Irish Exporters Association

Submission

IEA recommendations for Budget 2020

The Irish Exporters Association (IEA) is the voice of the exporting industry in Ireland. Representing more than 500 members across the exporting industry, the IEA works at the regional, national and European level to help legislators create a regulatory and legislative framework that supports, drives and fosters Irish exports.

- **Represent** the needs of members in the development of policy, lobbying, intervention at government level and in the media. Brexit and the Diversification of Export Markets, Cost Competitiveness, the War for Talent and Entrepreneurship are at the core.
- **Trade Services** include practical training, support and consultancy right across the supply chain including customs awareness and audits, export and import compliance, consular, business travel support, route to market and general assistance with trade related queries.
- **Knowledge Networks** will support members to: explore new markets, route to market scenario planning, understand customs and supply chain challenges and provide thought leadership through a series of events and webinars. Networking and connectivity remain an important part of membership benefits.

The IEA represents the whole spectrum of companies within the export industry including SME's who are beginning to think about exporting for the first time right through to global multinational companies who are already extensively exporting from Ireland as well as the providers of key services to the sector. It is the connecting force for Irish exporters, providing practical knowledge and support across the Island of Ireland and in foreign markets.

Context:

The Irish Exporters Association welcomes the opportunity to submit its recommendations for Budget 2020 to the Government and the Minister of Finance, Public Expenditure and Reform.

This IEA Budget 2020 Submission has been drafted in close coordination with the IEA National Council, IEA Regional Councils, the IEA Policy group on National Competitiveness and the IEA membership.

Despite the growing uncertainties about the United Kingdom's future relationship with Ireland and the European Union, increased trade tensions and economic protectionism around the world, Irish exporters remain fiercely optimistic and engaged in expanding their global market share. In 2018, Ireland recorded its sixth consecutive annual increase in goods exports to more than €140.7bn – a 14% year-on-year increase and record high. According to data by Eurostat, Ireland was the 8th strongest goods exporter to non-European Union markets and 13th largest goods exporter within the EU28, representing 3.8% and 2.0% of all trade respectively.

IEA members are increasingly looking at diversifying their export markets and supply chains with the United States, Germany, France and the wider Eurozone considered the most important markets for Irish exporters. Official CSO data clearly reflects this sentiment with Irish goods exports to the United States increasing by 17.9% and Germany by 11.7%. Strong export growth to other EU countries such as Greece (52%), Italy (38%), Czech Republic (37%) or Bulgaria (25%) also highlight Irish exporters strong drive to diversify their export markets. Moreover, IEA members and Irish exporters at large continue to look eastwards towards high-potential markets such as Japan (44%), Taiwan (19%), China (8%) and Russia (4%) experiencing continued growth. Irish exporters have greatly benefitted from the provisional entry into force of the EU-Canada Comprehensive Economic and Trade Agreement (CETA) with year-on-year exports increasing by 23% in 2018.

Our exporting industry continues to be one of the key driving forces behind Ireland's economic success and job creation in recent years. According to Q1 2019 employment figures released by the CSO, the transportation and storage sector recorded the largest employment growth numbers with 11.4% year-on-year, with industrial employment expanding by 2.9% for the same period.

Notwithstanding the strength of Ireland's exporting industry over recent years, a disorderly Brexit on 31 October and potential return to customs procedures, tariffs and hard borders will put substantial short-term strain on the viability and competitiveness of Ireland's manufacturing and exporting industry. In this context, we welcome and fully endorse the EU-UK Withdrawal Agreement. The Agreement is the best and only way to prevent the potentially catastrophic impacts that a disorderly UK withdrawal from the European Union would result in, including the almost immediate severing of social, economic and regulatory ties.

Since the UK Referendum on 23 June 2016, IEA members have been preparing for our changing relationship with the United Kingdom in a post-Brexit world through diversifying their export markets and supply chains, managing their foreign currency cashflows and taking the necessary steps to become Brexit ready by upping their skill levels on customs and routing.

