



Waterford Chamber

Advancing business together

BUDGET 2024



Pre-Budget 2024 Submission
Prepared for Waterford Chamber, August 2023
by Jim Power Economics



OVERVIEW OF KEY ASKS IN BUDGET 2024

The local economy in Waterford is performing quite strongly, but it is facing the same challenges as much of the rest of the country. There is a shortage of housing, particularly in the rental market, which is serious challenge for a city that received Technological University status in 2022; the labour market is tight and local employers are trying to deal with the recruitment, retention, and cost of labour; the provision of health services is pressurised; and the local tourism offering is getting stronger, but accommodation is a challenge.

The opportunities for the city and the region are clear. Investment in SETU would bring greater vibrancy to the city and the region, and by halting the brain-drain, would improve the attractiveness for business investment and job creation; the Port has significant potential as a regional hub in a post-Brexit world, and particularly in the context of delivering much-needed investment in offshore wind energy; investment in Waterford Airport would significantly improve business and tourism connectivity; the tourism offering in the local area is growing strongly; and the city has potential to benefit enormously from future investment, particularly the North Quays.

With proper support, Waterford has the potential to become a very strong regional city hub and can contribute significantly to more balanced regional economic development.

This budget submission from Waterford Chamber is suggesting measures at a national and regional level that would help contribute to addressing national challenges, but which would at the same time percolate down to Waterford and the local region.

VIBRANT CITY CENTRE

The creation of a vibrant city centre experience in Waterford is essential, particularly given the significant number of vacant and derelict properties in the city centre now. As with many aspects of change and development, taxation and regulation can play a key role in achieving targeted objectives. Tax incentives and support to change the use of property from non-residential to residential should be considered. A full refund of stamp duty where sites or developed property designated for non-residential use are transformed for residential use. A register of vacant and derelict buildings needs to be developed, and strong measures taken to ensure that these buildings are turned into residential accommodation as quickly as possible.

SETU INVESTMENT

Proper investment in SETU will provide more opportunities for individuals and industry in the South-East. To realise and the maximise the full potential of SETU as a driver of economic growth in the region, it is essential that Government makes available exceptional and significant support to SETU. Significant capital investment is required to develop the former Waterford Crystal site to create a new Education-Enterprise Quarter; to refurbish the existing buildings to bring them up to the necessary standards for the delivery of the various programmes and to improve energy efficiency; to develop additional laboratory space to accommodate the anticipated pharmacy students; and to deliver the Engineering building under Bundle 2 of the current PPP scheme. The role of philanthropy in the TU sector needs to be developed. There are many reasons why philanthropists donate money, but it is accepted that taxation and financial incentives have an impact on encouraging philanthropists to donate. Fiscal measures should be explored in designing a national policy aimed at increasing the level of philanthropic giving.

PORT OF WATERFORD

Port infrastructure will be essential in driving the growth of offshore wind energy. Port of Waterford is perfectly positioned to become a significant part of Ireland's offshore wind development, but significant investment will be required in the Port to handle wind energy components. Port of Waterford has the potential to become a gateway for offshore wind energy and a regional trade hub. Investment in connectivity will be crucial to drive the capacity of the Port. There will have to be investment in the road infrastructure, particularly an upgrading of the N24 to the Mid-West, and in the rail link from the South-East to the Mid-West.

HEALTHCARE

The availability of a fully functioning healthcare system that has adequate capacity is an essential ingredient for the economic and social functioning of any region. Waterford currently lacks capacity, and this was highlighted in stark fashion in 2022, when the fire at Wexford hospital created serious problems for healthcare services in Waterford. In the context of the projected growth in population in Waterford and the wider region, it is essential that the inadequacies in the system are addressed immediately.

WATERFORD AIRPORT

Given the priorities set out in the National Development Plan, the development of regional aviation infrastructure must remain a pillar of national policy when it comes to balanced and equitable regional growth. Certainly, the members of Waterford Chamber see the further development of Waterford airport as essential to realising the growth potential of their businesses and to enhancing overall the proposition of the South East when it comes to business, enterprise, and tourism. We hold strongly to the view that the airport has a critical role to play in the future development of the South East, the Southern region, and the country as a whole and, as the only airport in the South East, and the airport adjacent to a nominated growth centre, it must feature prominently in future aviation policy.



THE RENTAL MARKET

The rental sector nationally and in Waterford is under immense pressure. The exodus of private landlords from the market and the loss of those properties to the rental sector is a serious challenge. The following proposals are suggested. (1) The introduction of a two-tiered system of taxation for private landlords, where the net rental income in Band 1 is taxed at the reduced rate of tax, with the balance subject to tax at the marginal rate. This would be like the income tax regime. (2) Genuine letting activity costs should be treated as fully deductible expenses for tax purposes. (3) Capital allowances should be deductible for USC purposes up to and including the 8 per cent threshold. (4) The treatment of rental losses in a personal capacity should be allowable against other income or carried back to a previous year.

