



Chambers Ireland Submission to the Commission on Taxation

May 2008

Our submission is divided into the following thematic areas:

1. Suggested Tax code modifications

- Address the issue of climate change and exploit the opportunities arising
- Introduce a new, broadly-based local property tax and rebalance service charges equitably across the entire community
- Carbon Tax issues arising
- Standardise the VAT rate at 18%
- Taper Capital Gains taxes to reduce compliance costs

2. Support Human Capital investments

- Make real commitments to support lifelong learning
- Release more National Training Fund monies for people in employment
- Develop a comprehensive strategy on pensions
- Support gain-sharing via employee financial participation (EFPs) programmes

3. Fix the funding crisis in Local Government

- Chambers Ireland has a number of core recommendations to make around the issue. At the core must be a decision to ensure that the polluter pays principle is applied for all services used at the local level.

1. Introduction

In the context of preparing our economy for its next phase of growth based on services and easing our economy's dependence on construction to drive employment creation, we must move now to greatly enhance support for start-ups and SMEs—which will be the drivers of this new phase.

Chambers Ireland proposes a number of core strategies to deliver on this vision:

1. The judicious use of tax strategies to incentivise investment in start-ups and help them go overseas and export;
2. Embrace strategies that will unleash creative activities in as many service sectors as possible using models and templates already available in other sectors—such as telecoms.

Proactive measures in these areas can play a crucial role in underpinning the growth and expansion of Irish-owned businesses.

Tax Code Modifications

1. Ireland has been enormously successful in using the tax code imaginatively in order to stimulate investment and specific economic activity. The tax incentive schemes that encouraged construction activity in designated areas and for designated purposes have not only delivered the physical infrastructure required, but also played a significant role in the development of a vibrant construction industry from a particularly low base in the mid-1980's. However, it could be argued that these construction-based schemes have proven to be too successful and have, in effect, offered a 'safe' investment vehicle that has tied up resources that may prove more productive in other areas.
2. We applaud recent efforts of the Government to deliver on an enhanced Business Expansion Scheme (BES) with a view to enhancing the appetite of Irish citizens for risk investments and also weakening demand for often tax driven investments in property. We urge the government to support start-ups and foster the development of wealth creating enterprises by seeking to raise the ceiling of BES schemes pertaining to SMEs to €10 million.
3. We believe that start-ups (particularly in the biotechnology area) have a much longer time to market than the typical ICT. In this context, we call on the Government to investigate the efficacy of applying tax exemptions on Capital Gains Taxes applied to "angel" type investors investing amounts greater than €150,000 in designated sectors with longer times to market such as biotechnology
4. Chambers Ireland considers it appropriate for financial institutions to be encouraged to engage in venture capital (VC) operations. This may include encouragement to establish BES unit funds which enable individual investors to spread their risk. This may be achieved through the restriction of funds available for investment in one company while supporting investment into VC funds. Such a measure could also provide a useful anti-avoidance measure. In addition, the establishment of such funds could provide growth opportunities and risk spreading at a time when certain institutions could be vulnerable to a slowdown in the construction sector.
5. Establish tax relief vehicles to fund start-up technology companies which have significantly higher requirements for capital investment than conventional companies. Based on the UK experience, tax relief has been successful in attracting private individual investment into high-risk early stage technology companies. Chambers Ireland estimates that an additional €15

million per year of private sector investment could be raised in the Irish market if similar incentives were in place here. With an average investment of €150,000, this could result in an additional 100 or more technology companies per year receiving vital investment at a crucial stage of their development. Features governing the rollout of these vehicles would include:

- Limit access to this fund to qualifying technology-based, non-asset backed firms;
 - Limit the investment tax relief to €300,000 per investor per annum;
 - Limit the amount of funds raised by a company on which investor tax relief is allowed;
 - Require that investment funds must be used for either product, innovative technology-based service or market development (i.e. a qualifying activity);
 - Require that investors must leave funds in for a minimum of three years or incur claw back on all reliefs;
 - After three years, the capital gains tax on profits from sale of shares should decrease from the full rate to 10% over further three years; and
 - No restriction on further investment by original investor in the same company, but this should attract a lower level of tax relief year-on-year representing reduced risk.
6. Finally, Chambers Ireland believes that there is scope for the Government to revisit with a view to updating and simplifying the Close Company Rules regime as it is currently implemented.