Summary of Budget 2020 recommendations

As an open, free-trading nation, our economic performance can be heavily influenced by global political and economic dynamics. Considering the many uncertainties in the global trade environment, including any potential Brexit fallouts and impacts from global trade wars, we anticipate 2020 to be an overall challenging year for Irish exporting businesses.

Budget 2020 will be a crucial tool for Government to insulate Ireland's economy from any external economic shocks and prepare the business community to continue its global growth trajectory.

To facilitate this, the Government should prepare a prudent Budget 2020 and be ready to respond to potential economic shocks through a mid-term Budget in early 2020. In any case, Budget 2020 should take into account the Government's continued commitment to:

- Preparing Irish businesses for all Brexit eventualities
- Improving Ireland's National Competitiveness
- Addressing the structural skills and talent gap
- Further increasing Ireland's role in and share of global trade
- Enable the swift transition to a zero-emissions economy

This IEA Budget 2020 Submission sets out its key recommendations in the following areas:

Preparing Irish businesses for all Brexit eventualities

- *Prepare a mid-term 2020 budget*
- *Prepare short-term financial assistance for Brexit affected businesses*
- *Ensure a rapid response to changing and evolving market demands and capacities*

Improving Ireland's National Competitiveness

- *Building a transport infrastructure that fosters Irish exports to the world*
- *Create a level-playing field for Irish entrepreneurs*
- *Address the structural shortcomings in Ireland's corporate insurance system*
- *Address the shortcomings in Ireland's national planning system*
- *Develop a diversity standard/certification register at national level*

Addressing the structural skills and talent gap

- *Ensure strategic funding to address future skills challenges*
- *Develop a national skills pool*

Further increase Ireland's role in global trade

- *Maximise Ireland's EU Membership*
- *Support the diversification of export markets and supply chains*

Enable the swift transition to a zero-emissions economy

- *Target climate change and the need for energy diversification*
- *Invest in a sustainable multimodal transport infrastructure*
- *Develop a holistic approach to freight transport*

Preparing Irish businesses for all Brexit eventualities

On 15 November 2018, the European Union and the UK Government reached agreement on the joint EU-UK Withdrawal Agreement and Political Declaration on the future Relationship between the European Union and the United Kingdom. The Withdrawal Agreement sets out the conditions to ensure an orderly withdrawal of the UK from the European Union with a set transition period and defined measures to ensure the continuation of bilateral relations on many critical areas to Ireland and Irish businesses, including trade, cross-border transportation and the prevention of customs and tariffs procedures.

The IEA fully endorses the Withdrawal Agreement as the only viable solution to ensuring a crucial transition period and preventing the return of customs and tariffs and a hard border on the island of Ireland.

Businesses in Ireland, the UK and the EU are not ready for Brexit. We, therefore, welcome the extension of the Brexit deadline, granted by EU leaders, to 31 October to prevent a potentially disastrous 'no-deal' Brexit. There will only be losers from a 'no-deal' Brexit.

However, with the change in the UK administration, a no-deal on 31 October must now be considered as an increasingly credible outcome to the UK's Withdrawal process. Since the 2016 Brexit referendum and, in particular, in the run-up to the 29 March deadline, Irish businesses have spent millions preparing on reducing, managing and mitigating their risks and exposure to the UK.

Despite the many measures undertaken by businesses in Ireland to reduce their exposure, a no-deal Brexit is set to impose a significant strain on Ireland's economy and the viability and global competitiveness of Irish manufacturing and exporting businesses. Should the UK decide to leave the UK without an agreed solution at the end of October, only weeks after Budget 2020, the Government must be ready to provide a range of rapid response actions to provide critically hit businesses with certainty and additional support mechanisms.

In case of a no-deal scenario, the impact on the Irish exporting industry, including global success stories in the life sciences, food, drink and agricultural sectors, will be sudden and substantial. To ensure their continued viability and global competitiveness in a post-Brexit environment, Budget 2020 must bear in mind the viability of the whole industry.

