



# Presentation to the Oireachtas Committee on Jobs, Enterprise and Innovation

**Measures to support business growth and job creation and retention in town and village centres**

## Introduction

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

Our geographic representation gives us a unique understanding of the challenges facing businesses throughout Ireland. In particular, we know and understand the threats to those doing business and providing much needed jobs in towns and villages. We also understand the opportunities and believe Government can play a major role in minimising the threats and turning the opportunities into realities.

In this presentation, we'd like to focus on four main themes:

1. The cost of doing business;
2. The importance of local business supports;
3. High street development; and
4. Public procurement.

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

It is our hope that the contribution we make can assist in improving the trading conditions in Ireland's towns and villages and help to retain and create employment within these areas.

## 1 The Cost of Doing Business

The most clear and obvious way that businesses can be helped to create and retain jobs is to make sure they stay in business. To this end it is vital that the cost of doing business is kept at sustainable levels.

## **1.1 Rates**

### **1.1.1 Targeted rates reductions**

Many small businesses are struggling 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 centres, which provide much needed employment and contribute to the quality of life in these areas.

We recognise that this should be more nuanced than the Large Retail Levy and Expanded Small Business Relief Scheme<sup>1</sup> currently in operation in Northern Ireland; however, the support it provides for small businesses can be the difference between remaining viable and ceasing to trade.

While we recognise that the issues of rates is reserved functions for Local Authorities, it is the role of central Government to provide the required funding supports, and statutory and policy framework to enable these Authorities to implement initiatives focused on business development and job creation.

### **1.1.2 The Local Property Tax and rates**

Recent reforms have enabled Local Authorities to raise or lower the Local Property Tax in their area by 15%. We are concerned that any shortfall in funding resulting from a decrease will be met through a corresponding increase in business rates or may make a planned reduction in commercial rates less likely.

Cork County Council has already voted to lower their LPT by 15% in line with the manifesto commitments of many Councillors. However, Councillors must also be mindful of the business community in their jurisdictions as it is they who will support growth and create jobs. A short term ‘win’ for householders could lead to significant losses if previously successful businesses close due to an inability to pay Local Authority charges. This is an especially sensitive issue in counties such as Cork and Donegal where former Town Councils are being integrated into County Councils. In both of these Counties there are significant rate differences between the County and the Town that is being incorporated. In this context, it is vital that these and other similar Local Authorities are mindful of the need for a progressive levelling of the rate bases, ideally to the lower rate, over the longest term possible of 10 years.

### **1.1.3 Give Local Authorities flexibility over rates to encourage an attractive business mix in town centres**

We believe that if Local Authorities were encouraged to be more flexible over rates, the standard and mix of businesses in town centres would be enhanced. The increased footfall from such an improvement would have a clear impact on job creation and retention.

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

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<sup>1</sup> This scheme involves substantial rates relief for small businesses paid for through a levy on large retail stores. <http://www.northernireland.gov.uk/index/media-centre/news-departments/news-dfp/news-archives-dfp-dec-2011/news-dfp-151211-executive-decides-on-large.htm>

The correlation between a proactive, supportive Local Authority and a strong business revival is seen in Cleveland, Ohio,<sup>2</sup> where businesses are encouraged to move ‘downtown’ through a range of schemes and incentives.

## 1.2 The cost of employment

We can now say with some confidence that the Irish economy is in a better place than it has been for some time. Our members frequently tell us that trading conditions in their local area are improving and business owners are now more confident about the future.

However, there is still a reluctance to hire new staff; a reluctance based on fear. Employers need certainty that the cost of employment will not increase. The rate of PRSI paid by employers, responsibility for sick pay, and issues around redundancy create a hesitancy to take on new employees.

