

Irish Rural Link's Submission to the Commission on
Taxation



Irish Rural Link
Nasc Tuaithe na hÉireann

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Irish Rural Link the Organisation

Irish Rural Link (IRL), formed in 1991, is a national network of organisations and individuals campaigning for sustainable rural development in Ireland and Europe. IRL, a non-profit organisation, has grown significantly since its inception and now directly represents over 300 community groups with a combined membership of 25,000.

The network provides a structure through which rural groups and individuals, representing disadvantaged rural communities, can articulate their common needs and priorities, share their experiences and present their case to policy-makers at local, national and European Level.

Irish Rural Link is the only group represented at the national social partnership talks solely representing rural communities' interests.

'Our vision is of vibrant, inclusive and sustainable rural communities that contribute to an equitable and just society'

Irish Rural Link's aims are:

- To articulate and facilitate the voices of rural communities in local, regional, national and European policy arenas, especially those experiencing poverty, social exclusion and the challenge of change in the 21st century.
- To promote local and community development in rural communities in order to strengthen and build the capacity of rural community groups to act as primary movers through practical assistance and advice.
- To research, critique and disseminate policies relating to rural communities including issues such as sustainability, social exclusion, equality and poverty
- To facilitate cross-border networking between rural communities

'Our mission is to influence and inform local, regional, national and European development policies and programmes in favour of rural communities especially those who are marginalised as a result of poverty and social exclusion in rural areas.'

In response to the call for submissions to the Commission on Taxation, Irish Rural Link wishes to use this brief submission to express our views of the structure, efficiency and appropriateness of the Irish taxation system.

Terms of Reference

This submission primarily related to the item "f" in the stated terms of reference; i.e. "investigate fiscal measures to protect and enhance the environment including the introduction of a carbon tax"

Summary

Irish Rural Link strongly supports European and national efforts to reduce Ireland's greenhouse gas emissions but urge that initiatives taken in this regard do not adversely affect the most vulnerable in Irish society.

Irish Rural Link note the EU Commission's new proposals on national renewable energy targets and greenhouse gas reduction targets (IP/08/80 - 23 January 2008) which fall under three categories: a successor carbon ETS regime, national renewable energy target and national targets for emissions reductions for sectors outside the ETS. We accept that to meet these commitments all sections of society will have to make compromises.

Irish Rural Link believe that while it is obviously imperative that Ireland makes progress towards current and proposed new carbon emission targets, it is also imperative that policy design, including taxation policy design, proceed on the basis of the principle that those least able to pay higher costs will not be those most adversely affected by any new carbon tax.

Although the Programme for Government suggests that a new carbon tax will be revenue neutral we know from the limited existing research (discussed below) that it will affect some Irish households more than others and that some households ability to make behavioural shifts (the ultimate goal of a carbon tax) will be extremely limited.

Supporting Documentation

Unfortunately, there is a dearth of research on which households would pay most from the imposition of a carbon tax and on which households would be capable of changing their behaviour to avoid paying the proposed carbon tax. The research that does exist, such as, the Carbon taxes: which households gain or lose? (2002 Scott

and Eakins) does indicate that rural households will be disproportionately among the households that will lose. Disproportionate access to public transport and the greater annual car miles driven obviously form a large part of this difference. While some research on this topic exists¹ much more precise information is becoming available at the moment as studies of the 2006 POWCAR data sets emerge. We do know, for example, that less than 2% of rural dwellers use public transport to get to work.

It should be noted that the absence of body of research around the effects of a carbon tax on different households is a significant concern in itself. The publication of such research and a sustained discussion among policymakers and stakeholders on social and economic effects and acceptable ameliorating measures would seem to be necessary.

Contextual Framework

Irish Rural Link does not believe that a carbon tax should not be introduced but that it is important from the outset that the consequences and specifically the inequalities created by the introduction of a carbon tax be acknowledged, researched and that appropriate ameliorating measures form part of the discussion of a carbon tax from the outset.

Therefore, Irish Rural Link's principal recommendation is that no carbon tax should be introduced without an accompanying National Fuel Poverty Strategy and an accompanying National Transport Poverty Strategy. In the absence of such strategies and supporting research there is a danger that a carbon tax may contribute to existing differentials between regional at risk of poverty rates, existing urban / rural disposable income differentials and that it may ultimately create new poverty traps.

Irish Rural Link believe that the introduction of the proposed carbon tax needs to be preceded by a number of measures aimed at ensuring that low income families and in particular low income rural families are protected from the rise in fuel prices created by a carbon tax.

¹ Transport and Regional Development, Goodbody Economic Consultants. (2000) indicates that use of public transport to access work is below 2% in rural areas. CSO, Household Budget Survey 2004/2005 showed that rural households drive approximately 50% more miles than urban households annually. Given the almost complete absence of public transport in rural areas it is not clear that such figures could be altered without major Government initiatives.

National Fuel Poverty Strategy

We suggest that National Fuel Poverty Strategy would ensure a coherent approach to protecting low income families from both rising fuel prices and the proposed carbon tax. Such a strategy may consider options such as that, announced in the UK last December, where both the Government and energy industry introduced the Carbon Emissions Reduction Target scheme and Warm Front Scheme to ensure that the most vulnerable households in the UK be protected from rising energy costs is a good precedent. The National Fuel Poverty Strategy could also build on such schemes as SEI's Warmer Homes Scheme and Low Income Housing Programme and similar new schemes receive greatly increased funding.

National Transport Poverty Strategy

Clearly, a tax which in effect punitively punishes those who live a distance from functioning public transport network would not be fair or acceptable without significant compensating measures. Therefore the proposed carbon tax should be accompanied by a National Transport Poverty Strategy. Such a strategy could look at developing functional intra-regional transport plans based on emerging POWCAR data. It could also look at how a rural transport programme aimed a wider target group than the current Rural Transport Programme could be developed and such other measures to ensure that a carbon tax does not contribute to transport related social exclusion.

Cap and Share

If the Taxation Commission were to opt for a Cap and Share system as proposed by Feasta and supported by some Social Partner organisations this would only be an acceptable alternative if it too could deal with the differential impact it would have in urban and rural areas. At the moment it does not do this but if it could be redesigned to take rural / regional variations into account it may be an appropriate system. Such a redesign would have to allocate differentiated personal carbon permits on the basis of where (in what DED or other small area unit) households are located. Although operationalising this would be significant undertaking it does seem possible given that DEDs have already ranked in a number of studies in terms of access to public transport.