CHAMBERS IRELAND
IN BUSINESS FOR BUSINESS

Pre-Budget Submission 2015

Contents

1. Introduction 3
2. Jobs and Taxation 4
 2.1. Continue to defend our globally competitive Corporation Tax rate 4
 2.2. Give certainty on 9% VAT rate and other taxes that impact hospitality 4
 2.3. Reduce marginal tax rates below 50% 4
 2.4. Reform the Enterprise and Investment Incentive (EII) 4
 2.5. Seed Capital Scheme issues 5
 2.6. Increase the qualifying amount for cash accounting to €2.5m 6
 2.7. Capital Gains Taxes 6
 2.8. R&D Tax Credits 7
 2.9. Foreign Earnings Deduction 8
 2.10. Special Assignee Relief Programme 8
 2.11. No more changes to sick leave payment regime 8
 2.12. Supporting job creation: Reinstate the lower employers PRSI for Class A staff 8
 2.13. Reform the National Training Fund 8
 2.14. Incentivising work over welfare 9
 2.15. Health insurance issues 9
 2.16. Tax relief on pension contributions 10
3. Local Authority Issues: Incentivising and Encouraging Development and Construction 11
 3.1. Make infrastructure and planning contribute to growth 11
 3.2. Reduce VAT on residential property construction 12
 3.3. Ensure Local Government reform results in benefits for business 12
 3.4. A Targeted Rates Reduction for Businesses in Town Centres 12
 3.5. Guarantee the rollout of Irish Water will not lead to increased charges for business 12
 3.6. Procurement issues 13
 3.7. ePayment 13
 3.8. Infrastructure 13
4. Delivering More Cost Effective Public Services 14

1. Introduction

Chambers Ireland is the largest business network in the State. With over 50 member Chambers, we are well placed to understand the concerns and represent the views of businesses in every location of the country and sector of the economy.

2015 must be the year when indigenous businesses make the transition from surviving the recession to capitalising on the recovery. In this context, any further consolidation in the Exchequer deficit must be achieved by focussing on cost savings rather than tax increases. This will support consumer sentiment and, in turn, consumer spending.

To facilitate this, budget 2015 must see the Government build upon and develop many welcome initiatives introduced in 2014.

2014 was identified as 'The Year for Jobs'. An impressive suite of initiatives was announced and the reform of job activation agencies such as Intreo and SOLAS became priorities. However, job creation is intrinsically linked to broader fiscal matters. In this pre-budget submission we have identified how job creation can be encouraged and supported by incentivising enterprise, rewarding entrepreneurship, encouraging investment, reducing the costs of employment and limiting taxes on employment.

Section 2 of this submission deals with these issues.

2014 also saw significant reform in the area of Local Government. Following the local elections in May, Town Councils have been replaced by Municipal Districts and certain City and County Councils have been merged in a drive for efficiency. More significantly, these councils have been given increased responsibilities, especially in the area of economic development.

Given the structure of the Chamber Network, we have a unique insight into the relationship between Local Government and local business. It is our view that more can be done at the local level to facilitate the sort of sustainable development that will lead to economic growth. Earlier this year we welcomed the publication of Construction 2020. In particular, we welcomed a renewed focus on regional development. We recognise that a regional and local focus on business, specifically with regards to issues such as planning, development, infrastructure and procurement, is a vital complement to the work of central Government.

Section 3 of this submission deals with these issues.

Finally, while some issues gain momentum at specific times, others remain constant. Ireland's economy will only be sustainable if we retain a responsible attitude to our national finances and continue to meet our targets on debts and deficits.

To this end, we reiterate our call for more cost effective public services.

Section 4 of this submission deals with this issue.

2015 has the potential to be the year when the narrative in Irish politics moves from one centred on how best to implement austerity to one which focuses on how best to stimulate growth; the decisions taken by Government in shaping budget 2015 will have a significant impact on whether this potential is realised.

2. Jobs and Taxation

2.1. Continue to defend our globally competitive Corporation Tax rate

This is a vital draw for foreign direct investment into Ireland, which generates more jobs per head of population than in any other country. We believe that there should be no more increases in taxes, other than those already scheduled, on either business or consumers. Economic activity must be encouraged through a system that is sensitive to, and recognises the benefit of, investment, access to working capital, growth and employment.