In our pre-budget submission we have included a wide range of recommendations designed to make Ireland’s fiscal landscape more business friendly and in turn support and create more jobs. While many of these apply to businesses of all sizes, many are of particular significant to the type of small businesses generally found in town and village centres. They include:

- Give certainty on the 9% VAT rate for hospitality;
- Increase the qualifying amount for cash accounting from VAT to €2.5m;
- Make no further changes to the sick leave payments; and
- Reinstate the lower employers PRSI for Class A staff.

This point is worth developing further. When wage bills are too high, businesses are less likely to hire new employees. The 4.25% increase in Employers Class A PRSI in Budget 2014 directly contributes to this. It has resulted in a reduction in employment growth levels and should be revisited with a view to supporting new job creation in significant numbers. This is a classic example of the opportunity cost involved not being factored into calculations determining whether to increase a rate or not. In our view, with a fair wind and further positive momentum in the economy, upwards of 50,000 retail jobs could be created in Ireland; however, the 4.25% increase has negatively impacted this possibility.

## 1.3 Regulation

Another point related to the cost of doing business is the impact of excessive regulation. We would welcome any moves to make compliance with regulations, such as licence applications, easier.

## 1.4 Challenging black market activity

Legitimate business and legitimate jobs are threatened by the amount of black market activity that persists in Ireland.

Counterfeit products of all kinds have a considerable impact on the profitability of legitimate retailers. Revenue Commissioners made seizures of goods with a value of €5,437,334 in 2012.<sup>3</sup> As this figure relates to seized goods alone, the true scale of the problem remains unknown. This could be just the tip of the iceberg.

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<sup>2</sup> <http://www.downtowncleveland.com/business/incentives.aspx>

<sup>3</sup> <http://www.finegael.ie/our-people/tds/alan-farrell/dail-question-on-governme/>

The sale and purchase of counterfeit goods takes footfall away from legitimate traders. The sale of counterfeit cigarettes, for example, takes secondary spend away from retail areas that depend on it for their survival. We note that certain policies that seem attractive are actually counterproductive. We recognise that the Cabinet has just given approval to draft laws which compel tobacco companies to use plain packaging; however, while this policy is based on long term health considerations, it fails to take into account any impact on employers.

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

## **2 The Importance of Local Business Supports**

Local Enterprise Offices (LEOs) must be exclusively focused on a core remit of mentoring and supporting start ups and SMEs with 0-9 staff. There must be no duplication of services already provided by the private sector.

Local Community Development Committees (LCDCs) and LEOs must use the expertise and experience of local Chambers to provide the best environment and conditions in which to do business.

All business support units should regularly engage with Chambers; to work together on delivering agreed economic development targets. Ideally, business representatives on these bodies should be representatives of the local Chamber.

Finally, we believe Central Government should encourage Local Authorities to follow the initiative in Cork where 1% of all commercial rates are ring fenced for economic development, to encourage economic growth and job creation.

## **3 High Street Development**

As well as the somewhat 'indirect' initiatives above, there are more direct ways that Government can support our town and village centres and the job creating businesses in them.

### **3.1 Encourage Local Authorities to work with retailers and business organisations to introduce or expand town centre development schemes and introduce a high street innovation fund**

The impact of out-of-town retail parks on traditional town centres is dramatic and runs counter to the Guidelines for Planning Authorities on Retail Planning<sup>4</sup> which states:

*"The town centre is the focus for a range of commercial and community activities, resulting in a mix of, often interdependent, land uses which contribute to a sense of place and identity. It includes a combination of natural features: historic buildings, cultural, civic and governmental buildings, as well as public spaces. This physical form and mix of functions, which will have evolved over a considerable period of time, makes a town centre different from a shopping centre and provides much of its*

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<sup>4</sup><http://www.environ.ie/en/Publications/DevelopmentandHousing/Planning/FileDownLoad,1613,en.pdf>: See page 8.

