



**CHAMBERS
IRELAND**
IN BUSINESS FOR BUSINESS

Presentation to Oireachtas Committee on the Environment, Culture and the Gaeltacht Opening Statement

Introduction

Chambers Ireland has been a strong supporter of the ongoing reform of local government in Ireland and have consistently supported efforts to produce a more efficient, rationalised and streamlined system of local government.

We applaud the Department of the Environment, Community and Local Government for the savings they've generated and believe that other Departments could learn something from this approach, rather than all too frequently relying on tax payers to cover excessive costs.

Chambers Ireland is in a unique position to understand the concerns of business as they relate to local government. We are the national representative body for a network of over 50 Chambers throughout Ireland. These Chambers have a presence in every major town in the State. Due to the manner in which our organisation is structured, and the processes which allow local Chambers to feed into our policy formation, the issues we are raising today are those of most significance to local businesses.

We also have a long history of commenting on Local Government issues. We have a solid relationship with the Department including our collaboration on the annual Local Government Awards and I was the sole business representative that sat on the Local Government Efficiency Reform Group.

While we support the goals of local government reform, we feel more could be done to achieve greater efficiencies and to support the business community.

At a structural level, we recognise the major reduction in the number of Local Authorities and support the merger of authorities in Limerick, Waterford and Tipperary; however, further areas where mergers can be achieved and duplication of services eradicated must be identified.

It is essential that these reforms, and the subsequent savings they produce, result in a reduction of costs for the business community, who have shouldered a disproportionate burden for the cost of local government through the payment of business rates and water charges.

In principal, to aid Ireland's recovery all business costs need to be reduced. Local authority charges on business fall into this category and must become more competitive.

However, it is also crucial that there is no reduction in the quality of front line services. Where costs savings can be generated it should be from a combination of back office

consolidation, flattening of hierarchies, the application of shared services best practice and, where appropriate, Business Process Outsourcing (BPO).

We note the success of the Revenue Commissioners in the successful outsourcing of front line services with regards to the Local Property Tax.

Below the broad structural level there are a number of more tactical issues we would invite the Committee to consider and raise with the Minister and Department during the ongoing reforms and the passage of the Local Government Bill.

Town centres

It is essential that support is given to struggling town centres throughout Ireland.

Retailers and other businesses located in town centres are often crucial sources of employment for local communities. They also contribute to the vitality of local areas as they provide locations for social interaction.

For these businesses rents and rates are often their highest cost following employment. In our pre-budget submission we highlight a number of ways that this burden can be eased. The passage of the Local Government Bill could be the ideal opportunity to introduce reforms that ease this pressure.

Many of these businesses are located in Town Councils which are due to be abolished and integrated into wider County Councils.

The introduction of Municipal Districts is another opportunity to address the excessive costs placed on small businesses; however, our perception is that the Local Government Bill may actually increase costs for such businesses in two ways.

Firstly, there is a concern that in areas where town councils are to be integrated into county councils with higher rates, businesses will be expected to pay the higher rates. While the councils have been advised to allow a period of between three and ten years to make the adjustment, we contend that even over a ten year period, a rates increase for these businesses may well be the difference between them remaining viable and having to close.

Secondly, the Bill actually includes a bizarre incentive for Municipal Districts to increase car parking charges. Essentially their funding will be directly related to what they can raise themselves through car parking and leisure charges. While car parking may seem like a minor issue, our members around the country consistently identify it as one of the most significant as it creates a disincentive to shop in town centres as people have the choice to visit out of town retail centres with free parking. Ideally, our members would like a two hour period of free parking in town centres.

Business supports

Our members are also concerned about the restructuring of business supports; in particular, issues remain around the abolition of City and County Enterprise Boards and their replacement with Local Enterprise Offices (LEOs).

During the consultation process leading to the establishment of LEOs we made a number of recommendations. Primary among these were the following issues:

- Business representatives and Chamber members should be involved in the governance of LEOs;

- LEOs should be exclusively focused on their core remit of supporting start ups and SMEs with 0-9 staff;
- There must be no replication of services already provided by the private sector; and
- LEOs must be visible, accessible and functional.

We are hearing anecdotal evidence from around the country that these expectations are not being met. LEOs are being located in out of the way areas of Local Authority buildings with limited promotion or connection to the local business community, which desperately needs these facilities to be a success.

Local Authorities must be encouraged to employ the appropriate staff and direct the appropriate funds to these vital offices.

Local Property Tax

Chambers Ireland has been an advocate for a local tax for many years. Throughout the 2000s we recognised Ireland's position as an outlier in this regard and identified the potential for funds, raised at a local level, to be ring fenced and spent to improve local communities.

The introduction of such a tax provides an opportunity to ensure the effective funding of Local Authorities in the wake of the steady reduction in the General Purpose Grant. It is vital that revenue raised through the tax is spent at a local level.

Furthermore, it presents another opportunity to ease the pressure placed on the business community through excessive rates. We are concerned that a recent debate in Cork County Council concerning Budget 2014 actually suggested a rates increase.

The Local Property Tax must result in a fairer and more equitable system. What we need to see is the extra revenue being raised though the LPT being placed in the Local Government Fund and leading to targeted reductions in commercial rates.

Rising business costs are threatening the competitiveness of business and local jobs. Businesses cannot continue to be taxed at the current levels. Instead they must be supported as much as possible so that they can continue to contribute to the economic recovery and provide much needed employment

The last thing the business community is for this possible increase in rated to be replicated throughout the country.

Vacant premises

One further issue arising from the Local Government Bill that has the potential to have a negative impact on business is the standardisation of rates rebates to 50% on vacant premises.

Currently there is a degree of flexibility on this issue and many property owners receive a full 100% rates rebate.

We understand that a full rebate may act as a disincentive to attract new tenants, so one possible solution is for a 'stepped' process whereby a rebate of 90% is paid in the first year a property is vacant, followed by 80% in the second year and so on.

Procurement

Tendering for contracts from local authorities can be crucial for Small and Medium Enterprises (SMEs). The reform of local government is an opportunity to ensure they are not excluded from the process.

Too many contracts are being lost to centralised and overseas suppliers. Through our interactions with the Department of Public Expenditure and Reform, we are aware that many of these contracts fall under the responsibility of the Department of the Environment.

The State and local authorities must be responsible buyers. They must actively support local economies through procurement policies, remaining aware that the cheapest option is not always the most value for money option.

Local authorities must, as far as possible, use professional procurement officers to oversee the process and provide feedback pre and post decision. Furthermore, the qualification criteria to tender for contract must be proportionate and not exclude small, local businesses.

Conclusion

Over 90 percent of Irish businesses are SMEs. They are responsible for over 70% of all employment. Local authority reform has an impact on every one of these businesses and every one of their employees.

The Government has a responsibility to support them in every way they can.

We believe the Irish economy has reached an important inflection point. The Live Register is going in the right direction, business sentiment is positive and our members tell us that there are definite signs of hope.

Without the continued success of our SME sector any economic recovery will be short lived.

We call on the Committee to consider these businesses in their interactions with the Minister and the Department.