According to a summer 2019 study, questions around transit, exchange rate fluctuation, border controls and customs are the biggest concerns among responding IEA members.

Specifically, we urge the Minister for Transport, Tourism and Sport, in coordination with a wider cross-Government approach, to address any urgently arising transit challenges. Furthermore, we call on the Minister for Finance to prepare an emergency, mid-term budget in early 2020 in order to urgently respond with fiscal measures to any short-term impacts on the Irish economy.

The IEA welcomes the financial support measures to assist businesses prepare for Brexit. Since May 2018, 50 companies received funding under the InterTradeIreland 'Brexit Planning Voucher' scheme worth €2000/£2500 (incl. VAT) for participating in one of the IEA's five approved courses. Moreover, a total of 15 companies received up to 25% funding for their Brexit preparedness training through Skillnet Ireland in 2019.

These measures are in addition to other available funding measures such as SBCI's low interest 'Brexit Loan Scheme'. While we welcome the availability of these credit schemes, their low adoption rate to date, highlight the continued uncertainty in the market that prevent businesses from committing to long-term investments and the schemes' inability to assist businesses to weather immediate post-Brexit financial trouble.

There are serious concerns that a no-deal Brexit on 31 October will lead to an immediate and accelerating deterioration in the credit profile of many Irish businesses. The inevitable knock-on effect of this will be a return of pillar banks' unwillingness to lend to these businesses.

The IEA therefore urges the Government and Minister for Finance to prepare a significant short-term bail-out package for businesses excessively affected by Brexit. Budget 2019 established a Rainy-Day

Fund which is capitalised by €1.5bn from the Ireland Strategic Investment Fund and supplemented with an additional Exchequer contribution of €500m annually.

In the case of a no-deal Brexit on 31 October, significant funding from the Rainy-Day Fund should be made available to businesses most affected without delay.

Improving Ireland's National Competitiveness

As an open, free-trading nation at Europe's periphery, Ireland's economic performance is heavily dependent on the influence of external factors and the competitiveness of Ireland's economy and businesses relative to their closest competitors. We are in the midst of a global transformation in the economic landscape.

For our members to continue their global success story, it is critical for the Irish business community as well as local and national Government to ensure the right legislative and economic framework which fosters Irish exports and one that anticipates and responds to the shifts in the global demand and supply chains.

Building a transport infrastructure that fosters Irish exports to the world

Global demand for Irish goods, necessitates the ability to provide global supply. This requires a national infrastructure that supports competitiveness as well as the sustainable and economic growth of Ireland's fast-growing and trade-intensive economy. Seamless, fast and cost-efficient modes of transport are crucial in today's international and integrated trading environment. Brexit is expected to put Ireland's critical trading infrastructure under further capacity strains as a no-deal may significantly challenge the ease of use of the UK Landbridge.

The IEA supports the Irish Government's goals to address climate change and mitigate its impacts on Irish society. We support the Government's plans for a transition to a low carbon economy by 2050, including an 'aggregate reduction in carbon dioxide by at least 80% across the electricity generation, built environment and transport sectors'.

Both, passenger and freight transport and mobility are undergoing a transformational change. In order to decarbonise how we move both goods and/or people, transport and mobility companies continue to invest in transitioning towards increasingly digital and automated alternative modes of transport with new and alternative fuels vehicles.

While significant capital investment has already been put in place to modernise and improve Ireland's road infrastructure, its efficiency and sustainability can and must be further improved through the completion of the motorway and primary road network, in particular the M20 Limerick to Cork development and the N21/69 Shannon Foynes Port to Limerick scheme. Significant upgrading work is urgently required on routes linking Galway with Cork and those linking Rosslare to Waterford and Gorey to facilitate regional growth opportunities through faster access to Rosslare Europort and the Port of Waterford.