Review All Tax Shelters and Abolish Tax Relief for Low Risk Investments

Chambers Ireland supports further incentivisation of investments start-ups and venture capital funds. We believe that any taxes forgone in encouraging investments in these areas could be comfortably recouped by rebalancing fiscal incentives away from ‘safe’ (often property-based) investments. This would encourage those with surplus funds to invest in more risky endeavours that nevertheless offer greater potential for productive outputs in the future.

Similarly there is scope for the introduction of a targeted programme of “roll-over relief” for businesses that need to be moved to facilitate strategic developments of national significance such as the Cork Docklands Development programme (and as was the case when the Custom House Docklands Development plan was commissioned). These businesses often must be incentivised to move to another location. While they may ostensibly have made a capital ‘gain’ in selling their properties in the designated area, they should be allowed to reinvest the ‘gains’ elsewhere with a view to ensuring smooth transfer to another location.

2. Stabilise the Tax Base

Chambers Ireland supports the efforts of the Department of Finance to maintain the corporation tax rate at 12.5% and combat the roll-out of a common consolidated corporate tax base (CCCTB) in Europe. Furthermore we call for the terms of reference for the Commission on Taxation to specifically state that it will complete its work by the end of 2008.

We also propose the following principled views.

Carbon Taxes

In the context of a debate on carbon taxes, Chambers Ireland’s suggestion is that we initially introduce a ‘shadow’ carbon tax to enable all stakeholders to understand the implications of such a charge.

A crucial means of enabling a real analysis of its implications would be to put a virtual tax in place for all energy consumers so that its implications could be fully understood.

In the event of a carbon tax being implemented, then it must be established on a fiscally neutral basis.

Property Taxes

Either provide independent funding or introduce a new, broadly based local property tax and rebalance service charges equitably across the entire community.

Overall tax yields in Ireland are in line with OECD norms when measured as a proportion of Gross National Product (GNP). The core issue is how we will achieve a sustainable medium-term strategy and how the Minister will achieve a more balanced revenue base given consensus forecasts of declines in stamp duty and VAT revenues derived from the housing sector in 2008. We believe that an integral part of this exercise should be to establish an independent tax revenue source for local authorities.

Chambers Ireland has already publicly stated that the Government should consider basing a local government tax on a site value tax on all property, with the exception of principal private dwellings. Such a tax would have significant benefits in terms of social equity, housing market efficiency, spatial development and economic growth. It would be relatively easy to administer and collect and would have a negligible impact on inflation. We believe that such a tax would need to be seen to be established on a strictly revenue neutral basis i.e. the yield from the new tax would have to be given back to taxpayers by reductions in the level of other taxes.

Our recommendation in this regard is that cutting the standard VAT rate from 21% to 18%, exempting average price houses from stamp duty and abolishing commercial rates would create the potential for a local government revenue stream of approximately €3 billion—at no additional cost to the taxpayer.

Further liberalisation in network industries, in retail distribution and in professional services would improve resource allocation and help curb the impact of ongoing energy price and wage inflation in 2008.

Standardise the VAT Rate at 18%

The 13.5% VAT rate has a distorting effect on pricing in a range of different categories. This has been noted by both the European Union and the International Monetary Fund. A revenue neutral levelling out of VAT rates would give rise to one VAT rate of 16.37%. Each 1% reduction in this rate would cost €335m and would reduce the consumer price index (CPI) by 0.4%. Each 1% increase in the lower rate would yield €246m and would add 0.184% to CPI. Thus to bring them both to 18% would give raise to a net €102m for the Exchequer. Furthermore, any reduction in VAT on cigarettes, for example, could be clawed back by way of excise duty.