THE HOUSING MARKET

Housing is the most significant economic and social challenge facing Ireland now. Housing needs to be treated as a national emergency, in the same way as Covid-19 was. A national emergency requires an emergency response. Waterford Chamber believes that the following areas need to be addressed to increase housing supply: (1) Planning delays must be addressed (2) Public lands need to be freed up for residential development. (3) Uisce Eireann needs to be properly resourced to ensure that long delays in the connection of water supply do not delay delivery. Likewise with the connection of electricity supply. (4) The cost of housing delivery is a major constraint on the viability of development now. The EU Vat Directive should be examined to investigate if housing could be deemed to fall within the scope of application of the super reduced rate of VAT between zero and 5 per cent. (5) Development funding is a major problem for developers now. Given the projected surpluses in the Exchequer finances and the crisis nature of the housing issue, the State could consider subsidising the cost of credit for developers.

TOURISM

Tourism is an important part of the local economy in Waterford. The success of the Waterford Greenway gives a clear indication of the potential for tourism in the region. The shortage of accommodation is a constraint. Incentives/tax breaks will be needed to encourage new development in targeted areas. Specific area-based incentives could be considered. These incentives could take the form of a tourism-based EIS scheme; a 10-year holiday from commercial rates; or some form of specific grant funding.

Changes to the regulatory/legislative environment to allow accommodation expansion to adjoining premises in streetscapes would be effective in bringing alternative additional accommodation on stream. This would also address the issue of derelict/empty commercial properties.

For hotels with the requisite grounds, the promotion of the development of eco-pods would provide considerable accommodation, particularly during the warmer weather peak tourism season. Hotels with adequate grounds would also benefit from capital allowances for the construction of much needed staff accommodation.



ECONOMIC BACKGROUND TO BUDGET 2024

The economic background against which Budget 2024 is being prepared is positive, but also quite challenging.

The Irish economy has continued to perform strongly in the first half of 2023, but some indicators are suggesting some easing of activity, such as elements of the export performance and manufacturing activity. Consumer spending is holding up reasonably well, but rising interest rates and the elevated cost of living are having some negative impact on spending.

Gross domestic product (GDP) was flat in the final quarter of 2022; it contracted by 2.8 per cent in the first quarter of 2023; and then expanded by 3.3 per cent in the second quarter. However, the reality is that GDP is a distorted measure of activity in the Irish economy due to the activities of the very important multi-national sector.

Modified Domestic Demand (MDD) is an important and more representative measure of underlying demand in the economy. It excludes Intellectual Property (IPP) transactions and aircraft leasing-related globalisation effects. MDD is a broad measure of underlying domestic activity that covers personal, government, and domestic investment spending. It increased by 0.1 per cent in Q1 2023. Within this, personal spending on goods and services, a key measure of domestic economic activity, increased by 0.1 per cent in the quarter, having expanded by 1.5 per cent in the previous quarter.

THE KEY FEATURES OF THE ECONOMY IN THE FIRST HALF OF 2023 INCLUDE:

- The labour market is performing very strongly. In July, the unemployment rate stood at a record low of 4.1 per cent of the labour force, with 111,900 people officially registered as unemployed. This is the lowest rate of unemployment ever achieved in Ireland and effectively represents an economy at full employment. Recruitment and retention are major challenges for most businesses and wage pressures are intensifying. In the first quarter of 2023, employment reached a record high of 2,608,500. This tight labour market is a positive, but the implications for SMEs, are posing a challenge.

- A strong and steady escalation in the cost of living dominated economic and political discourse during 2022 and in the first half of 2023. The rate of inflation averaged 7.8 per cent in 2022. The annual rate peaked at 9.2 per cent in October, but it has eased to 6.1 per cent by June. Supply chain difficulties due to Covid created considerable price pressures initially, but the war in Ukraine exacerbated the pressures, particularly in energy-related and food-related components of inflation. The recent decline in the headline rate of inflation is primarily due to a sharp decline in global energy costs. Underlying inflation is still high, with service sector inflation running at an annual rate of 10 per cent. Labour issues are contributing strongly to service sector inflation, but other costs of doing business, such as energy, are also impacting.
- The cost-of-living pressures are intense for consumers. Of particular concern now are mortgage rates. In the year to June, average mortgage costs increased by 46.4 per cent.
- Export growth has been a key component of Ireland's economic success in recent years. There are now some pressures starting to emerge. In the first five months of 2023, merchandise exports were 5.5 per cent lower than the equivalent period in 2022. The weakness is concentrated in the Chemical and Pharmaceutical sector, where exports are down by 6.2 per cent, with the main weakness in the US market.
- The public finances are relatively strong. An Exchequer surplus of €258 million was recorded in the first half of the year. This compares with a surplus of €4.2 billion in the same period last year, with the reduction in the surplus due to the transfer of €4 billion to the National Reserve Fund (NRF) in February this year. Tax revenue buoyancy continued to characterise the public finances in the first half of the year. Tax receipts totalling €40.9 billion were collected to end-June, ahead of the same period of last year by €4 billion or 10.9 per cent. This was driven primarily by strong growth in income tax, VAT, and corporation tax. This is consistent with the trend of recent years and is indicative of the underlying strength of the economy and the labour market.
- The challenges facing Ireland's FDI attractiveness need to be kept in focus as a matter of priority. These include the cost and availability of housing for rental and ownership purposes; the quality of public services such as health and education; investment in water and wastewater infrastructure; increased investment in alternative energy, particularly offshore wind; the general costs of doing business; and strong investment in education and training, to ensure that Ireland can continue to provide investors with a well-educated and highly skilled workforce. Ireland's corporation tax advantage will be somewhat reduced by the impending OECD-driven corporation tax changes, so it is essential to address the non-tax elements of Ireland's FDI offering.

