.

Concerning the Preferred Scheme for a New Water Supply for the Eastern and Midlands Region, Limerick Chamber seeks continued assurance that any water volumes abstracted at the Parteen Basin will be counter balanced by an equal volume reduction in water used for power generation at Ardnacrusha.

Recommendation

- Concerning the Preferred Scheme for a New Water Supply for the Eastern and Midlands Region, the Government should ensure that any water volumes abstracted at the Parteen Basin will be counter balanced by an equal volume reduction in water used for power generation at Ardnacrusha.

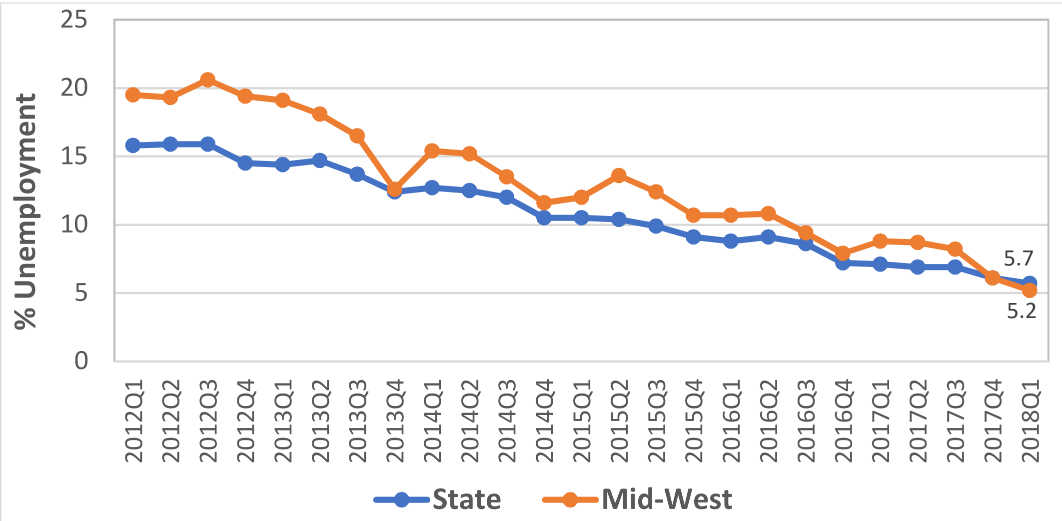
1.9 Education & Skills

Investment in education is essential for the competitiveness of our economy, our ability to attract FDI and to ensure that businesses have the necessary range of skills to face external challenges and adopt new technologies as they emerge. Increased provision to Solas for the rollout of new apprenticeships and traineeships has been a positive development in the education sphere.

Limerick Chamber wishes to stress the importance of continued commitment to this model, along with increased awareness campaigns on the benefits of the apprenticeship model for both students and employers, particularly targeting career guidance counsellors in secondary schools.

Based on the latest quarterly data from the CSO, the unemployment rate has improved considerably in recent years, and stood at 5.7% nationally and 5.2% in the Mid-West in Q1 2018 (see **Figure 1**).

Figure 1: Unemployment Rate: Mid-West and Nationally, 2012-2018 Q1



Source: CSO Labour Force Survey Quarterly Series

As we rapidly approach 'full employment', employers face increased challenges related to productivity, sourcing employees with the right training, and skills mismatches in the workforce. As such, it should be as administratively easy as possible for businesses to access skills and training provision for their employees. A voucher model for skills and training courses would enable employers to choose educational providers from the private sector based on reputation and proven excellence. The voucher could be modelled on the 'Innovation Voucher' model, administered by Enterprise Ireland and accessible to SMEs that require the up-skilling or re-training of key employees.

The substantial growth in enrolment of students at third level over the last number of years has delivered a significant pool of talent into the business, industrial, social and cultural sectors. The availability of this talent has been a significant catalyst for economic growth and development in recent times. Sustaining this growth is now a challenge, which needs a multi-annual, managed and targeted response.

To date, concern around the financial vulnerability of the third level sector has tended to focus on the recurrent funding issues which prevent institutions from delivering balanced budgets. While these are critically important, analysis and engagement with institutes during the HEA Financial Review of the Institutes of Technology in 2016 confirmed that there is a very significant capital challenge, which will also have to be met.