Chambers Ireland recognises that abandoning the lower rate would be a politically sensitive move with its impact on fuel charges and so forth. Low income families and pensioners would be most adversely affected. Accordingly, our suggestion would be that the amount raised in the standardisation should be diverted to be spent on enhanced old age pensions and social welfare payments to compensate for the higher VAT rate.

Taper Capital Gains Taxes (CGT) to Reduce Compliance Costs

Many Irish investors hold small amounts of shares in public companies. A variety of reorganisations and restructurings, repurchases or redemptions of shares and occasional sales can generate substantial complexity in calculating correct amounts of capital gains.

The burden of the high compliance costs these changes create is out of proportion to the modest amount of tax generated.

We recommend that measures be taken to address this in the context of shareholdings below a certain percentage in public companies.

Such measures could include a taper relief whereby no CGT would be due where the shares in question have been held for four years or more. In addition, we recommend consideration be given to a value rebasing for CGT purposes for such shares to a specified date.

Thus gains made on all holdings of these small shareholdings in public companies would be exempted up to a current value.

2. Labour Market Measures

Make Real Commitments to Lifelong Learning and Modify the Free Third Level Fee Regime

1. Broaden scope for personal tax relief under sections 473a and 476 of TCA 1997 in respect of training and education and amend PAYE regulations to ensure the avoidance of any charge under BIK rules for sponsorship of training courses and exam fees;
2. Make specific provision for a long-term commitment to enterprise-led training initiatives under the auspices of Skillnets from the National Training Fund.

Release More National Training Fund Money for Individuals in Employment

Finally, Chambers Ireland is concerned regarding the way the National Training Fund is dispersed. This fund is derived from levies on business and is valued at €400 million per annum. Too much of the fund is used on expensive apprenticeships that do not help the businesses that pay this levy. At present there is a cap on funding training for people in employment despite the fact that we are aware of very significant demand from firms in Ireland for these training solutions.

Given that business in Ireland pays for the National Training Fund, businesses should be allowed use it in ways that meet their respective objectives and requirements.

Develop a Comprehensive Strategy on Pensions

It is clear that the PRSAs have not caught the public imagination and not met the principal reason for their introduction. It would appear to make sense at this time to consider the long term future of PRSAs in favour of a unitary system of pension supports.

While there may have been justifiable reasons for separate legislation governing occupational plans and retirement annuity contracts, Chambers Ireland believes that these distinctions are becoming outmoded and do not reflect the reality of modern employment.

Chambers Ireland would like to see the complete transferability between these types of pension so that a person who was not in pensionable employment could transfer their Retirement Annuity Contract (RAC) to kick start their occupational pension plan where they take up pensionable employment.

We also call for the reduction in transfer costs and would ask that these costs be subject to inspection by IFSRA.

Finally, having regard to the short-term nature of many modern jobs, we would like to see pension relief available to occupational pension plans and RACs simultaneously. This would encourage people in non-pensionable employment to embark upon pension provision safe in the knowledge that they will not lose out if their employment status were to change.

Specific measures that we would encourage include:

- The replacement of traditional tax relief with a credit operated in a similar fashion to the SSIA scheme. Credits would be heavily weighted for lower income earners to encourage basic pension provision. This system would be open and transparent. It would allow contributors to easily assess the state's contribution to their retirement provision;

- Immediate tax relief to employers on special contributions made in order to ensure that company pension schemes meet the minimum funding standard;
- Start the process of capping the taxpayer's fiscal liabilities regarding public service pensions, and to bring pensions in line with the private sector, all new recruits to Irish state and semi-state bodies should have their pensions structured on a defined contribution rather than a defined benefit basis. This issue has added urgency given that public sector occupation pensions expenditure in 2004 (for 90,000 former public servants) cost €1.7 billion whereas the corresponding figure for all (some 400,000) state social welfare pension recipients was €3.5 billion);
- Capping of charges payable on the transfer of pension funds;
- Eliminating up-front pension costs;
- Enable individuals to pay into a number of schemes subject to the overall capping of relief based on current percentages; and
- Soften the rules regarding the timing of when pension annuities can be drawn down, thereby facilitating individuals caught in a stock market downturn to wait until the market has recovered before buying their annuity as required. Ensure that there are no BIK issues arising from pension provision.

