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SANDYFORD BUSINESS DISTRICT

Pre-Budget Submission

SEPTEMBER 2020

1. INTRODUCTION

Sandyford BID CLG trading as Sandyford Business District (SBD) was established in January 2017 to represent the entire business community in the area. Funded by the business community and working closely and co-operatively with the local authority as well as other stakeholders, SBD is one of the main drivers for the future development of the District.

SBD represents four business parks:

- Central Park
- Sandyford Business Park
- South County Business Park
- Stillorgan Business Park

The 12-member Board of Directors consists of a diverse group of 10 highly motivated business-people and two representatives of Dún Laoghaire-Rathdown County Council, all of whom have committed themselves to work on a voluntary basis to achieve the company's objectives.

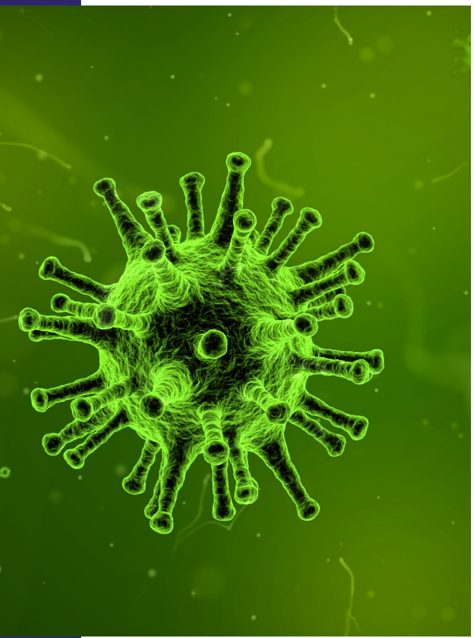
The company aims to continue the development of a strong community among its businesses and residents by creating a clear sense of identity and place through focussing on:

1. Business Attraction: Indigenous & FDI Investment
2. Business Support: Information Seminars, Training, Business Networking & Social Events
3. Infrastructure: Environment, Mobility & Public Realm Amenities
4. Marketing: Branding, Communication & Promotion of the District
5. Smart Sandyford: Smart City, Technology, and other Capital Projects & Improvements

SBD wishes to engage with the Government and all stakeholders to the greatest extent possible as part of its mission to promote the growth and development of the area. In this regard SBD has made submissions on issues of interest to the relevant authorities. Among these were a submission to Bus Connects in December 2019, to the Public Consultation on Dublin Climate Change Action Plan in March 2019 and to the Sandyford Business District Cycle Facility Review in March 2019.

The businesses of the District have directed and fully informed the priority items set forth in this Budget 2021 submission. The overall thrust of the document is to highlight the serious need to maintain and put in place additional and comprehensive supports required to stabilise the economy and protect jobs in the aftermath of a potential no-deal Brexit and a prolonging of the post Covid-19 recovery, a recovery that relies on a widespread availability of a successful vaccine and anti-viral treatment regime. The challenges facing the business sector are unparalleled and economic stabilisation must remain the priority in all Government decision-making.

2. COVID-19



It is critically important that steps are taken by Government to prevent a reduction of the labour force because of Covid-19. Individual behavioural changes, such as a genuinely held fear-induced reluctance to return to workplaces and other public gathering places, and a concern about sending children to childcare facilities and educational institutions, can create long-term negative shocks to economic growth and a reduction in the labour force. All Government actions must be framed in a manner that rebuilds citizen confidence in re-establishing the economy.

Covid-19 brought the country to halt in a way that could not have been foreseen even early in 2020. As a result, the Irish economy is facing acute challenges and hence the Government's July stimulus package of €7.4 billion. In all, some 50 separate measures were included to boost the economy, but it will be some time yet before the success of these measures can be gauged in any meaningful way. Consumer spending remains stunted while the inevitable decline in tourism, travel and transportation industries reflects mass social isolation levels and tightening travel restrictions.

The extension and refining of the temporary wage subsidy scheme is to be welcomed which is being availed of by some 62,000 employers and some 400,000 employees. The expansion of the Restart Grant has been taken up by 40,000 businesses with €200 million aimed at retraining and supporting apprenticeships.

However, the real problem is the route back to viability for many companies, particularly in the retail and hospitality sector, and the journey to business stability is not clear. Businesses which depend on people coming together continue to be under threat and their future is very uncertain. The Government will launch a new national economic plan in October as well as the Budget and these must contain carefully targeted measures to save many thousands of business from total collapse. For now, the provision of subsidising companies to keep people at work is the right thing to do along with the giving of cash grants to help many others to re-open.