We welcome current upgrading work already underway by the Government to prepare Ireland's road transport network with the necessary groundwork enabling the future roll-out of 5G infrastructure. We anticipate this preparatory work to significantly reduce the lead time for the future roll-out of a fully operational connected intelligent transport system (C-ITS).

As an open trading economy and island nation, our exporting success is fundamentally tied to our ability to link to our global export markets – our airports and seaports are key in enabling our global trade.

With Ireland's primary export hub, Dublin Port, operating at or near capacity, further upgrading and diversifying Ireland's export gateways must be a strategic Government priority. We therefore call on the Government to further develop Ireland's regional seaports to provide exporters across the island of Ireland with viable, cost-efficient and accessible alternatives. In this context, we welcome the expected opening of the Port of Cork – Ringaskiddy in 2020, as well as the planned strategic redevelopment plans at Rosslare Europort and the significant capacity and capability increases they will bring for the regions.

However, we call on the exchequer to make further funding available to put in place the necessary transport infrastructure to increase these ports' accessibility and attractiveness for exporting businesses.

As service exports continue to make up a major share of Ireland's economy, it is vital to have a globally connected aviation network with access to all major global export markets. In view of the expected population growth along the western and southern regions by 2040 and the increasing importance of Ireland's regional airports, it is critical for Government to allocate the appropriate exchequer funding to enable future-proofing infrastructure investment and regional connectivity.

Specifically, we call on Government to enable funding under the Regional Airports Programme for regulation-mandated safety and security upgrading works at Shannon Airport and the development of basic public utilities at an area adjacent to Cork Airport to allow for its development for light industrial use such as warehousing.

With regard to Dublin Airport, we welcome the commencement of development works on the North Runway. The North Runway development is an important step in attracting new businesses, accessing new overseas markets and growing the domestic economy.

North Runway, which is expected to be operational from 2022, has the capacity to provide Dublin Airport with the significant capacity increases necessary for future growth. However, attached to North Runway are two planning conditions which will impose an airport-wide restriction of 65 aircraft movements between the hours of 23.00 and 07.00 upon the completion of construction of the runway. The IEA has strong objections to the implementation of these restrictive conditions due to the significant negative impact they could have on exporting businesses and Ireland's international competitiveness.

Currently, during this time period at Dublin Airport there are in excess of 100 aircraft movements including air-cargo flights. A proposed reduction to 65 movements per night would result in a loss of up to 3 million passengers and a significant reduction in capacity of approximately 14% once North Runway commences operations. According to an economic impact assessment, the result of the restrictions could be the loss of up to an additional 17,400 jobs and €1.2 billion GDP by 2037. This needs to be urgently reviewed.

Create a level-playing field for Irish entrepreneurs

Entrepreneurial innovations are a key driver of Ireland's indigenous growth and, indeed, the sustained economic growth since the economic downturn almost a decade ago. In an economy as reliant on foreign direct investment as Ireland's, supporting a strong indigenous economy helps to reduce our over-reliance on the substantial FDI streams. Supporting a strong indigenous economy, and the Irish entrepreneurs fostering it, can be an added mitigating measure to insulate Ireland from global economic uncertainties.

The IEA calls on Government and the Minister for Finance to use Budget 2020 to promote a business-friendly environment that encourages and stimulates investment and entrepreneurial risk-taking.

Despite a few prominent private Irish companies growing to acclaimed international success, many export-orientated start-ups and small enterprises (SME) fail to grow large enough to establish a significant export presence. Access to finance, the rising costs of insurance and exchequer supports through the fiscal system remain significant barriers to growth for Ireland's entrepreneurs.

To fully support Irish entrepreneurs and maximise their potential, the Government must finally ensure a true economic level playing field between the self-employed and those currently paying PAYE by aligning the Earned Income Tax Credit.

Ireland's SME policy should focus on assisting export-orientated businesses to innovate and scale their operations to succeed internationally. To do this, we urge the Government and Minister for Finance to radically adjust the Capital Gains Tax (CGT) scheme through an increase in the Enterprise Relief ceiling from €1m to €10m, while also introducing a reduced CGT rate. The introduction of such measures will significantly boost indigenous business investment.