Support Gain-Sharing via Employee Financial Participation (EFPs) Programmes

Employee Financial Participation (EFPs) programmes are a welcome means of ensuring employee gain-sharing and raising retention rates. However, the current Company Secretarial obligations and minority shareholder implications of EFPs are a significant deterrent to involvement in these schemes.

Chambers Ireland notes that of the 250,000 SMEs in Ireland¹ at present, no more than 200 would have the liquidity to facilitate meaningful share transactions. Take up is also negatively impacted by the lack of a secondary market for shares in a private company.

Accordingly, these firms require different approaches to facilitate gain sharing and staff recruitment and retention.

Cash based and performance related pay schemes are simpler for smaller businesses to operate. A model that would aid the roll out of this scheme would be the UK PRP scheme which could be enhanced to reduce the potential for abuses by ensuring that the P60 salary could not be lower than the previous year.

¹ Report of the Small Business Forum, Forfás, 2006, Page 8

Significantly Enhance State funding for Local Authorities via the Local Government Fund (LGF)

The Exchequer has consistently failed to match the rate of cost increase by indexing its contribution in respect of the waiver of domestic rates and water charges. Furthermore Chambers Ireland believes that it is a fundamentally wrong application of the ‘polluter pays’ principle to have entire sectors exempted, as distinct from an individual hardship waiver scheme operated at local authority level. Chambers Ireland calls for service charges to be levied fairly on all users – not just the business community.

In addition, the State must recognise that declines in development levy revenues arising from the slowdown in construction activity throughout the state must be recouped and that the Government will have to make up this shortfall via additional transfers to the LGF.

Another equity aspect in regard to local charges relates to the introduction of affordability criteria for local charges. There is no regard to ability to pay in the charges levied on business users. This represents a significant anomaly in that businesses can be exempted from their obligations under national pay agreements if they establish their inability to pay but this inability to pay may be a direct result of their obligation to fund pay cost increases in local authorities.

Other Local Authority Funding Issues

Chambers Ireland believes that there is a fundamental need to revisit the funding of local authorities to ensure that vital services needed by both business and the wider community, are funded adequately and fairly.

We are concerned regarding how Development Levies are now funding significant elements of the Capital programmes of Local Authorities and also how the current funding regime for water is currently skewed against business and away from a regime that adequately prices and values this extremely important commodity.

This reliance by local authorities needs to be revisited in the context of ensuring that all users pay for their use of services on a fairly calculated basis.

Development Levies

Chambers Ireland supports the principle of development contributions, recognising that all people, including the business community must pay for developments from which they benefit. In 2004, when the new regulations were introduced we welcomed them as they were meant to provide, in principle, for increased transparency and accountability. Unfortunately, significant disparities exist in charging mechanisms across local authority areas. Following from previous research into local government funding, up-to-date information is difficult to obtain and oftentimes confusing.

Issues tackled by a recent interdepartmental working group included the need for local authorities to ensure that the (business) community is not only informed of the charges they must pay, but also shown how revenues raised from such charges are spent. Chambers Ireland would encourage this expenditure to be accounted for under a set range of headings which would allow comparisons across different local authority areas.

Our research shows once again the difficulties businesses face when trying to determine the charges that they are required to pay. This is also compounded when additional levies are then placed on the developer such as a community gain levy (can be up to 15% of the value of the site, even though developers of commercial property are expanding the rates base). This hampers the ability of businesses to plan and so is delaying investment decisions that our economy needs to be made to sustain future growth. We look forward to the recommendations of the group being taken into account as local authorities review their schemes.

Income from development contributions has risen dramatically in recent years from €0.11 billion in 2000 to €0.67 billion in 2006 (a rise of 29.2% from 2005 to 2006 alone). Local authorities now depend on this income stream. This reliance on development contributions to fund capital expenditure is inherently linked to construction activity. There was a record level of house completions in 2006^[1] but this has fallen dramatically in 2008.

