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IN BUSINESS FOR BUSINESS

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Mr. Frank Daly  
Commission on Taxation  
Le Pole House  
Ship St. Great  
Dublin 8

**Ref: "Paying our way locally in a Sustainable manner"**

June 2009

Dear Frank,

As a regional Chamber and given the much publicised prospect of the return of domestic property wealth taxation, we would offer the following observations, believing such local tax generated should surely be predicated on a rational approach, not one simply aimed at relieving the burden to Central Government of Local Government financing by re-introducing another wealth tax. Whilst this would appear to be a priority issue, the context and landscape of local services and their costs has altered dramatically since the abolition of said rates.

**Context**

This proposal attempts to prompt dialogue to define a process that would align with many if not all of the Sustainable initiatives that Government, institutions and local authorities have in train. Businesses are faced with Competitive pressures and survival has forced them to aggressively address costs and consumption if they are to continue operations, where energy and water usage have increased in weighting in the costs-matrix during the past decade. We have launched a Low Carbon Initiative here and one of its policy pillars is focus on future Sustainable policy.

Pressures on domestic budgets are currently challenging, though the reality is that households, despite by and large facing similar hikes in costs, do not have the same management regimes and control environment of businesses. Households are unlikely to embrace such regimes and tend to deal with increased costs in disparate ways, not always ones that resonate with the best behavioural shifts or best practice.

The concept of "living lightly on this land" has failed to lodge with the vast majority of householders and many SMEs and they have yet to infuse the shift in behavioural patterns that will set an irreversible trend in play to drive demand and resource usage downwards, quite irrespective of ability to pay, as has maybe been evident during the Tiger years, but perhaps no longer! Limited experience of Smart Metering demonstrates that early success can be achieved, but sustaining the learnt behaviour is still out with the jurors. The UK plans by 2020 to meter all household and business water' consumption and to implant electricity Smart Meters universally; they anticipate a 33% efficiency gain for both.

Many small businesses and very, very few domestic users devote any/much concern to security of energy supply, few have much appreciation that water is becoming a scarce resource and even less appreciation of where and what it takes to treat, so realistically the shift to conserve and optimize resources is not presently driven by the "availability" or "impact" agendas. The introduction of waste collection charges has arrested behaviour on at least that front, so, extension of policy to minimize eg bio-degradables going to landfill should be accepted and implemented so much more readily.

### **Observation**

A believable robust process must emerge to both encourage and reward householders and commercial and industrial enterprises, in a consistent framework that focuses all cohorts to optimize their consumption in terms of demand level, in terms of demand period and in terms of bench-mark targets for each component of energy and other resource used. The methodology must be one that SMEs and householders can readily identify with and which is robust and provides the stimulant to engage all stake-holders.

The December '08 publication by the Taoiseach's office "Building Ireland's Smart Economy", which offers aspirations and some direction on "A Framework for Sustainable Economic Renewal", includes a key underlying principle to shift taxation from economic "goods", like work, income or property, to environmental "bads" like pollution. The following proposal seeks to raise the concept of new charges, of adopting transparent methodologies and fairness, of focusing on user-pays principles, to implant a new holistic regime which addresses achieving the transition to Sustainability that we declare. In the process the improvement of the lot of businesses and its competitiveness will distil, by seeking to fairly spread the funding burden for local authorities more widely and by purposefully re-defining local taxation to reflect same. Similarly, households should expect to benefit from pro-active measures taken to minimize usages.

### **Principles**

The key principles must lodge equally with domestic and commercial users. The "living lightly on this land" concept needs to translate to a tax-regime which begins to reinforce that imperative and which has sufficient flexibility to adjust over time as behaviour and economic outcomes change. There will be understandable resistance from those who have avoided such taxation for the past 36 years, there will be issues around "high-demand" industry sectors which will need sympathetic transitional arrangements, but there should be no case to derogate the "user-pay" principle. There will equally be alarms raised from those who disdain the value to minimize travel times by electing to remove themselves from Urban or Village living. For those who are fundamental actors in the rural economic and for those who are obliged to reside where they provide National interest services, their "location" costs will be reduced.

The key over-riding drivers should address tax recovered from measures, where minimization of controllable pollutants, or minimization of scarce natural resources, or where dependence on infrastructure is excessive, are core, including:

- Consumption of fossil fuels ie gas and petroleum products, coal and its derivatives and timber from non-renewable sources
- Consumption of potable water and de facto its treatment
- The consumption of infrastructure in terms of roading etc as determined by adjacency to various services, essentially a "Postcode" charge

### **Operation of Regime**

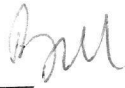
The roll-out must avoid reliance of costly valuation-type assessments. Many of the measures such as electricity usage, gas and coal and can be abstracted from providers and delivered to Rating Authorities in readily usable formats. The provision of water meters is a pre-requisite and there is no doubt that management tools to oversee and monitor demand will become commercially attractive and universally adopted.

## **Implications**

Rating Authorities will be required to reverse their targets to increase funding by rates' collection; their targets will be to minimize collections, for then we will be meeting our National goals. They will need to be active in the field of mentoring businesses and households, with Bureau cost-centre advisory facilities. They will very obviously want and need to develop totally different income streams, these could be from provision of leisure and sporting facilities, and as key commercial reference points as advisors on best-building practice, best energy management practice, best environmental services, as the enforcement agency and so on. They have monopoly on planning approval, water and waste treatment supplies which would remain as "agency" products with the clear and demanding management performance criteria. There will be pressure to consolidate service delivery in centres which also can "sustain", for it will become self-evident that the proliferation of local authorities that exists, owes more to local political facilitation than for its economic value or cost-benefit measures.

We would hope that you will give serious consideration to such a shift, right now any new fiscal impact must resonate with the Sustainability agenda and adoption of taxing "bads" and de facto stimulating efficient usage of resources, this would surely be the road to follow.

Yours truly,



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Bill Tosh  
Executive Director