Furthermore, aligned with the Irish Universities Association's Budget submission, Limerick Chamber believes that Government must urgently address the underlying quality issues arising from a decade of underfunding, as well as building capacity to absorb the significant growth in student numbers. Specifically, the Chamber supports the Irish Universities Association's requests for:

- An **increase of €130 million in core current funding for universities** as part of an overall package for the higher education sector. It is proposed that this is specifically targeted at increasing the State core recurrent funding per student (which has fallen by 50% since 2008) if the quality issues in our university education system are to be addressed.
- **Essential capital spending of €104 million,** as part of a **5-year University Capital Refurbishment Fund**, to address serious deficiencies in infrastructure and facilities arising from a decade of neglect. This investment is essential to enable universities to educate key talent and develop the research and innovation capacity of the knowledge economy for the future.

Limerick Chamber also advocates a partnership approach between central government and the technological sector to start the process to re-equip, upgrade, and enable capacity and quality across a number of chosen areas. The policy issues addressed reflect a 'whole of government' approach and again show the centrality of the higher education sector in driving policy implementation at the local, regional, and national level.

In line with the THEA Budget submission, Limerick Chamber advocates a multi-annual response to four (4) areas/pillars identified as critical to the policy implementation approach. In taking this approach, the need to increase funding to the wider HEI sector and the need to improve significantly the funding provided by the state on a per-student basis are acknowledged. As such, the THEA submission is about incremental investment in the sector through additional funding. It is therefore outside of direct RFAM funding and is obviously not designed to replace the devolved grant.

The sector recognises the targeted increased investment of €100m in 2018 addressing diverse areas such as apprenticeships, Springboard, the unravelling of the public sector pay cuts, and TU developments. The sector is the main provider of craft and new apprenticeships and this funding has been particularly felt in the apprenticeship equipment base. The impact of this targeted investment has led to the ability of the technological sector to increase the number of available places (Blocks). This increasingly fit-for-purpose equipment base is producing industry ready outcomes based on new syllabi and new learning outcomes. This targeted investment is the basis of a model for the needs of the wider sector in ICT and STEM infrastructure.

Four pillars have been identified covering essential areas of the sector's operation and for which we are seeking additional targeted funding; these are outlined in detail in the following sections:

1. Digitisation: This is an area which needs significant reform within the sector and is one of huge opportunity. It is driven by the available ICT infrastructure. This area will affect modern modes of delivery, including **online and distance education**, continuous professional development, technology enhanced learning, virtual labs, data-enabled student success helping to address access and retention matters to name but a few beneficiary areas of this broad agenda.

2. STEM Equipment: The severe erosion of the STEM equipment base is one of the biggest risks not just to our sector, but to our continued economic development as a country. The availability of modern industry-relevant graduates is a cornerstone need of our economy, but we do not have a modern industry-relevant equipment base. This needs to be addressed as soon as possible.

3. Strategic Leadership and Operational Capacity Building: The sector has been anxious to develop talent within its ranks particularly at the management level, and it requires to better equip its directors, given the more onerous expectations under the sectoral governance code. There is no mechanism for identification or development of future leaders; there is little succession planning. We need people with modern management knowledge; people best placed to reform our governance, structures, processes, and our public services. Limerick Chamber recognises this need and seeks additional funding to correct this deficit.

4. Energy Management and Environmental Sustainability: There is a need for the sector to step-up and take a leading role in matters pertaining to energy and sustainability. The sector has the ability to generate significant savings in energy consumption, lower carbon footprint, meet legislative requirements with smart controls etc., and we are advocating the recognition of best practice, prior to sectoral wide roll-out.

Higher education has delivered for Ireland during the economic downturn; it cut costs, drove efficiencies, brought in many more students, and these constitute some examples of the leadership role adopted at that time. Without a significant funding and resource injection, higher education cannot continue to deliver at the same rate on its mission, nor drive the process of reform, nor provide the much-needed talent (from all sections of our society) into the near future. Government recognises the central role played by higher education and must act to correct the ever-growing deficits which have been repeatedly highlighted.

Recommendations

- The National Training Fund must be more responsive to the needs of employers and should be weighted to reflect the current employment levels.
- Government must commit to the continued rollout of increased apprenticeships and traineeships in a wider range of fields.