*character which can be further enhanced by introducing appropriate new uses into historic buildings. It also has a high level of accessibility to employment, services, and facilities for all the community”*

The decline of town centres has an impact which transcends the interests of retailers as traditional sites of community activity and social interaction are lost. Conversely, the best performing town centres tend to have:

a significant proportion of retail activity;

a broad and engaging retail mix; and

a good dining and entertainment mix.

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

We have numerous examples of the benefits provided to local economies through collaboration between local Chambers and Local Authorities, all of which have the potential to create new jobs.

1. South Dublin Chamber works closely with South Dublin County Council on a Business Sustainability Programme. It is exceptional as it assists employment creation and retention by uniting the Chamber and Local Government in a new partnership arrangement.
2. South Dublin Chamber has also worked closely with South Dublin County Enterprise Board on an innovative approach to procurement. This is aimed at supporting and enabling local companies to engage in the procurement process with national state funded agencies. This year the Chamber is introducing workshops where participants will work with procurement officers to complete a tender, guided by best practice. The synergies of the County Council, the Chamber and the Enterprise Board ensure that a wide range of supports and services are outlined to the participants and they gain an understanding of what is available.
3. The Enterprise Europe Network is a partnership between Enterprise Ireland and five regional Chambers of Commerce: Cork Chamber; Dublin Chamber; Galway Chamber; Sligo Chamber; and Waterford Chamber. The network is designed to help businesses trying to enter the international marketplace and offers assistance in areas such as international networking, business development, sourcing or licensing new technologies, advising on IP management and accessing funding and finance.
4. Letterkenny Chamber has introduced Shop LK<sup>5</sup> as a way to improve the shopping experience in the town and subsequently support local businesses and jobs. The scheme, which also tackles the issue of parking in the town centre, achieved its target of €1 million in sales in 2012.
5. Cobh and Harbour Chamber runs the main tourist information office in the town.<sup>6</sup> They provide a year round service, open 7 days a week, in this important gateway to the South-East region. This is an example of how chambers are at the vanguard of consolidating services; producing efficiencies for all stakeholders.
6. Ballyhaunis Chamber is an example of a chamber in a small town achieving big things. As well as lobbying and representing the interests of businesses, they are actively involved in many networking activities.<sup>7</sup> These include Business After Hours events, Business Information Seminars and Social Networking Events. Ballyhaunis Region & Community of Innovation & Enterprise (BRCIE) Ltd was set up through Ballyhaunis Chamber of Commerce

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<sup>5</sup> [http://www.shoplk.ie/about\\_shop\\_letterkenny](http://www.shoplk.ie/about_shop_letterkenny)

<sup>6</sup> <http://cobhharbourchamber.ie/the-chamber/cobh-tourist-office/>

<sup>7</sup> <http://www.ballyhaunischamber.ie/node/38>

in conjunction with the broader community to develop the Enterprise Centre & Enterprise Park. These provide supports such as work space and infrastructure, training, re-training and education. The Enterprise Centre was opened in 2003, part funded by Enterprise Ireland and local contributions. Subsequently BRCIE Ltd invested in an additional 22,000 sq ft area known as the Enterprise Park.

7. Ennis Chamber has worked to ensure the Town has received Purple Flag Accreditation.<sup>8</sup> The Purple Flag award is seen as a guarantee that a town is an attractive destination for night time entertainment and has resulted in a considerable increase in tourism.
8. Cork Chamber is involved in joint initiatives with Cork City Council as part of their Economic Development Strategic Policy Committee. These are designed to support the creation and expansion of sustainable enterprises in the micro and SME sectors of the Cork economy. The objective being to create an environment in which these enterprises and economic activity in general would flourish and grow.
9. Chambers of Commerce around Ireland provide incentives for businesses to strive to be the best through the hosting of business awards.
10. Many Chambers of Commerce are the best option for business looking to increase their market share and develop their business through networking opportunities.

Government could also follow the lead of the UK and introduce a High Street Innovation Fund.<sup>9</sup> This was created by the Local Growth Minister with money awarded to councils with the worst affected high streets. This recognises the work done by Local Authorities and acts as an incentive for others to ‘up their game’. Furthermore, the idea of a Local Growth Minister is something that could be considered in Ireland.