Sandyford Business District proposes a number of measures that will result in the further reduction in the cost of doing business which is crucial to the sustainability of the micro, small and medium enterprise sector.

It is vitally important, as the country emerges from the first phase of the worldwide Covid-19 pandemic that the built-up footprints of our cities and towns is maintained and remain attractive for people to live and work in. In any forthcoming review of Project 2040, for example, consideration must be given to the expansion of the Urban Regeneration and Development Fund (URDF) to include additional towns as part of measures to assist in reviving economic activity in large urban centres. The regeneration and rejuvenation of Ireland's five cities and other large towns, in line with the objectives of the National Planning Framework (NPF) and National Development Plan (NDP) must be maintained and not be subject to any cuts in its funding envelope.

2.1 Recommended measures

- **Front-load July stimulus for key job-intensive projects**

Supporting individuals and businesses during the early months of the Covid-19 crisis was extremely helpful and the right thing to do. While such schemes need to be continued, there is now need to for a big commitment to sustained capital expenditure into 2021 and beyond. There is a commitment to a €1 billion package of capital spending in the July stimulus package, but such expenditure should be front-loaded for key infrastructural projects and priority given to job-intensive elements such as roads, housing, hospitals, ports etc.

- **Increase URDF funding**

An allocation of €2 billion under the NDP up to 2027, with €550 million available up to 2022 and €130 million available for 2020 must be maintained and not subject to any withdrawal of funding within the overall multi-year resource envelope that has been set out. Under any review of Project 2040, consideration must be given to the expansion of the URDF to capture additional large urban centres of population in order to maintain and revive town centres and to avoid the potential for urban decay while the economy recovers post Covid-19.

- **Encouraging town centre living**

Devise a national strategy for the changing shape of town centres (outside of the URDF) with the intention of recommending a suite of measures to encourage more town living. This, in turn, will benefit local businesses and any spending will have a multiplier effect on the local economy.

- **Prioritise capital spending**

Prioritise capital spending to enhance transport infrastructure with an emphasis on the provision of a Mobility Programme for the District to accommodate the changing requirements for the 26,000 strong workforce in the area.

- **Recalibrate Ireland 2040**

Recalibrate Ireland 2040 initiatives and bring forward key deliverables to accommodate the evolving transport needs.

3. VACCINE/ANTI-VIRAL TREATMENTS

In the current economic climate, it seems that rather than turning to economists for economic advice on future trends, we are now depending on the medical profession and in particular on research scientists to discover a vaccine for Covid-19 or to develop an anti-viral treatment regime.

The early indications are that such a vaccine may be available by the end of 2020, although the World Health Organisation (WHO) remains cautious. In July it was reported that a coronavirus vaccine being developed by the University of Oxford in collaboration with AstraZeneca Plc has showed promising results in early human testing. If a vaccine is developed – and the attendant problems of manufacture and distribution are sorted – then the future is reasonably bright.

However, if the country and our trading partners are faced with recurring bouts of the pandemic, then the picture remains uncertain with Government having a critical and ongoing role in ensuring that the economy has the capacity to stay buoyant. While it is impossible to predict economic conditions in the medium term, focus must remain on measures to promote economic activity across all business sectors within the current Covid-19 imposed limitations.

4. CREATING THE RIGHT ENVIRONMENT FOR BUSINESSES POST-COVID19

Many businesses depend on footfall and people coming together. All the evidence shows that consumers now have more money to spend - a recent CSO survey showed saving levels are higher than at any time during the past six years - but more must now be done to ensure the safe return of consumers to the streets of our cities and towns. There is need for further clarity on the return to office work and especially on a properly functioning childcare system and a public transport system.