The slow-down will particularly damage areas where there has been rapid construction growth as they will most notice a sharp drop in their income from development contributions. Chambers Ireland hopes that this will not affect major infrastructural projects e.g. the Metro or the Navan Rail link. The State will not be held accountable if vital infrastructure is delayed due to a development contributions shortfall. The importance of development contributions is illustrated by the fact that €2.1bn of the National Development Plan funding is earmarked to be derived from development contributions². Reduced contributions could once again leave local authorities in the precarious position of increasing charges to the business community in the absence of adequate funding from the Exchequer.

In effect, central government policy on financing local authorities is directly contributing to the development of a society characterised by long commute patterns to exurbs and ribbons of commercial development inhibiting proper urban planning. Local authorities depend on development contributions, commercial rates and water charges from business for both short-term and long-term funding. This impels them to promote the development of rateable properties over a healthy mix of residential and commercial developments. This, in turn, is pushing residential development further from centres to poorly serviced and remote locations.

In the context of the wider debate underway on local government reform, Chambers Ireland is disappointed that the Government has decided to shelve successive reports on local government financing reform. We are not opposed to the concept of directly elected mayors but concerned that wider reform is needed to ensure that such mayors would not be forced to face significant financial problems. In this context, we look forward to the publication of the Green Paper in February 2008 and the ensuing debate.

We must reiterate that business is paying for the problems that we encounter daily due to the inadequate provision of funding that stems from flawed policy at a national level, a failure of will by Government and poor implementation by many local authorities.

In 2006 local authorities received a total of over €670 million from development contributions, an increase of almost 30% on the figure for 2005. The amount received in contributions has continued to rise year on year since 1987 with an exceptional decline of 2.6% between 1992 and 1993.

Table One: Percentage Change in the Sum of Development Contributions: 1987-2006

^[1] 88,000 according to the ESRI Quarterly Economic Commentary, Winter 2007, p.13

² Report of the Interdepartmental Committee on Development Contributions, p.3, April 2007, quoting the *National Development Plan 2007-2013: TRANSFORMING IRELAND A Better of Quality of Life for All*

Year	Total Sum Received in Development Contributions (€)	Annual % change in Development Contributions Received	Cumulative % Increase
1987	6,579,227	-	-
1988	8,190,698	24.5	24.5
1989	11,449,212	39.8	64.3
1990	13,574,626	18.6	82.8
1991	15,679,526	15.5	98.3
1992	20,182,736	28.7	127.1
1993	19,659,661	-2.6	124.5
1994	26,086,143	32.7	157.2
1995	28,440,440	9.0	166.2
1996	45,939,121	61.5	227.7
1997	57,813,153	25.8	253.6
1998	66,326,093	14.7	268.3
1999	87,171,931	31.4	299.7
2000	110,380,157	26.6	326.3
2001	121,976,012	10.5	336.8
2002	150,995,463	23.8	360.6
2003	215,449,057	42.7	403.3
2004	337,318,481	56.6	459.9
2005	519,435,198	54.0	489.4
2006	671,093,842	29.2	478.8

Sources: 1987-2006: DoEHLG, Planning Statistics, 2006

Income received from development contributions has continued to rise in the last two decades with a cumulative increase of almost 480% since 1987.

As local authorities receive increasingly limited increases in funding from central government, they become dependent on alternative sources such as development contributions. In 2006 alone, development contributions constituted €0.671 billion or the equivalent of 14.8% of local government

current expenditure³. Such income is dependent on a continued high level of construction activity. Many would argue that that levels attained in the decade through to 2006 are unsustainable. Given the important role of local government, this is worrying for its future funding needs and can only serve to exacerbate the funding shortfalls as identified in the Indecon Report⁴. Chambers Ireland predicts serious consequences for local authority financing when construction levels begin to fall as predicted.