2.2. Give certainty on 9% VAT rate and other taxes that impact hospitality

The Government deserves credit for its decision to support the tourism sector via the 9% rate. This measure has secured employment and supported ongoing improvements in competitiveness in this sector. Feedback from around our Network is that Government now needs to give certainty with regard to the retention of this rate. Furthermore, we believe that such schemes can be applied to other sectors. Similarly, any further increase in excise duties would act as a threat to this sector, which directly employs 63,000 people and supports a further 30,000 jobs, contributing €2bn in taxes to the Exchequer.

2.3. Reduce marginal tax rates below 50%

Ireland has one of the most progressive tax systems in the OECD. As a society and a business community, we value social solidarity; however, our marginal tax rates are now too high and send a negative message to potential investors in Ireland. These must fall below 50% soon to reward employment and support enterprise.

Similarly, we note that Government has indicated a desire to reduce Universal Social Charge (USC) in the coming years. This would be a welcome means of putting more income in consumers' pockets, which would subsequently help the domestic economy.

2.4. Reform the Enterprise and Investment Incentive (EII)

We note that use of the EII has fallen dramatically from a peak of €152m in 2007 to a current low of less than €15m. We note, however, that there has been a slight increase in take up in 2013. We have a number of suggestions to improve the use of and access to the EII, with a view to ensuring that more firms from more sectors use this worthwhile initiative:

1. Consider introducing a 'Seed Employment and Investment Incentive Scheme' targeting investments in seed/early stage companies with an upfront income tax relief of 41% and greater facilitation of Business Angel investors;
2. Revert audit period from three years to five;
3. Recent changes in EU State Aid rules need to be applied forthwith without any caveats to Ireland and should be fully exploited to ensure that more firms, from both assisted and unassisted regions, can qualify for this type of funding;
4. Permanently remove the high income earner restriction;
5. Reinstate the minimum holding period of five years;
6. Ensure that that medium-sized companies in non-assisted areas automatically qualify under the new EU risk capital guidelines for this scheme;

7. Review the impact of broadening the scheme on higher risk and early stage internationally trading businesses;
8. Offer higher levels of relief, up to 50%, for start-up businesses given the higher risks associated with investing in these types of business; and
9. Simplify accumulation rules.

Furthermore, we support the following suggestions included in *Entrepreneurship in Ireland: Strengthening the Startup Community:*[1]

- Allow the full 41% relief to be granted from the investment date;
- Remove the €150k cap; and
- Allow rollover (reinvestment) relief on Capital Gains into Irish Companies through the EII. Capital gains which are reinvested within a calendar year will not be recognised as gains until such time as they are not reinvested. Capital gains would retain their original basis value and would become taxed on a final sale of the EII stock.

The logic of this scheme is that it reduces the risk of investing in a new business, allowing it to grow and create new employment; however, a considerable risk remains. In the current economic climate, all restrictions placed on investing in a new or developing business should be removed. These restrictions include the amount that can be raised by a company in a 12 month period and the lifetime amount raised by each company.
For small businesses to grow, Government must recognise and reward the risks involved in entrepreneurial activity.

2.5. Seed Capital Scheme issues

While recognising that Government has sought to enhance use of the Seed Capital Scheme, we believe that more could be done to grow the number of firms applying for it:

1. Government should consider options for making the scheme more attractive to the self-employed. For example, consideration should be given to eliminating or softening the requirement for investors to have had 75% schedule E income, with income from other sources not exceeding €50,000 over the previous 3 years. Self-employed entrepreneurs would often not fit this profile, particularly in relation to the proportion of Schedule E income;

2. The scope and activities of the SCS should continue to mirror the EII;

3. Rename the scheme 'The Start-up Refund for Entrepreneurs' to ensure that more potentially qualified people are made aware of it and also not confused by the lettering;

4. Even greater promotion of the scheme, such as that introduced for SEPA;

5. Revenue Commissioners should provide outline approval for SCS claims to facilitate the securing of funding/investments from other sources;

6. Revenue should commit to processing income tax refunds quickly to aid start up firms with cash flow; and

7. Government should consider options for making the scheme more attractive to the self-employed.

[1] http://www.djei.ie/enterprise/smes/EntrepreneurshipForumReport2014.pdf

Furthermore, we support the following suggestions included in *Entrepreneurship in Ireland: Strengthening the Startup Community:*

- Provide a full CGT exemption as an alternative to an income tax refund, where the sales proceeds from the sale of an asset are reinvested in the Seed Capital Scheme; and
- Modified and easier to understand up to limits of €250k. Provide the Seed Capital Scheme in a version that provides 'capital matching' funds of up to 50% of the amount up to €250k, under the same general contribution rules (repayment of up to 6 years income tax).