Budget 2024 is being framed against a background of an economy that is operating at, or even beyond, its maximum sustainable capacity. The upcoming budget will therefore have to achieve a balance between the desire to provide additional public services and support living standards in an economy where some are struggling, and on the other hand avoiding stoking excess demand and more intense inflationary pressures in an already high-inflation economy. It is also important that the budget should implement policies that would improve regional economic growth and development, which is stated Government policy.

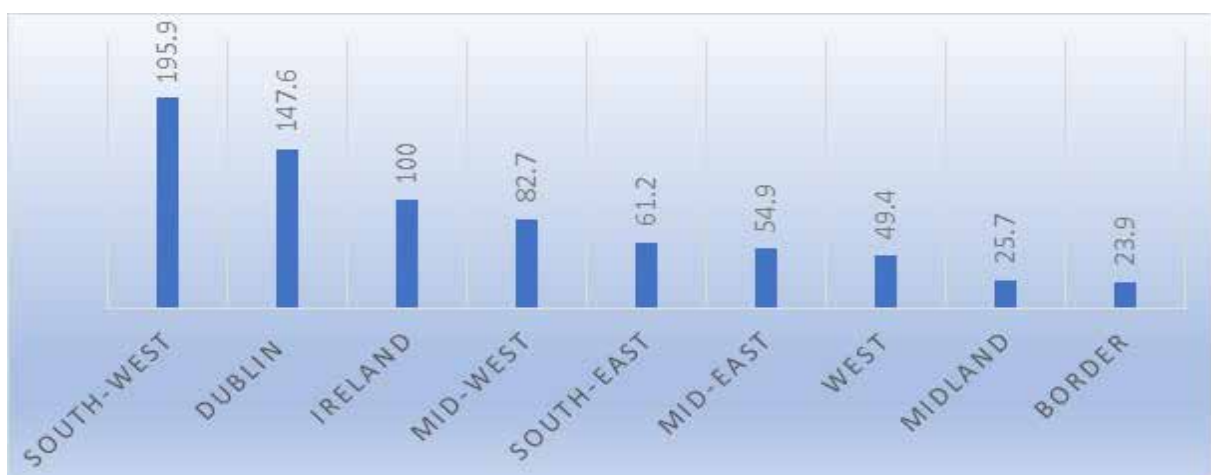


WATERFORD AND THE SOUTH-EAST REGION – A BRIEF ECONOMIC PROFILE

The focus of this budget submission is on Waterford and the South-East, which is totally consistent with official policy to achieved stronger and more balanced regional economic growth and development. The economic performance of the South-East region has improved recent years, but it is still lagging considerably the stronger performing regions.

The imperative for implementing policies that promote more stronger and more balanced economic growth and development is clear. In 2021, CSO data show that Gross Value Added (GVA) per person in the South-East region is 38.8 per cent lower than the national average.

Figure 1: Index of Gross Value Added (GVA) per Person by Region (2021)



