
IEA Submission: 2021 Budget recommendations

Irish Exporters Association submission to the Minister for Finance and the Minister for Public Expenditure and Reform

1st October 2020

Overview of the Irish Exporters Association

The Irish Exporters Association (IEA) is the leading independent representative body and voice for exporters based in Ireland. The IEA represents exporters and supply chain operators across the country and works at regional, national, and European level, representing its members in front of legislators to create a regulatory and legislative framework that supports, drives, and fosters Irish exports.

We assist our members to grow their exports to world markets and drive the growth and development of all exporting businesses based in Ireland. We provide a set of highly relevant business services and products to assist our members with international trade.

- We **represent** the needs of members in the development of policy, lobbying, intervention at Government and EU level and in the media. Brexit and the Diversification of Export Markets, Trade Compliance, Climate Change & Sustainability and their impact on Irish exporters are core to our work.
- We offer **trade services** in the form of practical training, support, and advice right across the supply chain including our Certificate in International Trade, customs awareness, GDP, export and import compliance, consular, business travel support (visa and export documentation), route to market and general assistance with trade related queries.
- We have created **knowledge networks** among our membership to support our members in exploring 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. Our Export Industry Awards programme is our flagship event that celebrates the achievements of exporting companies and highlights the importance of the export sector to Ireland.

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. The IEA is the connecting force for Irish exporters, providing practical knowledge and support across the Island of Ireland and in foreign markets.

Our Budget 2021 submission firstly looks at the economic context and the key considerations that should be made. This is followed by our key recommendations under five headings:

1. Keeping businesses open and operating
2. Managing the Brexit fallout
3. Tackling the continued climate crisis
4. Keeping Ireland competitive
5. The new working environment.

Economic context: Key Considerations

The IEA welcomes the opportunity to submit its 2021 Budget considerations and recommendations to the Minister for Finance and the Minister for Public Expenditure and Reform and to the broader Government. The views expressed in this submission are on behalf of the IEA National Council, IEA Regional Network Groups and our wider membership.

We would like to take this opportunity to commend the work of the present and previous Government on the measures and policies it has put in place to assist Irish businesses during this very challenging time for the economy, businesses and the wider society. We would like to acknowledge the Government's work which ensured that supply chains kept moving throughout the pandemic in the interest of trade in both directions.

Budget 2021 will undoubtedly be one of the most important budgetary proposals in the lifetime of the State and we, the representative body for Irish exporters, want to ensure that the right policies are put in place along with the measures necessary to support the pursuit of an export led recovery which history proves has driven Irish economic recoveries of the past.

Given the widening and deepening recession that the country finds itself in, many challenges face society and businesses in 2021 and in the years to come. For this reason, the actions that the Government takes in its budgetary proposal for 2021 must ensure that the following issues are taken account of and addressed:

- The Government's **medium term COVID-19 plan** illustrates that we must live with the virus. Business activity cannot be continually saturated by the pandemic. We call on the Government to ensure that Budget 2021 takes account of the fact that Ireland needs to have the conditions in place which ensures that internationally trading businesses remain here, can set up operations here, and can invest, innovate and export.
- The UK's departure from the EU has serious ramifications for Ireland. **A no deal Brexit** remains a real threat to the Irish economy and therefore adds another layer of uncertainty, particularly for our businesses that trade both ways with the UK. Budget 2021 is being presented at a time when the outcome of negotiations is still unclear. We do know that, no matter the

outcome of the EU-UK negotiations, trade with the UK will not be the same as it currently is, and our membership is preparing for that, however the degree of uncertainty has not closed. We urge the Government to ensure that Budget 2021 is flexible to deal with the different degrees of impact to the various sectors.

- The climate crisis has not gone away. **Tackling climate change and sustainability** should remain a pillar of the Government’s work. The European Commission is working to ensure that the EU Green Deal plays an intrinsic role in the EU’s economic recovery strategy and views the Green Deal as a mechanism for growth. We call on the Government to ensure that measures are put in place that continue to tackle the climate crisis. Businesses want to be part of the solution but need the means and measures as well as the leadership to ensure that they can transition to more sustainable practices and financial support and incentives are needed to achieve this. This challenge is an opportunity both for businesses to innovate and for Ireland to reposition itself as a lead location for sustainable Foreign Direct Investment (FDI).
- **Trade disputes, trade wars and protectionism** are on the rise. Traders are finding themselves further exposed to geo-politics and global tensions. We would ask that Budget 2021 acknowledges the turbulent trading conditions that importers and exporters face and therefore there is a need for flexibility in the measures proposed, which may need to be adjusted to match the real impact.