2.6. Increase the qualifying amount for cash accounting to €2.5m

Chambers Ireland fully supports efforts to improve the cash flow of SMEs by implementing EU law to allow them to use a cash accounting system.[2] In successive budgets, the Government has raised the qualifying amount for companies to use cash accounting, allowing companies to account for VAT on sale on the basis of payments received rather than tax invoices issued. While these have been welcome developments, this threshold is still low in comparison to cash accounting schemes in the UK and Australia.

This qualifying amount should be raised further to businesses with a turnover of less than €2.5 million. The full year cost of this proposal is zero, as there is no reduction in VAT paid, simply a deferral.

2.7. Capital Gains Taxes

We note that cyclical taxes, such as corporation tax, CGT and Stamp Duties, as a total of the tax intake, have fallen considerably since 2008, when CGT stood at 20%. This supports the international evidence that increases in CGT rates can actually reduce revenue.[3] We also note that CGT makes up a small proportion of the total tax take. Furthermore, the UK regime for CGT is much more rewarding for entrepreneurs. Accordingly, we believe that CGT should be reduced significantly to 20%, to incentivise and reward risk taking both on business assets and business share disposals. It could also grow CGT revenues and enhance opportunities for growth and 'scalability' as some entrepreneurs could be further incentivised to sell their businesses as they approach retirement to other companies/entrepreneurs seeking to grow.

Furthermore, we believe the existing situation acts as an impediment to companies achieving scale, growing to become small and medium-sized enterprises and developing internationally.

We reiterate our call with other business organisations in a submission to the Advisory Group on Small Business for CGT Entrepreneurs Relief[4]:

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[2] As noted by Dublin Chamber, Article 66(b) of Directive 2006/112/EC permits Member States to use cash accounting. Directive 2010/45/EU of 13 July 2010 states in the recitals that Member States should provide for cash accounting: "to help small and medium-sized enterprises that encounter difficulties in paying VAT to the competent authority before they have received payment from their customers...This should allow Member States to introduce an optional cash accounting scheme that does not have a negative effect on cash flow relating to their VAT receipts.

[3] For example, see the UK based Institute of Economic Affairs which provides an overview of relevant research: http://www.iea.org.uk/blog/why-increasing-capital-gains-tax-could-actually-reduce-revenues

[4] See Joint submission with ISME, SFA and CCOI to the Advisory Group on Small Business

This relief was introduced by Section 45 of Finance (No 2) Act 2013, which inserted a new Section 579A into the Taxes Consolidation Act 1997 to give effect to the capital gains tax relief announced in the Budget. The Relief applies to Entrepreneurs who have made disposals of assets since 1 January 2010 on which they have paid capital gains tax; invest at least €10,000, in the period from 1 January 2014 to 31 December 2018, in acquiring chargeable business assets that will be used in a new business and who subsequently (after a minimum period of 3 years) dispose of those chargeable business assets at a gain giving rise to a capital gains tax liability. The relief will be given on the tax due on any chargeable gain arising on the subsequent disposal of the chargeable assets after a minimum period of three years and will amount to the lower of the full amount of capital gains tax paid on the initial disposal made since 1 January 2010 or 50% of the CGT payable on the disposal of the new chargeable business assets.

Our joint recommendation is to call for a relaxation on the full time executive requirement to attract serial entrepreneurs with multiple investments and 50% relief under the current CGT rates would mean that the relief would be less attractive to that provided in the UK with 10% CGT on any qualifying profits with a lifetime claim of up to £10 million of relief in total.

2.8. R&D Tax Credits

We reiterate our joint call with other business organisations in a submission to the Advisory Group on Small Business[5] as follows:

Increase the base year exclusion from €300k to €400k or eliminate the base year rule entirely. The current timeframe for submitting a claim is too short and does not reflect the business plan cycle. The timeframe for claims to be submitted should be extended from two to five years.