Source: CSO



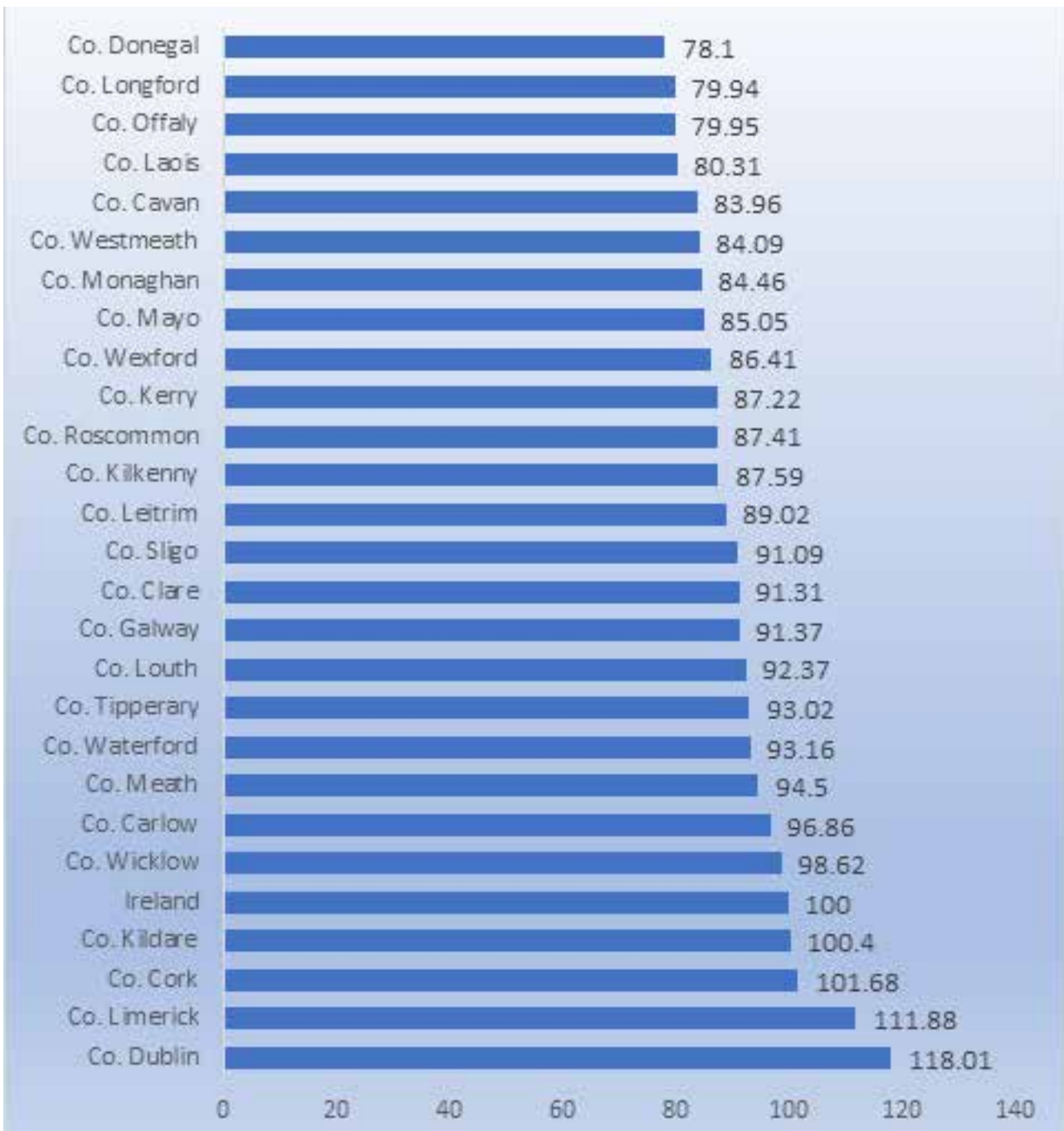
Figure 2: Index of Disposable Income per Person by Region (2020)



Source: CSO PxStat

Figure 2 shows disposable income per person on a regional basis. The South-East region is 10 per cent lower than the national average and 23.4 per cent lower than the highest region, Dublin.

Figure 3: Index of Disposable Income per Person by County (2021)



Source: CSO PxStat

Figure 3 shows the index of disposable income per person on a county basis. County Waterford is 6.8 per cent lower than the national average, and 21 per cent lower than the highest county, Dublin. Census 2022 shows that County Waterford had a population of 127,363. This is 25.4 per cent higher than Census 2002. The national growth in population over that period was 31.4 per cent. Waterford City and suburbs had a population of 60,800 in 2022.



PROPOSALS FOR BUDGET 2024

The basis for this pre-budget submission is to address issues that have the potential to improve the economic and social profile of the capital city of the South-East region, Waterford, which in turn would benefit the profile of the overall region.

Two recent reports from EY ^[1] and RIKON ^[2] highlighted the opportunities and challenges facing Waterford.

The reports point out that Waterford is a key hub for the regional and national economies and acts as an important centre for enterprise and employment. Provisional data for Census 2022 show the city population has reached 60,800, well ahead of the projections in the Waterford Metropolitan Area Strategic Plan. EY is projecting a city population of 87,000 by 2040. Such population growth will require new jobs, new homes, cultural and social amenities, enhanced regional connectivity and improved environmental sustainability.

The objective is to create a city and region where businesses seek to create employment, and where people want to live, work, and socialise. To achieve its potential, Waterford will require proactive assistance from Government, and Budget 2024 offers a significant opportunity to accelerate the development of the city and the region.