### **3.2 Encourage car parking schemes that support local businesses**

Car parking costs must be applied strategically to increase footfall in certain areas, thereby supporting businesses and jobs.

It is our view that the funding formula for Municipal Districts, whereby Central Government matches the funds raised by the Municipal District through car parking and leisure charges, actually produces a perverse incentive for Local Authorities to increase car parking charges

We believe that some of the savings arising from reform of Local Government should be specifically earmarked to guarantee free parking provision at optimal time periods to support footfall and encourage consumers to shop in town centres. In this context, a parking ‘window’ of two hours would be ideal, especially on busy shopping days such as Thursday through to Saturday.

## **4 Public Procurement**

At the invitation of the Committee Chair, we’d like to spend some time talking about Public Procurement. Many Irish companies, particularly small and micro-enterprises feel that they are at a disadvantage when tendering for contracts offered by contracting authorities. This is a genuine threat to their survival and is subsequently a threat to the many jobs they provide and the rates they pay.

We recently issued a white paper on this issue, following extensive consultation with our Network and a number of subject matter specialists.

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<sup>8</sup> <http://www.ennischamber.ie/ennis-gets-ready-for-purple-flag-accreditation/>

<sup>9</sup> <https://www.gov.uk/government/news/fund-rewards-high-street-innovation>

We conclude that Ireland needs a strategic public procurement policy to stimulate the economy, incentivise innovation, support business and promote job creation.

Our specific recommendations include:

1. Mandate the OGP to always consider the wider impact that procurement reform has on the economy when measuring success, rather than a simple metric of how much money has been taken out of the procurement budget.
2. Transpose the new European Union directives into national law in a timely fashion, without any gold-plating. Where options are available, the most business friendly one must be chosen.
3. Reduce the number and types of contracts being awarded on the basis of price alone. An appreciation of the benefits to the Irish economy in terms of jobs created or revenue raised through taxation should become the norm in tendering procedures.
4. Help SMEs to become part of the supply chain for major capital works.
5. Guarantee the Office of Government Procurement employs fully professional staff, with specialist qualifications in procurement.
6. Simplify the process of pre-qualification and reduce the amount of material that must be provided by suppliers at this stage. Make the process of 'banking' or saving information on the system for use in subsequent tenders work better for SMEs.
7. Make 'open procedure' tendering the norm for contracts of all values to 'level the playing field' and facilitate SME participation.
8. Effectively use the process of dividing contracts into lots to encourage SMEs to bid, resulting in a wide range of bidders and potential winners.
9. Create opportunities for SMEs to enter joint bids which take account of the nature of the Irish economy.
10. Use eTenders to its full capability by promoting it, simplifying it, making it easier for SMEs to register, and training suppliers and buyers to use it effectively.
11. Make the entire process of public procurement fully transparent: allow suppliers to see where and why they score or fail to score marks; define clear roles for procurement officers; and hold them to account on the basis of more than just cost savings achieved. Face to face feedback should become the norm at the post-tender stage.
12. Establish an independent review body entitled to adjudicate on matters where a firm feels it has been treated unfairly and to decide on redress.

We note that some of these recommendations have been addressed in circular 10/14, issued by the Office of Government Procurement. It is now vital that all contracting authorities conform to the guidance set out in this circular and work towards a situation where indigenous businesses can benefit fully from public procurement processes.

## Conclusion

Town and village centres are vital to our sense of community and urgent action must be taken to support the businesses that do so much to support them. From providing jobs and creating wealth to engaging in corporate social responsibility projects, such as sponsoring local sports teams, doing charity work and protecting the environment, it is often businesses that put most into local areas. They deserve the support of both Central and Local Government.

We greatly welcome the Committee's interest in this area and are happy to respond to any questions you have.