Introduce a two-tier R&D system which has simpler initial queries for small businesses. Ensure that small companies are not burdened by extra administrative and financial costs and allow them access to the credit with a minimum of red-tape obstacles.

Allow businesses to consult with revenue pre-project commencement to discuss whether or not the planned expenditure qualifies for the exemption. This would allow them to make a more informed decision about the R&D activities they wish to engage in.

Review the UK Patent Box scheme in the context of examining the case for its roll out in Ireland.

Finally, the amount of outsourced expenditure on which the 25% R&D tax credit can be received is capped at 15% of the overall claim (or €100k if lower). Increasing this would facilitate smaller companies who opt to use contractors rather than employees to undertake R&D activity on their behalf. Many companies are using contractors just so that they are not subject to the rigorous employment law requirements that come with full time staff. It is understandable in the current environment that companies are slow to increase their headcount. However, contractors are viewed by Revenue Commissioner as part of the total outsourced costs and this can limit R&D tax credit claims made significantly, particularly by start ups whose main cost on R&D is on employees and or contractors.

Finally, delays in reimbursing the R&D tax credit are creating a barrier to take up, especially by SMEs, which needs to be addressed as it impacts on these firms' cash flows. An option to address this could be to enable firms to offset the R&D credit against other taxes owed.

[5] See Joint submission with ISME, SFA and CCOI to the Advisory Group on Small Business

2.9. Foreign Earnings Deduction

The rationale for extending the foreign earnings deduction in Budget 2013 was sound; however, the list of countries announced was arbitrary. This initiative should be extended to all countries highlighted in the Integrated Plan for Trade, Tourism and Investment,[6] including Japan and the Gulf States. Also, being capped at €35,000, the relief is too limited.

Small businesses do not have the resources to have employees working outside Ireland for periods exceeding 60 days. Typically time spent abroad would be 2-4 weeks in a 12 month period and the trips tend to be less than 4 consecutive days. Trade shows in particular can be just 3 days. The number of days should be fewer than 60 for small and medium enterprises to take account of economic and business realities. The minimum period for qualifying days should be reduced to approximately 20 days, to make this relief SME friendly.

Furthermore, this initiative will do little to assist start-ups, which are generally focused on the indigenous market and do not have the resources to send staff to other territories for three months. A complementary, scaled down scheme should be introduced to incentivise micro-enterprises and start ups to look to export markets.

2.10. Special Assignee Relief Programme

It is becoming clear that this programme is not working.

Given the exceptionally low number of companies using it, it would be better to abolish the scheme and introduce a broad package of initiatives which enable and encourage companies to attract key employees and facilitate their movement to Ireland.

2.11. No more changes to sick leave payment regime

The Chamber Network remains concerned that the Department of Social Protection (DSP) will continue to shift responsibility for sick leave costs onto employers at a time when they are seeking to reduce all costs to restore competitiveness and secure employment. Accordingly there should be no more changes to the regime in Budget 2015.

2.12. Supporting job creation: Reinstate the lower employers PRSI for Class A staff

When wage bills are too high, businesses are less likely to hire new employees. The 4.25% in Employers Class A PRSI in Budget 2014 directly affected these calculations. It has resulted in a diminution in employment growth levels and should be revisited with a view to supporting new job creation in significant numbers.

2.13. Reform the National Training Fund

The National Training Fund (NTF) is gathered via a compulsory levy on all employers of 0.7%. This amounts to approximately €350m per annum. The vast majority of this money is currently devoted to training 'for employment.'

There is virtually no funding available to employers to either up skill their management teams or staff. This does little to assist firms at a time when they need it most.

Accordingly, we call for €150m of the NTF to be ring-fenced to support four thematic areas:

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[6] http://www.djei.ie/press/2010/20100928.htm

1. €50m to be made available for upskilling owner managers and the management teams of these SMEs on vital skills such as Cash Flow Analysis, Leadership, Business Strategy, Sales Management, Opening Export Markets and Operations.
2. €50m to be made available for upskilling the existing workforce of SMEs with a view to making them more productive and helping these firms to become more profitable.
3. €35m to be made available for supporting first time exporters entering near markets. In this context, the most pertinent market for SMEs that are new to exporting is the UK, with a focus on London and the South East; however, most SMEs will never qualify for support from Enterprise Ireland using traditional measures. Therefore, qualification criteria need to be broadened significantly to enable these firms to begin exporting.
4. €15m to be made available to support the eEnabling of SMEs, assisting them to trade on line.