The context for this submission and for the future development of Waterford and the South-East is the National Development Plan (NDP). As part of Project Ireland 2040 the NDP set out the Government's over-arching investment strategy and budget for the period 2021-2030. It is an ambitious plan that balances the significant demand for public investment across all sectors and regions of Ireland with a major focus on improving the delivery of infrastructure projects to ensure speed of delivery and value for money.

[1] Waterford – A university City: The Opportunity to create a vibrant city centre, 20th January 2023

[2] Waterford 2040, Regional City of Scale, 2023

The National Planning Framework (NPF) established medium-long-term targets for population growth to 2040 as follows:

- 25 per cent is planned for Dublin, balanced to recognise its role as a key international and global city of scale and principal economic driver.
- 25 per cent across the other four cities combined (Cork, Limerick, Galway, and Waterford), enabling all four to significantly grow their population and jobs by 50-60 per cent, and become cities of greater scale. The minimum population target for Waterford City is 80,000 by 2040.

The population and employment target for Waterford is ambitious, but realisable. However, to achieve success it will be essential for Government to be very pro-active in the region. Strong intervention will be required in relation to the regeneration of the city centre; the provision of adequate housing; a healthcare offering that is top quality and of sufficient scale to accommodate a growing population; stronger connectivity; the development of SETU as a driver of regional economic activity; and the enhancement of the tourism offering.

This pre-budget submission addresses seven policy priorities, some of which relate directly to Waterford and others which are relevant at a national level.

The priorities which we believe should be addressed are:

1. Creating a vibrant city centre.
2. Ensuring that SETU is given the necessary support to become the key driver of the Waterford economy and the South-East region in general.
3. Enabling the Port of Waterford to make a stronger contribution to Irish external trade in general and to the economy of the South-East in particular.
4. Ensure that the provision of healthcare in Waterford and the South-East is upgraded.
5. Promoting the development of Waterford Airport.
6. Addressing the housing needs of the city and the region.
7. Ensuring that the tourism product in Waterford is enhanced to the greatest extent possible.



1. A VIBRANT CITY CENTRE

The creation of a vibrant city centre experience in Waterford is essential, particularly given the significant number of vacant and derelict properties in the city centre now. From the perspective of retail vibrancy in the city; attracting talent to the city; attracting tourism; attracting investment of all sorts; and for attracting students to SETU; it is essential to create a cityscape environment where people want to live; where people want to work; and where people want to socialise. As with many aspects of change and development, taxation and regulation can play a key role in achieving targeted objectives.

With the growth of hybrid working in the post-Covid environment and with the ongoing growth in online retail, it seems likely that there will be reduced demand for office and retail space. In its pre-budget submission, Deloitte has argued for tax incentives and support to change the use of property from non-residential to residential. It proposes that there should be a full refund of stamp duty where sites or developed property designated for non-residential use are transformed for residential use. Waterford Chamber supports this proposal and believes that it could have a significant and very positive impact on vacant office and retail space in Waterford.

Chambers Ireland has argued that long-term vacancy and dereliction are ‘acts of vandalism against communities.’ Government needs to become more pro-active in addressing this issue. A register of vacant and derelict buildings needs to be developed, and strong measures taken to ensure that these buildings are turned into residential accommodation as quickly as possible.

2. ENABLING SETU TO BECOME A KEY DRIVER OF THE SOUTH-EAST

The South-East Technological University (SETU) was formally established on 1st May 2022 when Waterford IT and IT Carlow were amalgamated. It has long been argued that the creation of a university in the South-East is essential for the economic and social development of a region that has under-performed for many years. This theory will be tested over the coming years, but the potential contribution from what is now the only university in the region is significant.

However, the new educational entity will have to evolve and grow over the coming years in terms of course offerings and student numbers to succeed in what is a very competitive marketplace. The introduction of a broader range of courses and disciplines will have to be a key part of the transition process.

It is essential that the change of designation is not just a name change, but that an educational centre of excellence will be created. The NDP is quite specific that TUs will have a key role to play in driving the rebalancing of regional growth and development, as envisaged in the NPF. Investments in the new and planned multi-campus TUs will 'strengthen their role as anchors of enterprise, will further develop research and innovation capabilities that are aligned with regional specialisation, and will help attract and retain talent in the regions.'

Proper investment in SETU will provide more opportunities for individuals and industry in the South-East.

SETU will need to focus on enhancing educational provision to retain students and to attract those from outside the region. The SETU application to the HEA to establish a new Bachelor of Veterinary Medicine Degree (MVB) highlights evidence of regional outward migration to take this discipline. SETU's strategic plan necessitates expanding the range of programmes made available by the university, extending its reach into new disciplines or disciplines adjacent to existing activity, to function as a stronger magnet for regional talent.

To realise and the maximise the full potential of SETU as a driver of economic growth in the region, it is essential that Government makes available exceptional and significant support to SETU.