Address the structural shortcomings in Ireland's corporate insurance system

Recent increases in the cost of insurance premiums have become a substantial concern for businesses operating in Ireland. In the face of an already competitive global economy with profit margins tightening, Ireland's out-of-hand corporate insurance costs could threaten the very viability of Ireland's business community.

We recognise the different market dimensions driving this recent direction. However, we equally note the need for stronger legal guidance and enforcement to ensure greater transparency and that only credible insurance claims are brought forward. In this context, we call on the Government to address the relative ease with which insurance companies address certain questionable claims cases out of court. As a result, and in order to pre-emptively 'protect' themselves from fraudulent cases, insurance companies appear to choose raising insurance premiums across the board. This behaviour subsequently punishes all businesses in Ireland rather than addressing the underlying claims culture and lack of enforcement for fraudulent claims.

The IEA urgently calls on the Government to review the current insurance system and put in place stronger protections through legislative measures to restore a functioning corporate insurance system that works for all.

Develop a diversity standard/certification register at national level

The IEA greatly supports and welcomes the global drive towards promoting greater diversity and inclusion in the workforce and creating an open working environment that fosters diversity and inclusivity. When people from diverse backgrounds with different points of view come together, it can create immense value for the overall success of businesses and society overall.

As of 2017, Ireland was the 5th largest recipient of foreign direct investment (FDI) in the European Union with multinational investment contributing €744b to the Irish economy. This contribution has been a significant contributor to the success of the Irish economy over the past decades with many Irish private and/or family owned businesses developing close supply chain partnerships with the FDI community. As part of the global drive towards greater diversity and inclusion, several multinational companies today have diversity requirements for business partnerships they enter.

The Centre for Diversity Ireland, a not-for-profit supported by Dublin City University (DCU) Centre of Excellence for Diversity and Inclusion, recently introduced the first all-encompassing Diversity and Inclusion mark for Irish businesses. The mark "recognises and effectively manages people's different skills; abilities, experiences, perspectives, backgrounds, needs, issues, barriers, family and personal circumstances".

However, Ireland currently does not recognise private and/or family owned Irish businesses as a diverse category. Equally, Ireland currently does not have a centralised, government-led diversity register to certify businesses. This lack of a central register may thus result in privately and/or family owned Irish businesses missing out on potential lucrative partnerships with multinational companies who must satisfy global diversity requirements.

Addressing the structural skills and talent gap

The continued success of Ireland's exporting industry highly depends on the ready availability of an appropriately educated, skilled and trained workforce for each of the industry's diverse sectors.

With Ireland's economy nearing full employment according to the CSO, it is becoming increasingly difficult for the industry to attract the required workforce. The IEA welcomes the opportunity to advice the Government on several skills in the workplace related initiatives and groups such as the Department of Employment and Skills National Training Fund Advisory Group and the Department of Enterprise, Business and Innovation's Expert Group on Future Skills needs.

Ensure strategic funding to address future skills challenges

Notwithstanding the importance of such groups and initiatives to upskills and ready Ireland's domestic workforce for the needs of the labour market, there remains a significant labour shortage in certain industry sectors. If not urgently addressed, this shortage could significantly hamper further economic growth and impact upon Ireland's international reputation as an attractive place to invest and make business. As highlighted through the joint Department of Transport, Tourism and Sports and Department of Business, Enterprise and Innovation group on Logistics and Supply Chain Skills, this is particularly true for the logistics and supply chain sectors, which exporters heavily rely on.

With the world of work constantly changing, workers' skills, training and requirements are consistently in flux. With this, the traditional view of pre-employment education has long been replaced by the notions of on-the-job learning and life-long learning. In addition, with many traditional jobs being replaced, Government funded upskilling and reskilling schemes are becoming increasingly important.