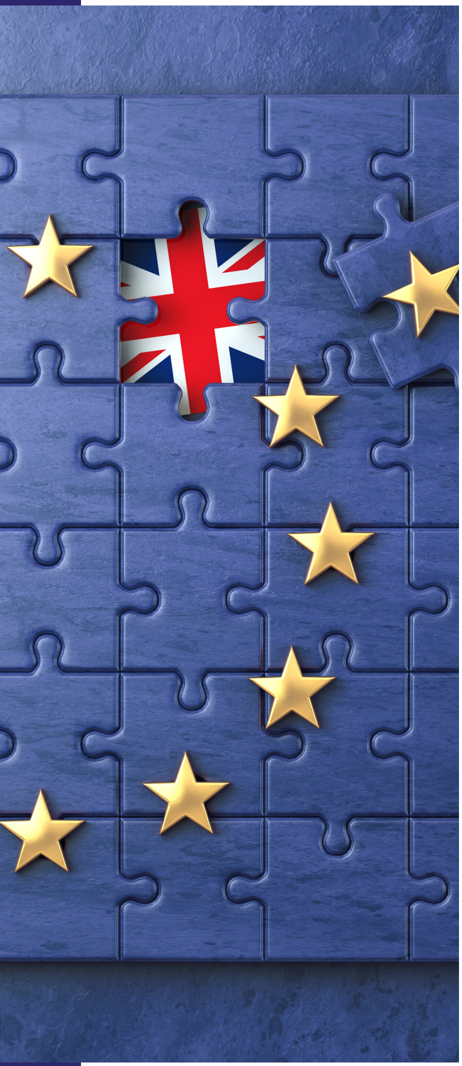
In early Autumn, the six-month payments break given by banks to mortgage and business loan customers will start to run out. Inevitably, some businesses will close even with the supports provided. Many industries, such as retail and hospitality, for example, are extremely vulnerable at the present time and losses can be expected. The Government should set up an expert group representing all relevant stakeholders to try to identify the maximum number of businesses that can be saved and the measures necessary to secure them.

There are, however, several ‘breathing space’ measures that Government can implement for business that would aid in sustaining cash flow, retention of staff and a future return to profit.

4.1 Recommended measures

- Extension of the commercial rates waiver until 2022.
- Postpone rates revaluation until 2022.
- Warehousing of tax liabilities without penalty (Covid-19 affected businesses to be allowed delay payment of PAYE and VAT debts in part, or in full until 2022 with no interest or penalties).
- Reduce stamp duty on commercial properties to 5% until 2021.
- Reduce capital gains tax from 33% to 20%.
- Continue mortgage and business loans breaks beyond the current six-month period with the introduction of a longer moratoria for vulnerable sectors such as retail and hospitality.
- Introduce a national strategy aimed at employees returning to work in offices in a manner that is consistent with public health advice and best practice.

5. BREXIT



For the Irish business sector, Brexit remains an ever-present danger and compounds the challenges already being faced because of the Covid-19 pandemic. The decision by Britain, our nearest and largest trading partner, to leave the EU will have a profound and lasting impact on the Irish business sector. UK nationals that work in Ireland, as well as Irish nationals that work in the UK, are still unclear in the long term about whether they can remain. Social security arrangements and pension schemes are likely to be impacted, with companies large and small having to consider the possibility of work permits and visas being required for existing staff. This uncertainty must be removed, and Government must address the issue as a matter of urgency.

Brexit uncertainty has meant the value of sterling has decreased sharply, which is already affecting businesses in the Republic of Ireland. Imports are rapidly becoming cheaper, which is good news for business that buy supplies from the UK, but exports are now more expensive. This means that companies looking to sell to UK customers from their Irish base are going to take a substantial hit. Irish business must continue to be supported by Government through Brexit proofing measures. In the Government's forthcoming budget in October, the focus must be on ensuring that Irish business has the tools to successfully meet the challenges of Brexit and to avoid trading disruption.

5.1 Government supports must continue to address:

- Currency fluctuations.
- Alternative markets for businesses UK market dependant.
- New customs arrangements and new regulations.
- Staffing shortages and visa/work permit issues.
- Simplification of all current financial supports to businesses so that securing credit becomes easier and less burdensome.
- Increased financial support from the Brexit Planning Voucher and the Brexit Implementation Voucher.

6. TAXATION

The VAT reduction from 23% to 21% from September to April 2021 in the July Stimulus Package is so small as to be of little benefit to businesses even though it will cost the Exchequer an estimated €440 million. For example, it means an extra €2 on a €100 sale by a retailer. Sandyford Business District is calling for a re-instatement of the reduction of the 13.5% to 9% or lower for the tourism and hospitality sector. We feel this would be of far greater benefit to the industry than the complicated and limited tax break for people eating out, or holidaying at home but not available until October.

The housing crisis has not gone away and there is still a keen shortage of houses for first-time buyers. A reduction in VAT is another essential ingredient in helping to reduce the price of new homes. There is currently no VAT on housing in the UK and Northern Ireland.