2.14. Incentivising work over welfare

Replacement rates must continue to fall to ensure that they do not act as an incentive to remain unemployed. Forfás has repeatedly suggested that the current rate in Ireland acts as a disincentive to work. The current system effectively creates a 'poverty trap' which results in the unemployed person becoming detached from the workforce.

Changes in the payment of social welfare, along with further reform of tax credits and tax bands must be implemented to ensure replacement rates do not create an impediment to employment.

Individuals currently working part-time should receive the necessary support to move to full-time employment. Government must find the right balance: incentives must be created and impediments must be removed. People must recognise the benefit of moving to a full working week.

The Intreo service must be focused on helping people to break their dependency on welfare and move into the workforce on a permanent basis. Similarly, with regard to Community Employment Schemes, Government needs to be mindful of the importance of these in the delivery of community supports, especially in regional locations. It follows that we need to retain and support them in the period of transition to JobPath.

2.15. Health insurance issues

Chambers Ireland is greatly concerned regarding the negative impact of the Health (Amendment) Act 2013, and its consequences.

Charging patients with private health insurance for the use of public beds in public hospitals has led to the following outcomes:

1. The associated increases in the cost of health insurance have caused significant and ongoing numbers of younger, healthier people to cancel their policies. This is leading to further increases in cost.[7]

[7] We note that 50,000 citizens withdrew from the private health insurance system in the year to March 2014. Government cannot continue to ignore the very real challenges to Private Health Insurance cover that Government policies are driving at present.

2. As more people leave the private health insurance market, they will be forced to re-enter the public health system. This will lead to increases in the cost of health care. Therefore, this Bill runs counter to the Government's commitments to cut public expenditure.

3. Ireland must remain an attractive destination for Foreign Direct Investment. Increases in the cost of providing health insurance for key employees and instability of pricing are making Ireland a less attractive destination in the holistic determination of the business case to invest in Ireland. Government needs to reverse these plans and foster an environment where community rating is supported by means of competitive provision of services from a competitive and highly productive health sector.

Any changes to the private health insurance system must be done following consultation with the industry. Changes must also take account of the need to maintain Ireland's hard won reputation for being a stable environment in which to do business. It follows that sudden changes, which impact on the pricing regime for this sector, should be avoided. Finally, the Government cannot keep 'leaning on' the private sector to close funding gaps in public hospital budgets. Ongoing issues with the public hospital sector must be dealt with within that sector and within its allocated budget. Indications that there are a significantly higher proportion of administrative staff in the public hospital sector vis-á-vis the UK must be addressed and the application of productivity enhancing technology, such as that supporting eClaims processing, must be implemented.

2.16. Tax relief on pension contributions

Any change to the marginal rate of taxation will have a negative effect on pension provision at the higher rate.

Government must maintain the current system for higher rate tax payers but look to increase the tax relief granted for lower paid workers. This would expand pension provision and encourage lower paid workers not to opt out of their existing pension arrangements due to short-term financial pressures.

If tax changes result in higher rate taxpayers ending pension contributions, this would increase tax revenue in the current year but reduce tax revenue in the long term as a result of fewer pensions being paid. Any person in employment that specified compulsory pension contributions would correctly regard the system as unfair double taxation. Pension provision already faces significant challenges. Negative adjustments to the tax relief system will increase these challenges resulting in significant reductions in the provision of private pension benefits which will increase the reliance on State benefits in the future.

3. Local Authority Issues: Incentivising and Encouraging Development and Construction

3.1. Make infrastructure and planning contribute to growth

We believe that the 80% windfall tax on rezoned land put in place in 2009 is a major impediment to delivering on new development in appropriate areas where demand exists. This should be reduced very significantly. [8]

Current legislation provides that all changes in land zoning will result in such land being liable for an 80% windfall tax rate when sold. Accordingly, if land is currently zoned for industrial use and the owners change it to residential, tax at 80% Capital Gains Tax will apply to the proportion of the profits attributable to the rezoning. This provision impedes the redevelopment of land, especially brownfield land, to new more appropriate uses demanded by the market and facilitated by delivered infrastructure projects such as Luas.