- The introduction of a voucher model for funding skills courses for SMEs should be introduced to enable SMEs to select their preferred training provider from the market.
- Government must continue to support the re-skilling and up-skilling for those in employment through bodies such as Skillnet Ireland, to increase life-long learning levels in Ireland.
- There is a need to increase targeted training in certain sectors, including the hospitality sector and construction sectors, which are struggling to fill vacancies due to a lack of suitable candidates.
- Government must urgently address the underlying quality issues arising from a decade of underfunding, as well as building capacity to absorb the significant growth in student numbers.
- Government should invest additional funding in the third level sector, prioritising digitisation, STEM equipment, strategic leadership and operational capacity building and energy management and environmental sustainability.

2. Supporting our Workforce

Increasingly employees are under pressure from the high cost of living, high tax burden and costly childcare. For others, the workplace is inaccessible for a variety of reasons, or they may face discrimination in pay based on their gender. These factors also feed into a wider pensions issue facing our workforce, where just 35% of private sectors workers are saving into a pension scheme.

Limerick Chamber supports a broad tax base and is not calling for immediate significant reductions in income tax. That said, we must acknowledge that employees are entering the higher rate of tax at too low a salary and this is a significant competitiveness issue. Both businesses and employees expect to see value for money and delivery of services on the taxes paid. Taxes should be focussed on tackling the issues contributing to the increasingly high cost of living, and in doing so, attract more people into the workforce and increase workers' ability to plan and save for the future.

2.1 Income tax

Maintaining a broad tax base is essential to reduce our vulnerability to any potential future economic shocks. At present, high marginal tax rates apply at relatively low levels of income. Employees earning less than the average industrial wage pay the higher rate of 40% in income tax, starting at just € 34,550.

In addition, the universal social charge and PRSI apply. Cumulatively, this represents a significant tax burden on middle income earners, and may contribute to reduced female labour market participation, welfare traps for low skilled workers and also impacts our ability to attract skilled migrants to relocate here.

High income tax rates are a serious threat to Ireland's overall competitiveness and negatively affect our ability to compete with the UK in the attraction and retention of skilled workers. However, we are mindful of the impact that changes to income tax would have on the fiscal space at a time when significant increases in investment are required across various areas.

Consequently, Limerick Chamber urges the Government to commit to review and make incremental changes to income tax rates over a multi-annual basis. Ideally over several budgets, we should transition to a position where Ireland is in line with comparable countries in the OECD on tax rates, in an effort to enhance our relative competitiveness.

Recommendations

- We recommend that Government continues to make incremental increases to the entry point to the higher rate of tax on a multi-annual basis, so that Ireland is in line with comparable countries in the OECD and can maintain our competitiveness when it comes to attracting talent.

2.2 Narrowing the Gender Pay Gap & Providing Affordable Childcare

The challenge in retaining women in the workforce has been highlighted as a concern for employers, and attributed, in part, to the difficulty employees encounter in accessing affordable childcare. The high cost of childcare often means that for parents, particularly lone parents, it can often not be cost-effective to both work and pay for childcare. Childcare costs in Ireland are the second highest for couples, and the highest for lone parents, in the OECD.

Irrespective of their level of education, women over the age of thirty-five have lower participation rates in the workforce than their EU counterparts. Research shows that lack of availability of affordable childcare and after-school care are likely to be a significant contributing factor.

Ireland spends far less as a percentage of GDP on early childhood education, when compared with the OECD average. We recommend that Government continues to invest in child-care services in the long-term and that funding secured in last year's budget be increased or matched in Budget 2019. By supporting access to affordable, quality childcare services, Government can ensure that there are no structural barriers to increasing female labour market participation, while also tackling the high cost of living and increasing wage demands on employers.

Recommendations

- We recommend that Government maintains support for early years' childcare services that are accessible, affordable and of a high quality, through continued investment in the Early Childhood Care and Education (ECCE) Programme.
- Government must deliver prompt roll out of the Affordable Childcare Scheme.
- We call on Government to deliver a value-for-money cost analysis, as per the commitment in the Programme for a Partnership Government 2016. It is imperative that data on the exact cost of delivery of childcare provision is published as soon as possible, to ensure that further investment contributes to making childcare more affordable for parents.
- All new school builds should be built in such a way that they can be used for after-school care.
- 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. Supporting the more equitable division of caring responsibilities will be crucial if we are to reduce the gender pay gap in the medium to long-term.