Sandyford Business District is calling for a reduced rate of VAT of 9% on construction in Budget 2021. The total tax-take on a new house is estimated to be somewhere in the region of 40-45% of the cost of the property. All such charges are paid in full by the house-buyer and are impacting affordability.

6.1 Recommended measures:

- Reduce the 13.5% VAT rate to below 9% to assist hospitality businesses withstand the challenges facing the sector.
- Increase the applicable VAT registration thresholds under both bands.
- Reduce PRSI.
- Retain Ireland’s corporation taxation rate.
- Introduce a participation exemption regime to secure and sustain multinational investment.
- Reduce the VAT Rate on construction industry to 9% to stimulate the building sector.
- Consideration should be given to extending the Help to Buy Tax Credit (increased to €30,000 until 31 December 2020) to June 2021. By extending the tax credit, this will encourage the construction of new housing units.
- Increase Small Benefits Exemption.
- Allow business expenditure invested in complying with public health requirements to be subject to immediate tax-write off.

7. EMPLOYMENT

Wages continue to be the single largest expenditure item for businesses and the excessive cost of the same acts as an obvious blockage to the creation of new jobs. Meanwhile, the problem of those same costs is now exacerbated to include the retention of existing staff due to the economic turmoil unleashed by the Covid-19 pandemic. While it is set to taper off, the current level of the Pandemic Unemployment Payment outbids struggling employers in some sectors.

A collapse in economic activity indicated that employers will need to be protected from further rises in wage costs. The Employment Wage Subsidy Scheme with its support to all employers who have lost at least 30% of revenue is a helpful step, but it needs to be attuned to the fact that €203 per employee will not be enough for many businesses with high wage costs, given many will also be struggling beyond April 2021.

Controversies earlier this year on the question of redundancy payments mean that this issue needs to be tackled. The Government has indicated its intention to review the Companies Act - this must be accompanied by measures which alleviate the burden on businesses.

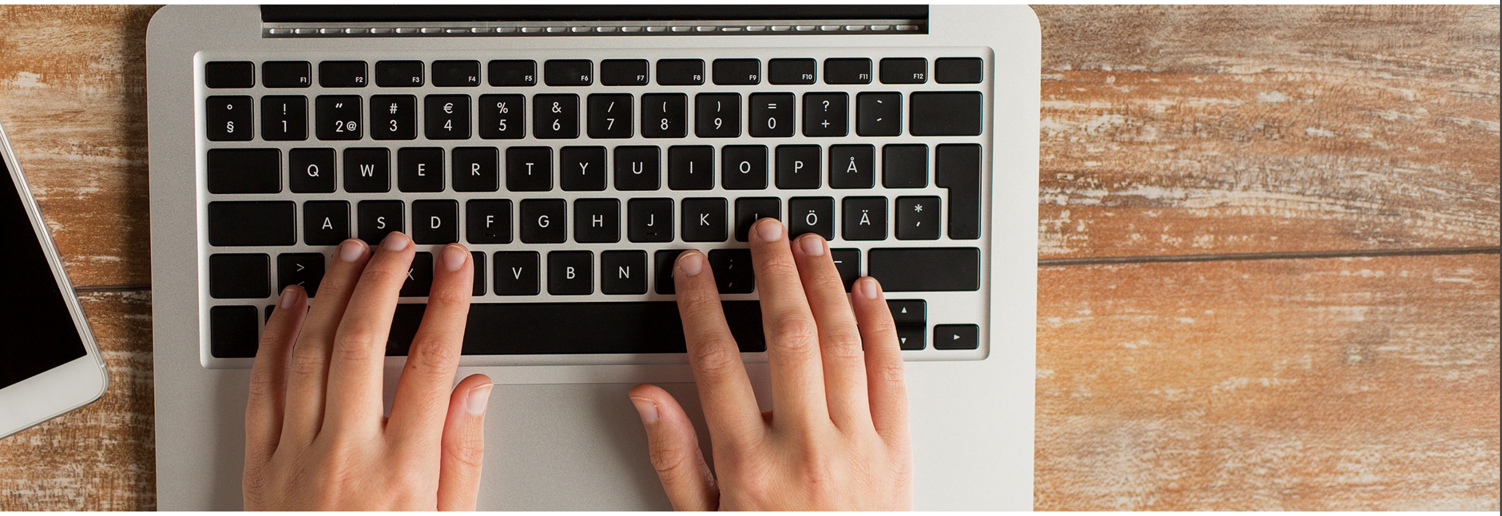
In addition, those businesses which are currently taking on new staff for remote working are facing challenges in procuring IT equipment and delivering it to new hires. Some businesses are also having difficulties in inducting new staff remotely and conducting necessary training online. Employers will need Government assistance to accommodate the associated costs, particularly as they take on staff from industries most-affected by the Covid-19 pandemic into very different roles, for instance in the digital and green sectors which the Government has set out as the intended drivers of the economic recovery.