Uncertainty is the overriding issue for members of the IEA. In our submission to the July Stimulus Package, we asked that the Government “bridge the gap of uncertainty as much as possible, allowing businesses to continue to operate and be prepared for all eventualities”, we reiterate that call and have prepared our submission on the premise that Irish exporting businesses can continue to operate and grow even in the face of uncertainty.

Budget 2021 Key Recommendations

1. Keeping businesses open and operating

Business activity will drive the economic recovery and therefore fostering an environment that allows for that will be key to Ireland’s economic recovery. Below are some of the key recommendations that we propose to Government on how to keep businesses open and operating.

Certainty on the future of the Employment Wage Subsidy Scheme: Businesses heavily relied on the Temporary Wage Subsidy scheme (TWSS) and continue to depend on the new Employment Wage Subsidy scheme (EWSS) that is due to cease on 31 March 2021. We have serious concerns about the reduction in the wage subsidy amount given under the EWSS as opposed to that under the TWSS. Government will need to remain ahead of any anticipated reduction in employment

brought about by this decision and will need to remain open to respond rapidly to a potential reversal of this decision.

We have concerns that the discontinuation of the EWSS will come at a time when businesses are grappling with the impact of Brexit as well as COVID-19. We are calling on the Government to ensure that when assessing the continuation of the scheme, or implementing a similar scheme beyond 31 March 2021, that due consideration is given to the fact that businesses will be potentially dealing with the fallout of a no-deal Brexit and amidst an ongoing pandemic that will have been hampering businesses activity for over a year at that point. A signalling of the Government's intention with employment supports will be needed in early 2021 at the latest for companies to plan amid bleak uncertainty. We ask that clarity on the future of employment schemes is given in Budget 2021 to give companies the right amount of time to prepare.

Establishing a State backed Export Credit Agency: The creation of a State backed Export Credit Agency is needed and should play a key part of Budget 2021. As one of the EU Member States that does not have a state-backed Export Credit Agency, Ireland is putting itself at a competitive disadvantage, which will become more apparent as we endeavour to export our way out of this recession. We hope to see some movement on our proposal to ensure that Irish exporters, and as a result Ireland itself, is not disadvantaged.

An independent and wide-reaching State-owned credit lending institution is required: Businesses have been highlighting persistent lending issues that they are experiencing with banking institutions. Access to credit facilities for working capital is essential. Cash flow issues, lack of liquidity, lack of credit and the unwillingness of banks to lend to businesses are among the issues being raised among our membership. Businesses are citing problems with accessing loans through the pillar banks despite having received approval from the Strategic Banking Corporation of Ireland (SBCI). This is a persistent problem, and reminiscent of the last recession when business owner's trust in the banking sector was low. We are calling on the Government to examine current borrowing policies and the banking sector's ability and willingness to lend to businesses.

Budget 2021 needs to put the right measures in place to ensure that loans are being administered, merely calling senior bankers in for a hard hitting and well-intentioned discussion will not achieve this. The State will need to take a much greater hands-on approach. The IEA calls on the Government to assess whether an independent and wide-reaching state owned, and State-backed credit lending institution is needed. Such an assessment will show that the State already owns a credit lending institution and yet the money simply isn't getting through.

The definition of a 'viable business' in this business environment should be looked at. The State has a role to play in ensuring that liquidity is accessible for businesses. We have concerns that the current definition that banking institutions use to define a viable business must be revised considering the shock of COVID-19 and Brexit looming.

2. Managing the Brexit fallout

The implications of Brexit will be evident in 2021 when the transition period ends on 31st December 2020 and a new trading relationship with the UK commences.

Brexit specific training: Businesses will need continued support and training in the new trading arrangements. The continued success of Ireland’s exporting industry highly depends on the availability of an appropriately educated, skilled and trained workforce for each of the industry’s diverse sectors. This is not a challenge unique to exporters as many importers face identical issues.