Significant capital investment is required to develop the former Waterford Crystal site to create a new Education-Enterprise Quarter; to refurbish the existing buildings to bring them up to the necessary standards for the delivery of the various programmes and to improve energy efficiency; to develop additional laboratory space to accommodate the anticipated pharmacy students; and to deliver the Engineering building under Bundle 2 of the current PPP scheme.

Significant funding will be required to achieve all the objectives. The funding will have to come from SETU borrowing, from the Exchequer and from philanthropic giving.

The role of philanthropy in the TU sector needs to be developed. There are many reasons why philanthropists donate money, but it is accepted that taxation and financial incentives have an impact on encouraging philanthropists to donate. Fiscal measures should be explored in designing a national policy aimed at increasing the level of philanthropic giving.

3. PORT OF WATERFORD

Port of Waterford is the closest Irish Bulk Port to mainland Europe. The Port is an essential part of the economic infrastructure in the South-East region. It is situated in a very strategic location and has reasonable access via roads and rail to many parts of the country. This sets the Port up as an important driver and facilitator of economic activity in the region and beyond. However, the potential to ensure that the Port makes an even more significant contribution to the regional economy is significant.

In the context of Brexit, the role of ports in the South-East is becoming more important for the regional and national economy. Hauliers are increasingly seeking to avoid the UK land bridge and ship goods directly to and from continental Europe. Port of Waterford is well placed to play an important role in this context and can assume a more significant role in the external trade activities of the Irish economy and act as a more significant trading hub for North-West Europe/ Channel ports.

Table 1 shows the total tonnage of goods handled by Irish ports in 2022. Port of Waterford accounted for 3.8 per cent of the total. This is up from 2.6 per cent in 2017.

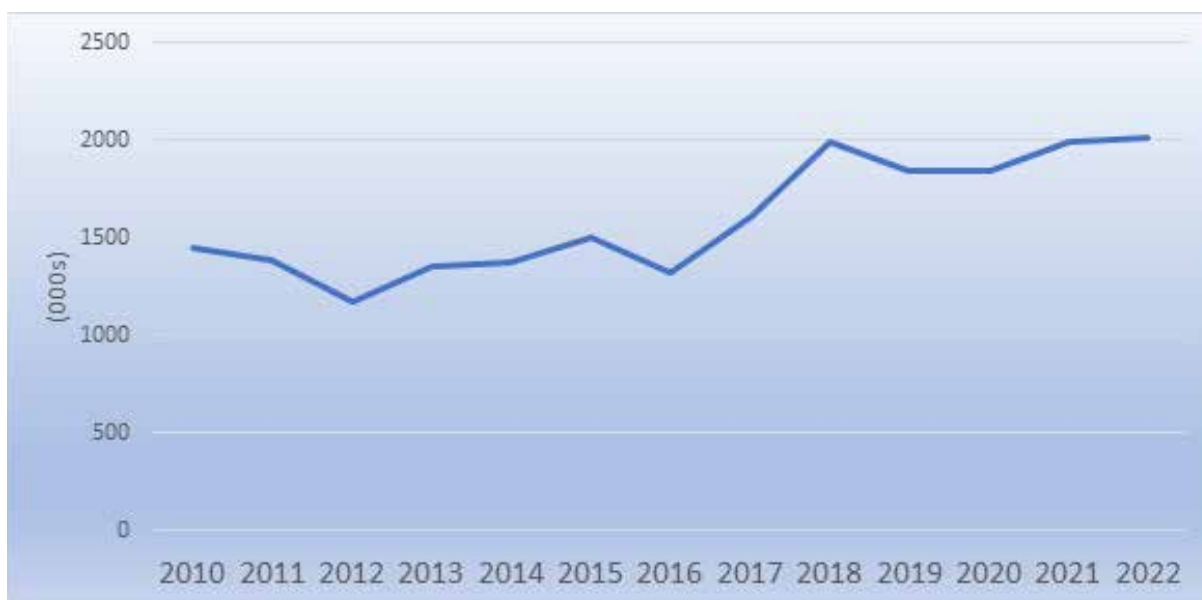
Table 1: Total Tonnage of Goods Handled by Irish Ports (2022)

PORT	GROSS TONNAGE (000)	% TOTAL
Bantry Bay	282	0.5%
Castletownbere	51	0.1%
Cork	9,148	17.2%
Drogheda	1,001	1.9%
Dublin	25,635	48.2%
Dundalk	63	0.1%
Galway	270	0.5%
Greenore	1,335	2.5%
Killybegs	63	0.1%
Kinsale	37	0.1%
New Ross	173	0.3%
Rosslare	3,057	5.8%
Shannon Foynes	9,819	18.5%
Sligo	32	0.1%
Tralee Fenit	24	0.1%
Waterford	2,010	3.8%
Wicklow	153	0.3%
Youghal	2	0.0%
Total	53,155	100.0%

Source: Statistics of Port Traffic 2022, CSO, 7th June 2023.