Accommodation remains challenging for employees in Dublin and while some measures have had an effect (temporary rent freezes and restricting short-term lets) there is likely to be a renewed demand for both housing and rental accommodation post Covid-19. Government must be conscious of the need to make appropriate interventions in the housing market to ensure that there is no overheating of demand and a return to a dysfunctional accommodation market. A return to high rents and rising house prices will impact negatively on the ability of multi-national firms, including SMEs, to recruit and retain high calibre staff in the post Covid-19 period in the capital, with demand for wages likely to increase to offset the high cost of accommodation.

7.1 Recommendations:

- Wage subsidies to remain until 2022.
- Tax-Breaks for enhanced Training Fund for Businesses.
- Introduction of a Redundancy Payment Scheme.
- A freeze on any future national minimum wage increases.
- Housing market intervention measures to prevent unsustainable rents and house prices in the capital.

8. ONLINE BUSINESSES



The coronavirus pandemic has uprooted business models as consumers shift their purchases online. Over the lockdown period online sales in Ireland jumped 200%. While this creates opportunities for business, not all companies are well-placed to take advantage.

Business must invest in order to adapt to the online marketplace, yet in the current economic turmoil they have few funds to commit to these measures amid plummeting revenue for those who were previously focused on a traditional bricks-and-mortar model. While the Government has taken some steps to assist in this process, those measures require further expansion and the growth of facilities for e-commerce, including warehouses, needs to be supported.

8.1 Recommended measures

- Funding provided under the Digital Trading Online Voucher should be doubled from its present matched funding level of €2,500 to €5,000 given the increasing importance of e-commerce platforms.

- Tax incentives for shops to readjust their premises to make necessary changes to facilitate a click and collect shopping model.

- Tax incentives for the building of warehouses to accommodate businesses supplement trading income with an online model.

9. INSURANCE COSTS

Insurance costs on Irish business are prohibitively high and given the numbers of bogus claims and pay-outs by insurance companies, (as opposed to going to court to fight such claims), the costs incurred on businesses continues to increase at an alarming rate.

The very next renewal after a claim is made the insurance premium rises notwithstanding the fact the insurance company might not have paid out. However, when a claim does not materialise, the premium very seldom comes back down again. The capping of claims for personal injuries would be helpful to businesses. It would also be helpful if insurance companies were not allowed to raise premia on the basis a claim is made, but only when a claim is paid.

Sandyford Business District is confident that the first draft of the proposed personal injuries guidelines that will be presented to the newly created Judicial Council Board (expected by the end of October) will reflect the desire and need for a substantial reduction in award levels for personal injuries. Over time, such reductions should see a return to the market of departing insurers and an overall reduction in insurance costs for businesses. Any reduction in insurance premia will have an additional confidence boost for businesses and ultimately price reductions for consumers.

One issue that emerged during the Covid-19 lockdown period in the Republic of Ireland, where Government enforced closures of businesses, was the value or otherwise of having business interruption risk/cover policies. Businesses have sought to rely on such policies for direct and consequential losses arising from the Government enforced closure whereas the insurance industry is disputing liability in a number of high profile initiated legal actions, Policy claims to recover losses will be a key issue for the insurance industry to address in 2021. However, what is clear, is that such business interruption risk/cover policies will need to be reviewed as to their extent of cover for future pandemic events.

9.1 Recommendations:

- Legislate to ensure insurance protections for businesses that have Business Interruption Risk policies.
- Ongoing and future monitoring of personal injury awards by the Judicial Council Board to ensure that Awards are not excessive or inconsistent.

10. ENHANCING THE ENVIRONMENT

Today there is an onus on all sectors of society to play our part in protecting the environment. Increasing emphasis is being placed on the BER ratings of properties both for sale and for renting. As part of making the public conscious of BER ratings in building, Sandyford Business District is proposing that when property sale prices are published on the website of the Property Services Regulatory Authority, they should also show the BER rating of the property so that people can see the difference in price when a higher rating is achieved. This would be a simple step which would make a significant contribution to enhancing the environment.