Competence in customs arrangements will be key to businesses continuing to trade with and through the UK from 1st January 2021. We welcome commitments made by Government in its recently published *Brexit Readiness Action Plan* and would highlight that such training courses may need to continue into 2021. Upskilling staff in customs clearance procedures should be prioritised by exporting businesses to limit the trade fall out with the UK when the transition period comes to an end and support in achieving this is needed.

Brexit specific supports: Continuing to support Irish businesses with the Brexit fallout is a major issue that Budget 2021 must address. We welcome the Government’s efforts to put measures in place to help Irish businesses prepare for uncertain trading arrangements with the UK. Budget 2021 must ensure that the Government continues to assist businesses deal with the economic fallout, of which the magnitude is still unknown, and negotiations are still ongoing when Budget 2021 will be proposed.

Alternative routing to the UK landbridge: It is becoming increasingly apparent and ever more urgent that Irish freight, both outbound and inbound will be snarled up in any delays that occur in British ports post 1st January 2021 – whatever the outcome of the negotiations. This has been abundantly clear to us in the IEA for some time and we have been calling this out. By their own admission now, especially following a leaked letter by Michael Gove MP, Chancellor of the Duchy of Lancaster, Britain is not ready for the transport (and by extension the supply chain) challenges of Brexit. Alternatives to the landbridge using direct shipping from Irish ports to France and the Netherlands will be required to keep our supply chains flowing. We urge Government to remain vigilant that support may be required to open new routes directly to the continent.

3. Tackling the continued climate crisis

The aims of the European Green Deal are set to dominate upcoming EU legislation and policies.

EU Green Deal developments: The goal of ensuring that Europe becomes the first carbon neutral economy in the world by 2050 will drive the work of the current European Commission and this goal will play an important part in the EU’s COVID-19 economic recovery strategy. The Government must ensure that Budget 2021 foresees changes coming down the line for business operations. This presents challenges and opportunities for exporters and in light of the impact of COVID-19 on our members, we are asking that the Government utilises Budget 2021 to

smoothen this curve – make the challenges easier and inspire innovation within companies to adopt more sustainable practices. We believe this is key to rebooting the economy. We also see it as the perfect time to commence repositioning Ireland as a hugely attractive place for sustainable FDI.

Enable the swift transition to a zero-emissions economy: As an island nation Ireland is, and will increasingly be, particularly affected by the effects of a changing climate over the coming years. Irish businesses will need to adapt and consider measures to manage and mitigate the different effects of climate change on their businesses. Many of our members have taken steps to reduce their environmental impacts through investments in innovative and sustainable solutions to agricultural development, manufacturing, and logistics. More must be done at all levels to reduce Ireland’s reliance on fossil fuels and accelerate the transition to a zero-emissions economy. The core of the EU’s Green deal is to ensure that European becomes the first carbon neutral continent in the world. We are calling on the Government to ensure that this aim drives the Government’s work on tackling climate change.

Carbon Tax: Budget 2021 allows the Government to put concrete actions into place and given that the EU is driving a green led economic recovery, it is important that Irish budgetary proposals follow suit. We urge the Government to take an innovative approach to carbon tax. While the IEA has supported a rise in the carbon tax in the past, this approach should be accompanied by a reduction in the VAT-rate for renewable technologies and Government grants that enable companies to adapt, transition and innovate without having to take on significant financial risks.

Developing rail networks: We welcome recent comments made by the Minister for Climate Action, Communication Networks and Transport, about the independent review of and consideration given to the potential reopening of phases 2 and 3 of the western rail corridor. The IEA believes that increased rail freight capacity should play an important and significant part of our climate change agenda. The further expansion of rail freight also has the potential to contribute to Ireland’s regional development.

4. Keeping Ireland competitive

Getting goods on and off the island needs to be prioritised further. We saw the need for the Government to step in and support critical sea routes during the COVID-19 crisis. We are now extremely worried about the impact of reduced aviation activity, on our exporters and on the FDI sector.