The first indicator of the scale of development is the total floor area of planning permissions granted in the period 1992 to 2006, as published by the Central Statistics Office (CSO)⁵. Unfortunately, a review of the series for new dwellings undertaken by the CSO resulted in revised data for 1999 and the first half of 2000. Therefore, data is not available for floor area other than for new dwellings for these periods.

Our core recommendations are as follows:

Chambers Ireland calls for the following measures to ensure a fair and transparent system of development contributions both for the business sector and for residential property developments:

- €2.1bn of the NDP funding is earmarked to be derived from development contributions⁶. The State will not be held accountable if vital infrastructure is delayed due to a development contributions shortfall. Chambers Ireland hopes that the construction slow-down will not affect major infrastructural projects e.g. the Metro or the Navan Rail link.
- More transparent oversight is required by the DoEHLG of how development contribution revenues are spent by local authorities. Chambers Ireland would encourage this expenditure to be accounted for under a set range of headings which would allow comparisons across different local authority areas.
- Local government is the area of the public sector showing the fastest rate of reform in spite of being hamstrung by a deeply flawed financial system. The Government must realise that it cannot continue to place new responsibilities on local authorities without ensuring that these new duties are clear, properly instituted and adequately and sustainably funded.
- Local Government must receive an adequate funding stream from the Exchequer. Income from development contributions is unsustainable as it is dependent on continued construction growth which is predicted to fall in the coming years. This could once again, leave local authorities in the precarious position of increasing charges to the business community in the absence of adequate funding from the Exchequer.
- Local authorities should be enabled to fully implement the user pays principle and charge *all* users of services and producers of waste for the associated services/infrastructure (including primary homes, perhaps above a reasonable, defined consumption threshold, which would be met by central government).
- The inter-departmental group on development contributions advised that any double charging which has occurred in the past is “wholly inappropriate”⁷ and that local authorities themselves should put in place mechanisms which prevent this occurring. However, Chambers Ireland believes that a further step is needed in this regard where those who feel they have been doubled charged may go to a body other than that which may have caused the double-charging in the first instance.

³ Projects funded by development contributions are not included in current expenditure. Current expenditure figure is the expenditure by the 34 City and Councils only: €4.546bn in 2007.

⁴ Government commissioned Indecon Report on Local Government Financing, published March 2006.

⁵ www.cso.ie/statistics/planperm1992to2005.htm

⁶ Report of the Interdepartmental Committee on Development Contributions, p.3, April 2007, quoting the *National Development Plan 2007-2013: TRANSFORMING IRELAND A Better of Quality of Life for All*

⁷ Report of the Interdepartmental Committee on Development Contributions, p.13, April 2007

Water

In the current environment of water quality problems, infrastructural deficit and climate change, we can no longer ignore the need to conserve water as a natural resource. Chambers Ireland believes that the first step in this process is metering all local authority water customers. The recently passed Water Services Act specifically precludes charging domestic customers for water services and supply. In this context, we believe that domestic customers must at the very least be metered so that water consumption can be measured and real conservation quantified for the benefit of all.

In the medium term, Chambers Ireland believes that reasonable thresholds must be put in place per capita, where an allowance of water is allocated free of charge to all persons. This would allow squanderers to pay fairly for additional water which they use at their own discretion. In addition, such metering would allow local authorities to ascertain the true cost of domestic water provision and recoup these costs from the Exchequer. In this context, Chambers Ireland's Local Government and Ratepayers Council strongly urges the Department of the Environment, Heritage and local Government to make provision for water meters a mandatory aspect of planning permission in all buildings, including domestic houses. We note high levels of support for such a move from survey respondents. Of those authorities who state that water meters are not a provision for planning permission and state an opinion (12 councils), 91.66% (11 councils) favour water meters as a provision for planning permission in residential houses. This demonstrates an appetite for this as a facet of planning permission.

Although some claim that domestic users pay indirectly for their water supply through income tax paid to central government, local authorities are being inadequately remunerated for the true cost of domestic water services. In addition, 38.2% of the labour force does not pay any income tax⁸ Ireland is already a low tax economy. A dual taxation approach, involving income tax and consumption based taxes, must be seriously considered by this Government. This is particularly important in the context of increasing environmental challenges. Refuse charges have proved to be very successful and environmentally friendly where introduced. We must apply, without delay, the polluter/user pays principle.