Between 2016 and 2022, the tonnage of goods handled at Port of Waterford increased by 51.7 per cent. Over the same period, the national total increased by just 4.8 per cent.

Figure 4: Total Tonnage of Goods Handled at Port of Waterford



Source: CSO PxStat

The development of offshore wind will have to play a key role in Ireland meeting its climate change targets. Ireland has strong advantages for renewable energy production due to its ideal geographical position for wind generation. The frequent and consistent winds Ireland experiences create potential for substantial wind energy production, particularly large-scale and offshore wind energy.

The potential for growth in renewable energy is very significant with a goal to establish 70 GW of capacity. Ireland should have an ambition to become an exporter of renewable energy in the years to come.

Port infrastructure will be essential in driving the growth of offshore wind energy. Port of Waterford is perfectly positioned to become a significant part of Ireland's offshore wind development, but significant investment will be required in the Port to handle wind energy components.

There are global examples of where this is happening. In the US, three ports have secured \$93.2 million through Port Infrastructure Development Grants for the development of projects aiming to serve the offshore wind industry. The Arthur Kill Offshore Wind Terminal Project on Staten Island has secured over \$48 million to fund the dredging of 740,000 cubic yards to create a 35-foot-deep ship basin to support the development of the adjacent 32-acre site as a purpose-built offshore wind staging and assembly facility. This facility will contain 32 acres of upland area, a 1,365-foot-long wharf with an adjacent laydown area that has enhanced load-bearing capacity, and two programme areas. In Scotland, Eyemouth Harbour is actively pursuing opportunities for diversification into the offshore wind industry.

Port of Waterford has the potential to become a gateway for offshore wind energy. Investment in connectivity will be crucial to drive the capacity of the Port. There will have to be investment in the road infrastructure, particularly an upgrading of the N24 to the Mid-West, and in the rail link from the South-East to the mid-West.

4. HEALTHCARE

An important element of the NDP is to deliver better health outcomes, with a specific reference to new acute ward blocks in Drogheda, Limerick, Tipperary, and Waterford.

The availability of a fully functioning healthcare system that has adequate capacity is an essential ingredient for the economic and social functioning of any region. Waterford currently lacks capacity, and this was highlighted in stark fashion in 2022, when the fire at Wexford hospital created serious problems for healthcare services in Waterford. In the context of the projected growth in population in Waterford and the wider region, it is essential that the inadequacies in the system are addressed immediately.

The population of Waterford city and county grew by over 9 per cent since the last census reflecting some of the highest population growth in the country. In addition, University Hospital Waterford is receiving patient referral from 10 different counties, and this reflects the increased multidisciplinary service and activity taking place at this hospital. To reflect this growth and service diversity we would ask for the following service provision planning to be supported in budget 2024:

- A planned increase in cardiac service personnel to deliver a 24/7 acute cardiac care service at UHW - at present the South-East remains the only region in the country without a 24/7 cardiac rescue service.
- Double the intensive care bed capacity in the hospital from the existing 6 ICU and 4 HDU beds which are largely inadequate to properly support the medical clinical and trauma activity this hospital is dealing with every day.
- Provide funding to place this hospital on a peer footing with the other eight model '4' hospitals in this country - many of these are dealing with a significantly smaller patient catchment.

The economic benefits of this investment would be totally consistent with government policy, which identifies Waterford as the economic gateway and driver of the South East region. The adult mental health facilities at University Hospital Waterford have been identified for a significant capital upgrade for many years and indeed an outline plan exists to develop a new adult mental health facility within the grounds of University Hospital Waterford. This capital project has been the subject of two grants each of €100,000 to develop design plans and the associated capital cost structure. The project has not received the go-ahead in the 2023 HSE capital development plan.

This mental health facility needs to be delivered as soon as possible so that those working in the service can be supported to the greatest possible degree. At present issues with the existing unit, which was a remodified part of the hospital, have made the working environment difficult and as a result staff turnover and recruitment is a significant problem within this service.

No capital development has been funded in the plan for the UHW acute campus. This is strange, given the €650 million euro capital allocation to the other eight model four hospitals in the country. It is the case that critical capital infrastructure has been requested by UHW management for several years. In Budget 2024, the Minister should ensure that provision is made to ring fence development monies for this much needed public health support for the people of Waterford and the South-East.



5. WATERFORD AIRPORT

Waterford Chamber welcomes the ongoing support of Government for the development of Waterford Airport. The plan to extend the existing runway to cater for passenger jet traffic including Boeing 737 and Airbus A320 aircraft is essential for the future of the airport. This would significantly improve tourism and business connectivity in the South-East region.