To enable this, we are calling on Government to restructure the National Training Fund to increase training and reskilling opportunities for those in employment to ensure they have the necessary skillset to succeed in a modern economy.

In this context, we also urge Government and the Minister for Finance to enable funding under the Human Capital Initiative to future proof Ireland's workforce for the continuing digital transformation of the workplace.

Develop a national skills pool

We recognise the strengths of the current system under which individual businesses attract and develop talent based upon their individual criteria and requirements. However, the current system contains several shortcomings regarding attracting workers from outside the European Union. In this context we call on the Government to put in place a special dispensation for the attraction of non-EU workers for the logistics and supply chain sectors.

Ireland's structural labour market shortage is a significant hindrance to further economic growth and the global competitiveness of Irish exporters. Tackling this shortage should be elevated to the national level with a view towards developing a national approach to addressing the national skills and talent gap. To facilitate such a national approach, Members of the IEA National Competitiveness Group recommend the development of a national pool of skilled workers. Such pools would hold the relevant information (experience, skills, training level, availability, etc.) of workers trained workers in Ireland and abroad.

Such a national pool of skills would provide employers with a centralised and quick point of contact from where to draw skilled labour when needs arise. Based upon their current role and obligations, the IEA National Competitiveness Group recommends a reorganisation of SOLAS to assist in attracting the necessary labour resources on a national basis.

Further increase Ireland's role in and share of global trade

As a small nation at Europe's western periphery, our economic success is inherently tied to our ability to trade freely with our partners around the world. Goods and services "Made in Ireland" are sought after globally, with Ireland's Food and Drink, Pharmaceutical and Technology sectors renowned worldwide.

While our economic relationship with the UK may be changing in a post-Brexit world, the UK will remain one of Ireland's closest trading partners for both, goods and services. In any case, however, Irish exporters will need to continue to diversify both their export markets and supply chain to existing and new markets around the world.

Despite a shift towards increased economic protectionism among some countries, open and free trade remains the best solution to facilitating and increasing international trade.

Maximise Ireland's EU Membership

Since the beginning of our membership of the then European Economic Community in 1973, Ireland has been among the key beneficiaries of the Union's Single Market, Customs Union and more than 70 Free Trade Agreements (FTA).

In this context, we welcome the recent conclusions of the new Agreements with Japan, Vietnam and Singapore as well as the resumption of talks with the US administration. Since the conclusion of the EU-Canada CETA Agreement in 2017, exports to Canada are booming with year-on-year exports increasing by 23% in 2018.

It is difficult to quantify the importance of Ireland's membership of the European Union and the eurozone for Irish exporters. The EU's Single Market provides Irish exporting businesses with easy, tariff and customs-free access to a market of more than 500 million consumers right at our doorstep. Our EU membership is a strong stabilizer against the continued uncertainties surrounding Brexit and the increased economic protectionism experienced around the globe.

The EU's single rulebook on many standards and requirements on key topics such as manufacturing, transportation and competition policy ensure that Irish businesses manufacturing goods for export to other EU and EEA countries enjoy the vast benefits and cost-reductions from legal certainty, a level playing field and a wide variety of specialized Supply Chain partners.

Our eurozone membership ensures that Irish businesses are now trading with 19 other European countries with zero exchange rate risk and conversion costs. In addition, our eurozone membership provides Irish businesses with enhanced access to investment opportunities.

We strongly welcome the Government's unfettered commitment to our continued EU membership. We call on both, the Government and Irish Members of the European Parliament to continue to reduce barriers to cross-border trade and open new export markets through new FTAs and Economic Partnerships. The IEA stands ready to fully assist and engage with the Government and MEPs to continue to work together to expand the opportunities for Irish exporters.

Support the diversification of export markets and supply chains

Irish goods and services are renowned for their high quality and standards, with Irish goods and services today sought after in many markets around the world. While the UK had traditionally been Ireland's main export market, Irish businesses have, over past decades, strongly diversified their export markets. According to the latest CSO figures, the value of goods exports to Great Britain in the months leading up to July was €7,255 million, an increase of €462 million (+7%) on the first six months of 2018. Similarly, the value of goods imports from Great Britain for the period January to June 2019 was €9,700 million, an increase of €875 million (+10%) on the first six months of 2018.