If we are to re-start significant construction activity in regions for which there is significant pent up demand, especially in the East Coast region, then we should be fostering and indeed encouraging the rezoning of inappropriately located industrial/brownfield sites, such as the significant tracts of land abutting high quality transport infrastructure inside the M50, to housing.

In this way we can encourage reasonable density house building close to excellent services and transport infrastructure, while facilitating the moving of warehouse/light industrial units beyond the M50 to more appropriately located and serviced industrial units. This can also stimulate activity levels and grow employment significantly in the construction sector.

It is our contention that this levy should be reduced to a level that assures supply of development lands, ensures that the State earns some reward for the facilitation of high quality infrastructure and creates a virtuous circle of activity that would create jobs, create wealth and generate much needed taxes. It would also provide the added benefit of containing real and present threats to our competitiveness arising from a lack of housing or rental accommodation for workers and families in the short to medium term.

Until this provision is modified, we fear that Government's efforts to restart building activity will be undermined as the business case for investment will not 'stack up'. Firms that could and should move will choose to stay where they are as the after tax return on sale of the land will not cover the rebuild and relocation costs to a new location. Similarly, vacant sites will stay vacant as the business case will not support redevelopment as residential accommodation.

Accordingly, as the Government considers steps to improve the outlook for Construction, it must give consideration to changing the tax regime around urban/brownfield sites to a level that could help in meeting Ireland's residential development needs at the most appropriately located locations and leveraging very significant infrastructure investments by the State.

[8] See Windfall Gains Provisions in Sections 644AB and 6449B of TCA 1997 introduced in section 240 of the NAMA Act 2009 and amended in Section 25 Finance Act 2010.

3.2. Reduce VAT on residential property construction

Chambers cannot understand the logic of Government forcing developers to pay 13.5% VAT on residential property development costs whereas developers can claim back 13.5% VAT on Construction costs for office developments. We believe that given the stimulus effects of house construction across all sectors of the domestic economy, VAT should be set at a similar level to that of commercial property development. In this way the business case for the provision of cost effective housing projects in areas of greatest need, such as the Greater Dublin area, could be enhanced and development fast tracked and supported.

3.3. Ensure Local Government reform results in benefits for business

- Money raised by the LPT should be retained by Local Authorities, to be spent on local services.
- Reductions in the cost of Local Government must lead to targeted reductions in business rates to support employment creating businesses.
- The discretion of the elected Council to reduce the LPT by up to 15% must not be to the detriment of business interests or job creation through a corresponding increase in business rates.
- In areas where Town Councils are to be integrated into County Councils with higher rates, the impact could be the difference between businesses in these areas remaining viable and having to close. If an increase in rates is unavoidable, recently elected councillors must chose the maximum period of adjustment allowed to ensure the viability of those businesses and protect local jobs. Central Government can support them in this regard by delivering on budgetary support and deliverables in a timely manner.
- The funding model for Municipal Districts must not lead to increased charges for business.

3.4. A Targeted Rates Reduction for Businesses in Town Centres

Microenterprises and SMEs, including those in the retail sector, will play an important role in any sustainable recovery. However, many are struggling to remain in business due to excessive rates imposed by Local Authorities. In order to guarantee their survival, allowing them to retain the important jobs they provide, we recommend the introduction of a rates reduction for companies, located within town and city centres, which provide much needed employment and contribute to the quality of life in these areas.

While we recognise that the issues of rates is a reserved function for Local Authorities, it is the role of the relevant Departments to provide the statutory and policy framework which enables these Authorities to implement initiatives focused on business development and job creation.

3.5. Guarantee the rollout of Irish Water will not lead to increased charges for business

There must be no increases in water charges for business in the coming years. It is essential that the enduring tariffs, ultimately decided upon by Irish Water, are fair and equitable. To this end, it is vital that the migration of data from Local Authorities to Irish Water is carried out with the utmost diligence. Chambers Ireland believes that the current proposal, whereby

the existing arrangements are kept in place during the migration of data, is the only feasible option. However, we are extremely concerned with the timeline put in place for the migration of this data. The current deadline of January 2015 is unrealistic. Attempts to meet this deadline may result in an incomplete process and unsatisfactory outcomes. Furthermore, we have a concern that much of the data being sought by Irish Water is not available. Again, this will result in unsatisfactory outcomes and may result in tariffs for non-domestic customers, which are neither fair nor equitable. Chambers Ireland is further concerned that a shortfall in data will result in tariffs that are based on standing charges rather than volumetric usage. These are, by their nature, neither fair nor equitable. Irish Water and Commission for Energy Regulation must not attempt to make up any shortfall in funding which arises from the Government decision not to impose a standing charge on domestic customers by placing an excessive standing charge on non-domestic customers.