Where water quality issues have arisen, such as in Ennis and Galway, non-domestic paying customers should not be forced to pay for water which is not potable. To-date, the focus has been firmly placed on the domestic consumer, which is disappointing as they do not pay for their water supply. The focus should be on all consumers both domestic and non-domestic and a 100% rebate system should always apply for periods where water is not potable. This is because businesses must make arrangements for alternative supply or filtration systems.

We note that DoEHLG-set targets on the non-domestic metering projects have not been met by the vast majority of Councils. Local authorities are not completely responsible for failing to meet this deadline. Additional funding must be provided by central government for local authorities to help

⁸ Department of Finance Budget 2007, page C22

them meet their respective metering targets. By identifying and metering all non-domestic users in the shortest possible time, the cost burden can be shared more equitably.

Significant disparities across local authorities can be seen in charges for 2006. As local authorities move toward full cost recovery, some aspects of charges have risen dramatically, whilst others have fallen. What is most disappointing is that while there have been ongoing increases in water service charges for business we see little or no attendant reduction in commercial rates as requested by the DoEHLG⁹. Only one council (Limerick City) has ever reduced its commercial rate¹⁰, and the amount collected in commercial rates by the 34 county and city councils is 23.94% in 2007. However, it is important to note that many of the individual rises were approximately in line with rate of inflation. As a first step to transparency in this process, all local authorities should be mandated to explicitly state in their annual budgets/manager reports what the commercial rate increase would have been in the absence of increased revenues from local charges such as water service charges.

In order to address the emerging disparities in charges across local authority areas, reasonable, transparent, consolidated charging for water use together with a single fixed charge for all meter related costs must be implemented as a priority. Such full cost recovery must be accompanied by transparent reductions in commercial rates. Any planned increases (or decreases) in water service charges should be clearly communicated to user representatives, such as Chambers Ireland and our local accredited chambers at least three months prior to their introduction. In addition, all local authorities should publish their full water pricing schemes on their respective websites, including monthly updates on the progress of their meter installation programmes, until the programme is completed.

Business is paying locally for the problems that we encounter daily due to the inadequate provision of funding at a national level. This is due to a failure of will by Government and poor implementation by some local authorities. Chambers Ireland's Local Government and Ratepayers Council looks forward to the inclusion of water services in the new Government's proposed reform package for local government and working towards an environmentally responsible and fair deal for all local government consumers.

Our core recommendations are as follows:

1. Provide 100% rebates to customers who pay for water which is not potable.
2. Introduce provision for metering as compulsory in all planning applications (i.e. all structures that will use a water supply including domestic residences) and put in place a speedy mechanism for metering of all existing structures.
3. In the case of domestic residences, set a reasonable threshold above which users should be charged on a metered basis. The cost of all usage below this threshold should be paid for by a separate, transparently calculated central government fund.
4. Monitor local authorities to ensure that commercial rates reductions are given in line with full cost recovery of water service provision, as instructed by the DoEHLG.
5. Require local authorities to explicitly state in their annual budgets/manager reports what the commercial rate increase would have been in the absence of increased revenues from local charges.
6. Ensure that any increases in water service charges above the rate of inflation should be agreed in advance with the business and farming communities.

⁹ DoEHLG Circular L16/00

¹⁰ Although it is worth noting that in 2007, Dun Laoghaire Rathdown County Council and Nenagh Town Council did not increase their commercial rate and Cork City Council have previously stated that their increase has been reduced due to full cost recovery of water provision to the non-domestic sector.

7. Require local authorities to account for all of their income from service charges through a separate account in their annual budget. Chambers Ireland recommends this for all income from the business community (development contributions, commercial rates, street furniture, etc.) Business must be assured that their significant contributions to local government are spent in appropriate areas of benefit to business.
8. Finally, local authorities must be allowed to charge, within reason, all customers for all services that they provide.