Traffic congestion and long commutes remain a major concern for those travelling to work in the capital and Government needs to become more pro-active in reducing traffic levels through measures that balance the competing needs of the commuter and that of protecting the environment. Government should consider the development of park and ride facilities on public lands off the major orbital routes into the capital. Reducing the country's carbon footprint and restoring a better work/life balance for workers will result in a happier working environment for businesses and their employees.

Government should also encourage local authorities to increase the pedestrianisation of streets to boost business at weekends. This measure would also compliment initiatives to increase town living (recommendations at 2.1 above). The pedestrianisation, for example, of several streets at weekends by Dublin City Council in recent weeks, has had a positive feedback both from pedestrians and local businesses. By providing more space for pedestrians during weekends, shopping and eating out is encouraged and according to Dublin City Council, the measures have led to significant upturn in trade for businesses.

10.1 Recommendations:

- Continued investment in sustainable public transport to include cycle-paths.
- Development of park and ride facilities on approach to the capital and for the SBD area which 26,000 work from.
- Increase weekend pedestrianisation of streets/ roads to help develop an economy beyond working hours.

11. MOTORING

The Covid-19 pandemic has had a major and severe impact on the Irish motor industry with car sales falling 96% in April 2020 when compared to April 2019. (Source: Society of Irish Motor Industry). Registrations for light commercial vehicles (LCV) and heavy goods vehicles (HGV) are also down significantly.

In line with the SIMI recommendations, Government must consider direct intervention measures to stimulate demand such as the cancelling of rates bills and a reduction in Vehicle Registration Tax in order to protect the estimated 50,000 people who are working in the sector.

Further measures should include a scrappage scheme similar to previous initiatives that proved highly successfully in reviving the motoring sector. It is also noted that a scrappage scheme to increase the purchase of electric vehicles is one of the key recommendations of Government's Climate Action Plan to Tackle Climate Breakdown, July 2019. Any new scheme should be generous in the amount offered (the 2009 scrappage figure of €1,500 should be doubled) and apply to the purchase of electric, hybrid, diesel or petrol vehicles. However, key concerns about the relative high cost of new electric vehicles and the perceived lack of a nationwide charging infrastructure needs to be addressed.

11.1 Recommendations:

- Reduction in Vehicle Registration Tax (VRT) to stimulate demand.
- Introduce a scrappage scheme as an incentive for the replacement of older vehicles for the purchase of electric, hybrid, diesel or petrol models.
- Fast-tracking of a nationwide roll-out of charging infrastructure for electric vehicles.

12. LAW AND ORDER

Crime can be a serious barrier to economic development. With retail and hospitality businesses reporting up to 3% shrinkage through crime per year, commercial businesses cannot thrive in communities where there are consistently high levels of theft, loss or attacks on property and general vandalism. Sandyford Business District welcomes the ongoing assistance and support by An Garda Síochána's Bureau of Community Engagement in helping businesses to protect their premises, goods, and assets.

12.1 Recommendations:

- Increase resources for Gardai, Revenue, Customs to combat crime.
- Increase number of on-the-spot checks of casual and seasonal sellers.

13. EXPANSION OF PROPOSED RETROFITTING SCHEME & INCREASE FUNDING ALLOCATED

The recent Home Renovation Incentive (HRI) scheme let homeowners, landlords and local authority tenants claim tax relief on repairs, renovations or improvement work that was carried out on their main home or rental property. The works must have been completed by a tax-compliant contractor and were subject to 13.5% VAT. The Scheme Expired in 2018, but Government announced a new Retrofitting Scheme in the July Stimulus. Such incentives have been key in the past to a revival in local construction at a time of constriction in the building industry.

Over the course of the Home Renovation Scheme (2013-2018), work was carried out on some 98,000 residential properties with the value of such works put at €2.5 billion with the average improvements valued at nearly €17,000. Eco-retrofitting of homes under a new revised renovation scheme for a five-year period up to 2025 would help maintain local construction jobs and address the lowering of carbon emissions thus making the scheme cost neutral for the exchequer.

13.1 Recommendations:

- Increase the allocation of funding for retro-fitting of properties.
- Set minimum and maximum qualifying spends to cater for small home dwellers and those seeking more substantial works.
- Extend the Scheme to include provision of additional rooms to accommodate house occupants work-from-home.

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