Accordingly Government will have to continue to support the investment plans of Irish Water in the medium term to both assure a Globally Competitive national water supply and ensure that the price of water services for business does not increase.

3.6. Procurement issues

Government should drive procurement policies that do not simply focus on lowest price. Despite commitments from the Office of Government Procurement to assist SMEs, we are hearing of tenders with pre-qualification criteria which almost guarantee that the contracts are awarded to large companies located outside the State. This does little to support domestic businesses and actually threatens jobs. Furthermore, this has the unintended consequence of lower tax receipts and increased social welfare payments – a large financial and social penalty to the State for a slightly cheaper price. Strategic procurement policies, which stimulate the economy, incentivise innovation, support local business and facilitate job creation, should be promoted.[9]

3.7. ePayment

Government needs to move now to catch up on this important agenda for Ireland by driving a swift transition to ePayment. The National Payments Plan is not succeeding in driving a strategic approach to migrating to electronic payment. In additional to a firm commitment by the Minister to a rapid implementation of all Government payments to customers and suppliers by electronic means only, Government should produce a schedule of duty charge increases on cheques that will incentivise all stakeholders to make the transition to ePayment. At the same time, the stamp duty charge on payment cards should be abolished. Upon making the transition, up to €2bn would be saved in transaction costs while also providing enhanced traceability on cash transactions for VAT revenue gathering purposes.

3.8. Infrastructure

Chambers Ireland considers the following projects to be priorities for Government consideration in the short to medium term:

[9] Despite the Government unveiling Circular 10/14 to support SMEs tendering to Government, a recently published tender for Dun Laoghaire Public Library appears to contradict the spirit of Circular 10/14, where the price element accounts for 65% of the determination. See: *DLR, South Dublin and Fingal Co Council Tender for Supply of Library Goods and AV Material*, April 2014, Section 4.1 where the Discount and Service Costs account for 65% of the award criteria.

1. N11: While significant progress has been made on this road via recent announcements, we believe that the completion of this road upgrade as far as Rosslare Europort is vitally important,
2. Enhanced road connectivity to all of our Tier 1 and Ten T Ports in the State with a view to supporting the timely import and export of goods to and from Ireland.
3. Planning and support for delivery of the DART underground railway line linking the mainline railway stations of Dublin and in turn enhancing the timeliness of rail offerings from other cities on the Island to Dublin as and when funds become available
4. N4: We recognise progress on the upgrade of Colooney to Castlebaldwin. However, more effort is needed to upgrade access to the North West. Specifically, the North Mayo and Sligo sections along with the Mullingar to Longford road and delivering on past Irish Government commitments to support the upgrading of the A5, Linking Donegal to the East Coast.
5. M20: Cork to Limerick road must be improved given its potential for supporting economic development and job creation.
6. Delivering on plans to enhance rich broadband connectivity throughout the country.

4. Delivering More Cost Effective Public Services

Chambers Ireland fully supports the Government's efforts to achieve significant savings in the public sector pay and pensions bill.

We continue to hold the view that considerable extra savings are possible through:

- A continued focus on productivity enhancement and reform that delivers more services at lower costs with reduced over time costs;
- Targeted Business Process Outsourcing (BPO);
- Reforms to sick leave arrangements;
- Reforms in pay and pension entitlements to enhance and encourage productivity and also the sustainability of funding for public service pensioners. In this context proposals to link future pensions to cost of living increases are a welcome step in the direction of equality in linking the public service pension funding regime to their best funded private sector counterparts.

In the context of BPO, we reiterate our belief that the time frame for these contracts must be long enough to justify an investment of resources that will build 'wins' through enhancing productivity and improving customer experiences. The ideal time line to achieve such goals is 8-12 years, with appropriate breaks and review periods allowed for both parties. In 2015 we need firm action building on positive experiences with BPO such as the Revenue Commissioner's use of these services in the roll out of the Local Property Tax across more and more arms of Government with a view to locking in productivity gains and delivering cost effective services to business and citizens of this State.