2.3 Pensions

With just over one third of private-sector workers currently contributing to a pension scheme, the future of pension provision in Ireland is a significant risk to the quality of life of our workforce.

Limerick Chamber has previously highlighted the threat that inadequate pension provision for private workers poses to our future economic stability and the wellbeing of our society. 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. It is now necessary to introduce a system which will encourage employees to plan for their future security, while maintaining the existing reliefs that incentivise saving into a pension scheme.

Recommendations

- Clarification is sought, particularly by SMEs, on Government's plans and objectives in this space.
- Tax relief on pension contributions currently in place must be retained. Given the low level of workers currently saving into a pension scheme, this tax relief must be kept as an incentive to encourage increased numbers of savers. To remove it at this point in time without an alternative pension system in place would hinder uptake.
- Limerick Chamber is supportive of an auto-enrolment pension scheme with a realistic lead-in time for businesses. An incremental approach will give business a chance to adjust and plan ahead. We recommend a gradual approach similar to the scheme in the UK, where 90% have remained in the new pension scheme.
- It is crucial that any future auto-enrolment private pension scheme does not affect the State pension. This would place an unfair and disproportionate burden on business.

2.4 Diversity

As we continue to near full-employment, competition in the labour market is increasing steadily. Everyone should have the opportunity to pursue a career and enjoy the benefits of working life. Limerick Chamber supports access to the workforce for all and would like to see greater incentives for businesses to explore the under-tapped workforce of people with disabilities.

Recommendations

- Funding for the Employer Disability Information service should be maintained.
- Currently, there are numerous grants grouped under the Reasonable Accommodation Fund banner. We recommend amalgamating the current supports into one overall grant that would cover everything needed to accommodate an employee with a disability at work.
- An employee with a disability should be enabled to seek employment as independently as possible. We recommend that funding for specialised equipment and supports is received by the prospective employee with a disability, thus empowering the jobseeker to seek work independently and with supports already in place. Linking the supports to the place of work can have the effect of trapping individuals in jobs and may be a deterrent for prospective employers in hiring an individual with a disability where there is the requirement for an application for supports to potentially delay matters.

3. Encouraging Entrepreneurship

Entrepreneurs are the innovators and change-makers of industry and small businesses are the lifeblood of the Irish economy. We must do more to encourage and support the self-employed and small businesses to grow.

3.1 Tax Equity & Supporting Microbusiness

Ireland's taxation system should ensure that innovators, investors and entrepreneurs are recognised as contributors to growth and are taxed fairly. Government must do more to support entrepreneurs and enable microbusinesses to grow and succeed. Small businesses face significant barriers to growth and scaling, due to the costs associated with hiring a much-needed extra staff member. We propose a range of measures to improve the environment for Irish business owners and we ask Government to implement changes to the taxation system, to support entrepreneurship and drive growth in our economy.

Recommendations

- In this Budget cycle, Government must, as previously committed, bring Earned Income Tax Credit for self-employed in line with the Employee Tax Credit. Following Budget 2018, the total earned income credit for self-employed individuals sits at €1,150 annually, leaving a discrepancy of €500 with the Employee Tax Credit.
- Self-employed earners earning more than €100,000 are faced with an additional USC burden of 3% more than a PAYE worker earning the same amount of income. Government should introduce full equity in taxation between the self-employed and PAYE workers.
- Government should introduce a short-term tax credit on employer PRSI to enable microbusinesses to grow and increase employee numbers. If applied to businesses with less than 10 employees, the introduction of a 3-year tax credit on employer PRSI for each new hire would support microbusinesses to create jobs and enable them to grow.

3.2 Capital Gains Tax (CGT)

Ireland's high rates of CGT are impeding entrepreneurship and competitiveness. Comparative data from the Tax Foundation shows Ireland had the 5th highest rate of capital gains tax in the OECD in 2016. The high rate of 33% remains in place and is potentially disincentivising investment in the economy and discouraging the release of underutilised assets such as land or property.