Considering the uncertainty surrounding the UK's decision to leave the EU, IEA Members are now increasingly looking at further diversifying their export markets and supply chains with the United States, Germany, France and the wider Eurozone considered the most important markets for Irish exporters.

Official CSO data reflects this sentiment with Irish goods exports to the United States increasing by 17.9% and Germany by 11.7% in 2018. Strong export growth to other EU countries such as Greece (52%), Italy (38%), Czech Republic (37%) or Bulgaria (25%) also highlight Irish exporters strong drive to diversify their export markets. Moreover, IEA members and Irish exporters at large continue to look eastwards towards high-potential markets such as Japan (44%), Taiwan (19%), China (8%) and Russia (4%) experiencing continued growth.

The IEA welcomes the Department of Foreign Affairs and Trade's "Global Ireland" strategy to further and significantly expand its economic policy team through its overseas embassy network as well as the opening of 'Ireland Houses' in Japan and the United States. The strategy is an important step to promote and establish Irish exporting businesses through in-market expertise and connections.

However, as a membership-led organisation, we urge the Government to take a holistic approach to enabling Irish exports overseas and take a balanced approach to funding and cooperation between state agencies and private sector organisations.

Enable the swift transition to a zero-emissions economy

Climate change, on a macro and micro level, is our generation's defining challenge. As an island nation Ireland is, and will increasingly be, particularly affected by the effects of a changing climate over the coming years. This requires Irish businesses, especially those in the food and drink sectors, but also in the logistics and transport sectors to adapt and consider measures to manage and mitigate the different effects on their businesses.

We welcome the many steps already taken by the IEA membership and the Government at local, regional and national level to reduce their environmental impacts through investments in innovative and sustainable solutions to agricultural development, manufacturing and logistics. However, more can, and must be done by at all levels to reduce Ireland's reliance on fossil fuels and accelerate the transition to a zero-emissions economy.

In light of the changing cultural, economic and trade environment, the time for detailed action on tackling climate change is now.

Target climate change and the need for energy diversification

Over the last number of years, IEA members have already taken a number of welcome steps to diversify and promote alternative fuel solutions for both, manufacturing processes and logistics use.

Under pressure from increasingly strict environmental rules and rising oil prices, both manufacturers and logistics service providers are gradually transitioning towards alternative fuels such as liquefied natural gas (LNG), electric or hydrogen.

We welcome the Government's commitment to decarbonising the transport industry by 45—50% by 2030 as outlined in the *Climate Action Plan* through modal shifts and the promotion of alternative fuels vehicles. According to the *Climate Action Plan*, 96.7% of fuel demand in the transport sector was served by fossil fuels in 2017. In this context, we also welcome the Government's *Alternative fuels infrastructure for transport in Ireland 2017 to 2030* National Policy Framework (NPF) under the EU's 2014 alternative fuels infrastructure directive.

However, specific and sustainable solutions must be found for the heavy road freight industry who may not be able to transfer to fully electric transport solutions. Without a holistic approach to promoting and enabling alternative transport and fuel modes, overly restrictive measures may have significant negative impacts on businesses' ability to export their goods.

Budget 2020 provides the Government with a prime opportunity to put in place concrete actions to set Ireland on a sustainable energy path. In this context, we urge the Minister for Finance to clarify the duty rate for the use of hydrogen as a transport fuel and take an innovative approach to the expected rise in the carbon tax.

While the IEA supports a rise in the carbon tax, this approach should be accompanied by a reduction in the VAT-rate for renewable technologies and Government grants that enable companies to adapt and transition without having to take on significant financial risks.