Ireland as a leading logistics and transport hub: We are seeing a global strained air capacity and as an island this has the potential to significantly impact negatively on economic activity. Whilst it is understandable that passenger air traffic will inevitably stay very low, this will have a ripple effect on Ireland’s ability to transport goods by air. Some sectors, such as pharmaceuticals, tech and high value seafood rely heavily on-air capacity to transport goods. Any reduction in aviation or policies that reduce air capacity need to be taken against the overall attractiveness of doing businesses from Ireland. We need to take immediate action to strategically ensure

that we maintain enough air cargo capacity on and off the island to support these high value sectors.

With regards to air travel, we would ask that the Government takes a rational and balanced approach when undertaking the testing of passengers travelling to and from Ireland for COVID-19. Testing is an important tool to increasing passenger numbers, and therefore increases air cargo capabilities, however airports may be unable to manage mass testing on site for several operational and/or due to infrastructure reasons. We call on the Government to ensure that airports are not further disrupted due to onsite testing.

We understand there are many different Government Departments and bodies in each of the EU members states that are key stakeholders to achieving a pan-EU approach to testing. We encourage the Government to take an active role in bringing a co-ordinated approach. Once we lose air routes out of the country it takes a long time to get them back - years, and we have concerns about the impact strategically on the Irish economy.

Further increasing Ireland's role in and share of global trade: The IEA welcomes the active and forward-thinking trade policy that the EU has pursued to date. An active, open and diverse trade policy will greatly contribute to the COVID-19 economic recovery strategy and, in the case of Ireland, irrespective of what, if any trade agreement is forged with the UK, access to new markets under EU Free Trade Agreements (FTAs) will be of paramount importance and will ensure that jobs are maintained and created in the countries affected by the UK's departure. Looking beyond the EU, Ireland's share of global trade must be accelerated further.

Marine sector: In our own marine sector there needs to be a strategic plan put in place for all marine activity which outlines investment - commercial fishing, ports & harbours, offshore wind, marine leisure (recreational fishing, recreational boating, water sports), living on the water (floating homes, live aboard barges), water based tourism. This plan should bring together all industry sectors and focus on how we can enhance the blue economy.

5. The new working environment

Regional development must be accelerated. Given that blended-remote working is set to continue, broadband roll out should be expedited, the hub network expanded upon and local transport networks developed further.

Regional broadband: Broadband roll out should be expedited. The IEA believes that this is achievable at no additional cost to the Irish Exchequer. Continued working from home and the climate benefits that this will bring should be looked at further. Continued remote working has the potential to enable workers work from and remain in rural areas. High speed broadband in rural areas is crucial to ensuring that remote working is carried out as seamlessly as possible. The knock-on effect over the medium and long-term may reduce the need for costly living accommodation in cities, not to mention the restorative effect on local rural communities.

Expanding hub network: The expansion of the hub network with high speed broadband connectivity should be considered as a feasible remote working solution

for employers. We call on the Minister to develop the further expansion of the hub network in Budget 2021.

Tax incentives for working at home: We call on Government to support the blended working approach with an easily identifiable package of tax incentives for individual employees who are and will continue to work from home.

Need for a strategic approach to skills shortage: A long term strategic approach to shortages in the logistics and supply chain sectors must be brought forward. Tackling shortages should be elevated to national level with a view towards developing a national approach to addressing the countries skills and talent gap. The development of a national pool of skilled workers is highly important given employment changes and shifts during the pandemic. Such pools would hold the relevant information (experience, skills, training level, availability, etc.) of workers trained 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.

Conclusion

Budget 2021 may well be the most important budgetary proposal that the State will come forward with. Tackling COVID-19, managing the consequences of the UK's departure from the EU, with or without agreeing an FTA with the EU-27, and addressing the ongoing climate crisis are the key issues of the day.

With so many unknowns, we ask that the Minister for Finance, the Minister for Minister for Public Expenditure and Reform and the wider Government takes our proposals in this submission, as well as our input through the various Government stakeholder groups and committees that we sit on, into account when drafting Budget 2021.

These measures and policies will need to have degrees of flexibility given that uncertainty is the overriding issue on all fronts and the Government may have to act quickly to address unexpected hits to an already volatile economy and business environment.

On behalf of the IEA,

Simon McKeever
Chief Executive

1st October 2020