Given the high level of vacant commercial and residential properties across the country, Government should take a more pragmatic approach to taxation, which encourages the best possible use of property and land assets for development during the current housing crisis.

In the context of Brexit and the ever-growing need for Irish tax rates to be competitive when compared to the UK in particular, it is time for Ireland to review CGT rates and assess where improvements can be made. The current rates are a deterrent to angel investors and those seeking to invest in start-ups and scale-up, resulting in less investment options for Irish businesses, and ultimately negatively impacting their growth potential.

Lower CGT rates have been proven to increase activity in an economy and thus benefit the Exchequer, offsetting a significant portion of the cost of the tax reduction. This was found to be the case when CGT was reduced to 20% in Budget 1999 and CGT revenues increased by 77% the following year.

Recommendations

- We recommend that the Irish Capital Gains Tax rate of 33% be gradually reduced to say 25%, in line with the treatment of investment income in the hands of corporates. This rate would also be more competitive when compared against the UK CGT tax regime, which encompasses two rates, 18% and 28% (depending on the category of gain).
- We recommend increasing the lifetime limit of €1 million in qualifying capital gains under Entrepreneur's Relief to €10 million, to improve the attractiveness for repeat investors and to encourage increased investment in Irish business. This would also be broadly in line with the applicable relief in the UK, whereby a lifetime limit of up to STG £10M can be availed of (subject to meeting conditions). The importance of making enhancements to Ireland's Entrepreneur Relief is underlined by Brexit, which is expected to pose a shock to our economy and reinforce the need for local entrepreneurship to be attractive.

3.3 Capital Gains Tax Rollover Relief

Strategic changes to the CGT regime could encourage investment in Irish businesses and ensure support for entrepreneurs and innovative ideas in our economy. Rollover relief (to defer CGT) is available when the proceeds from the disposal of an asset are reinvested in another asset, where both are used for trading purposes. While there is a form of rollover relief contained in Section 597A Taxes Consolidation Act 1997, this should be extended and broadened in particular to allow for the capital gains tax paid on the initial investment disposal to be refunded in the event of a later investment (rather than having to wait for the second disposal to occur to avail of a tax credit at that time).

Limerick Chamber recommends CGT rollover relief to allow deferral of CGT where the proceeds of a sale are reinvested in an SME or business fund managed by a state enterprise agency. The aim of this initiative would be to encourage investment in Irish businesses and ensure that start-ups and scale-ups are able to access the finance needed to grow.

Recommendation

- We recommend that Government consider the introduction of a mechanism where entrepreneurs can apply for a "small business rollover", similar to the Australian model, where an entrepreneur can apply for tax relief on the capital gain when reinvesting in an SME or new business.

3.4 Key Employee Engagement Programme

Limerick Chamber welcomes the introduction of the Key Employee Engagement Programme (KEEP), announced in Budget 2018. Irish businesses are operating in an increasingly competitive employment market and this is particularly challenging for start-up businesses and SMEs when competing with larger companies to attract new staff. Employee share options are an ideal way in which SMEs, start-ups and scale-ups can attract employees and benefit from current economic growth.

In addition, employee share options schemes for businesses can benefit the wider economy through promoting increased growth in scale-ups and productivity in SMEs. The UK version of the scheme, the Enterprise Management Incentive Scheme, has proven to significantly benefit the UK exchequer annually through increased revenues from CGT, VAT receipts and corporate tax.

As it currently stands, KEEP is overly complex and too restrictive, and it does not provide the easy-to-implement, productivity-enhancing incentives that would make it an attractive option for a start-up business or SME. Getting this scheme right could be hugely positive for Irish start-ups and scale-ups, as well as the wider economy, and as such Limerick Chamber recommend several amendments to make this scheme work better for business.

Recommendations

- The total market value of share options should be revised. The current market value caps (€100K in any one year, €250K over 3 years or 50% of annual remuneration of an individual) are overly restrictive and mean that a successful business can quite easily outgrow the scheme.
- We recommend that the salary cap be replaced with a system similar to the UK's rules for its employee share options scheme, whereby each employee can hold share options of a maximum of £250,000 (€286,360) at the time of grant only, thus allowing substantive growth in value for share options.
- Under current rules, companies operating within the 'financial activities' sector or related activities are not eligible to enter KEEP. FinTech is a growing industry within the financial sector and the exclusion of 'financial activities' should be revised to enable FinTech companies to enter the Programme.