Invest in a sustainable multimodal transport infrastructure

To successfully trade abroad, Irish exporters fully depend on an integrated, intelligent system of different transport modes to efficiently transport freight between the manufacturer, the export hub and the final customer, as well as to more diversely meet their supply chain requirements. Such multi modal transport systems combine the various available transport modes and infrastructure (road, rail, sea and air) to create an integrated system that enhances the efficiency, productivity, economics and environmental sustainability of the transport sector.

According to the CSO, only 0.9% of all inland freight in Ireland was hauled by rail in 2016, with 99.1% of goods transported by road. This compares to 8.4% in the UK and is in stark contrast to the EU-average of 17.4% for rail haulage. Recent projections by the Environmental Protection Agency, predict Ireland will miss its EU-mandated 2020 greenhouse gas emissions targets of 20% on 2005 levels.

Ireland's current overreliance on road haulage will further contribute to Ireland's shortcomings in addressing its emissions reduction targets.

A holistic approach towards addressing exporters' concerns regarding our airports, seaports, road and rail haulage, broadband and other IT-led communications infrastructure is integral towards providing a competitive, 21st century multi modal freight transport system for Ireland. In an age of 'just-in-time' supply chains, connected and intelligent transport infrastructure (C-ITS) and digital innovations in manufacturing and transport, 24/7 truly wireless communication between different transport modes and supply chain partners is critical to building a holistic multi modal transport system.

In this sense, we call on the Government and the Minister for Transport, Tourism and Sport to actively investigate the opportunities of enabling Transport Infrastructure Ireland, as the competent national authority for transport infrastructure, to develop a truly integrated, intelligent multi model freight transport system in Ireland. Such a system should work with other state agencies and bodies to integrate, across a single system, to facilitate processes such as transport coordination, customs clearance and/or invoice and payments processing through a single window.

Ireland's potential for a large-scale shift of freight movements from road to rail transport continues to be unexploited. Increased delays at key transport hubs and lack of integrated network connections as well as shortages in the availability of qualified HGV drivers, regulations on their permissible operating hours and rising fuel costs are increasingly driving the interest to shift from road to alternative transport modes, including rail freight haulage.

Develop a holistic approach to freight transport

Currently, road transport is the critical component in the movement of freight in Ireland with 99.1% of all goods transported by road. While significant capital investment has already been put in place to modernise and improve Ireland's road infrastructure and access to ports through the completion of the N11/N25 Oilgate to Rosslare Harbour upgrade, M20 Limerick to Cork upgrade and N21/69 Shannon Foynes Port to Limerick scheme are crucial for the swift transportation of goods.

In light of the mounting capacity challenges associated with Dublin's transport infrastructure and with shipping goods through Dublin Port, manufacturing businesses across the country are increasingly considering to using rail connections for shipping their goods through the Ports of Cork, Waterford or Shannon Foynes. However, the lack of viable and end-to-end rail connections continues to be a major stumbling block to a cost-effective transition to rail-freight.

In this context, the Irish Exporters Association echoes the calls for the re-opening of the missing links of the Western Rail Corridor, notably the northern part from Sligo to Claremorris and Athenry, the Shannon Foynes connector from Limerick, and the southern part from Waterford to Rosslare Europort.

While traffic through all Irish ports is experiencing strong growth, current volume levels transported through Dublin Port are increasingly disproportionate to the shipping volumes recorded at other ports. As a result, Dublin Port, in a pre-Brexit scenario, is already working at or near full capacity with regular traffic congestion and limited warehousing and storage capabilities. As Ireland's number one freight export and import transit hub, Dublin Port's capacity issues greatly affect exporters' supply chains through limited port access times, increased quay rent charges and potentially missed ferries.

With Dublin Port operating at or near capacity, further upgrading and diversifying Ireland's export gateways must be a strategic Government priority. We call on the Government to further develop Ireland's regional seaports to provide Irish exporters with viable, cost-efficient and accessible alternatives to Dublin Port.

Irish Exporters Association

28 Merrion Square
Dublin 2

www.irishexporters.ie