4. Battling Brexit

Following on from the UK's vote to leave the EU in June 2016, a lack of clarity prevails on the trading relationship that will exist between the EU and the UK after March 2019. The almost certain reduction in trade between Ireland and the UK will have a disproportionate impact on our indigenous firms, especially our exporting SMEs, who are hugely reliant on the UK as their primary market. Government must ensure that businesses are supported to diversify markets, upskill customs requirements, remain competitive, and ensure that the tourism industry remains competitive and continues to attract visitors.

4.1 Trade Supports

To date, uncertainty has been the only constant in the ongoing Brexit process, and there remains a lack of clarity regarding the future trading arrangement the UK will have with the EU, and even whether a withdrawal agreement will be reached. Over the coming year, Government has a final opportunity to take steps to 'Brexit- proof' our economy and support Irish business to prepare, increase resilience and maintain competitiveness following the UK's departure. However, this is likely to be a challenge, since many unknowns remain regarding the type of Brexit Irish business will face. Government should make use of Budget 2019 to ensure that businesses can take practical steps to prepare for the UK's departure. We must ensure that the supports, resources, training and finance are being fully utilised by Irish business in the year ahead.

Recommendations

- Government should work with and resource the Chamber Network to communicate resources manged by Government and state agencies that are designed to support business in preparing for Brexit. The Chamber Network is ideally placed to communicate the range of supports available to businesses of all sizes and across all sectors.
- Government should support the Chamber Network, given its expertise in the issuance of trade documentation, in providing customs training to exporters seeking to upskill in the areas of customs regulation and documentation.
- Government should continue to make funding available through the Brexit Loan Scheme and to expand the funds in order to support more businesses in the Mid-West and other regions, that may wish to innovate in response to Brexit.
- We call on Government to introduce additional supports for businesses who wish to expand their activities in e-commerce, with a view to becoming more engaged in the Digital Single Market and competing with UK businesses selling online, who may have a competitive edge post Brexit, due to exchange rate fluctuations.
- Government should support direct engagement between Irish Chambers and Chambers in the UK to work together and develop opportunities for business-to-business collaborations, in order to prepare for the threats posed by Brexit.

4.2 Tourism

The UK is the single largest source market for the tourism industry and provides a high percentage of the regional tourism business in Ireland, with 41% of UK visitors staying outside of Dublin in 2016.

The tourism industry is particularly vulnerable to external economic factors and we are already seeing the impact of Brexit on visitor numbers from the UK. Figures from Tourism Ireland showed that numbers of visitors from Britain to Ireland fell from 3.9 million in 2016 to 2.7 million in 2017, with the estimated loss to the tourism industry as a result standing at over €60 million in 2017. Future constraints to growth in the UK economy, and any possible fluctuations in Sterling, mean that visitor numbers from the UK to Ireland are likely to continue to fall.

It is now more important than ever that we promote Irish tourism abroad and seek to attract visitors from outside of the UK. It is more crucial than ever to broaden the reach of our target markets. To this end, we must increase the capacity of state agencies to promote Ireland as a destination to new markets, to reduce our reliance on UK and US markets.

In addition, maintaining the reduced 9% VAT rate for the hospitality sector is required, to support tourism businesses through the volatility currently being experienced because of Brexit.

Recommendations

- Maintain the 9% VAT rate for the hospitality sector.
- Increase the budget of state agencies Fáilte Ireland and Tourism Ireland, to invest further in market diversification with an emphasis on bringing more into the regions.
- Fáilte Ireland should be additionally funded to provide increased programme supports for tourism businesses to face the challenges Brexit presents, with a focus on market diversity programmes and to help drive revenue in border counties.
- Government should significantly increase the fund of €1 million per year provided through Tourism Ireland for regional co-operative marketing activities and the promotion of our regional ports and airports. Additional supports must also be provided to enable regional airports to develop new route initiatives further afield.
- Government must ensure that tourism initiatives and strategies are coordinated with public transport provision and related services.