In general terms, it is very clear and widely accepted that the development of Ireland's airports is critical to enhancing the country's international connectivity and thus to meeting the needs of business, tourism, education and other sectors. As an island nation, improving our aviation infrastructure, including our airports, enhances our global position and supports national economic development. At this time, moreover, ease of access is critical to the attractiveness of Ireland when it comes to international talent. Our members advise us that every effort must be taken to enhance and sustain the attractiveness of Ireland to talent, including continuing to enhance our connectivity.

Crucially, the development specifically of our regional airports is a key enabler for regional development. Given the priorities set out in the National Development Plan, the development of regional aviation infrastructure must remain a pillar of national policy when it comes to balanced and equitable regional growth. Certainly, the members of Waterford Chamber see the further development of Waterford airport as essential to realising the growth potential of their businesses and to enhancing overall the proposition of the South East when it comes to business, enterprise, and tourism. We hold strongly to the view that the airport has a critical role to play in the future development of the South East, the Southern region, and the country as a whole and, as the only airport in the South East, and the airport adjacent to a nominated growth centre, it must feature prominently in future aviation policy.

When it comes to growth, Waterford Chamber has recently published an independent report that firmly establishes the city as having significant growth potential. The region is Ireland's largest city region with 635,000 persons within a 60-minute catchment and Waterford has Ireland's fastest growing city population. We are Ireland's fastest growing city region in terms of GVA per capita (244% since 2001) and—of great relevance when it comes to connectivity—Waterford City took 2nd place of European Cities, and the South East of Ireland topped, the Small Regions of the Future 2022/23 for FDI strategy, notwithstanding the lack of a fully-functioning regional airport. With regard to Tourism, we highlight an opportunity for double-digit growth, with city and county tourism spend to top €393 million by 2040 in our projections. Overseas visitor numbers are expected to grow at a rate of 9% per year. A fully-functioning airport is essential to realise this potential.

6. HOUSING

Like many parts of the country, there is an acute lack of housing for ownership and rental purposes in Waterford. There is a problem in accommodating the current population, but with the population growth projected in Waterford City over the coming years, which is a target outlined in the NDP, the housing crisis will become more acute and will act as a serious impediment to future economic growth and development. This problem must be addressed now as a matter of national and local priority.

It is important to remember that there are three components of the housing market that need to be addressed – social and affordable housing, owner occupier housing and the rental sector. All three need to be given due attention. Much of the political discourse tends to focus on the former. A more holistic approach is required – all three segments of the market need to be addressed.

The Rental Sector

In relation to the rental segment of the housing market, Waterford has an acute shortage of rental accommodation. This is not good for future employment creation, but it is of particular concern for the future growth and development of SETU. Without adequate and affordable student accommodation, the growth of SETU will be curtailed, both for domestic students and the lucrative overseas student cohort.

Student accommodation is a particular issue in Waterford. Funding must be facilitated for SETU to deliver student accommodation, as student demand is just serving to exacerbate the problems in the private rented sector.

A national trend of private landlords exiting the private rental market has become established at a national level over the past five years. Waterford is no exception to this national trend. Changes to the taxation of private landlords and the regulatory burden they face will have to be addressed to arrest the exit of private landlords from the market and to attract new landlords into the market.

In its pre-budget submission Deloitte has made several suggestions that Waterford Chamber agrees with. Specifically,

- The introduction of a two-tiered system of taxation for private landlords, where the net rental income in Band 1 is taxed at the reduced rate of tax, with the balance subject to tax at the marginal rate. This would be like the income tax regime.
- Genuine letting activity costs should be treated as fully deductible expenses for tax purposes.
- Capital allowances should be deductible for USC purposes up to and including the 8 per cent threshold.
- The treatment of rental losses in a personal capacity should be allowable against other income or carried back to a previous year.



Residential Accommodation

Increasing housing supply must be a national priority. Waterford Chamber is suggesting some initiatives that would help the quick delivery of residential accommodation.

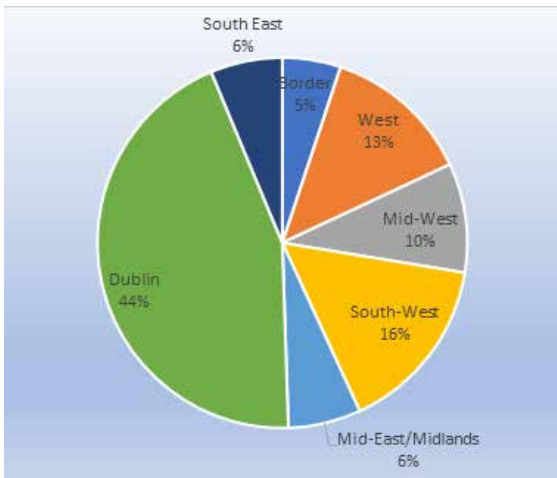
Housing is the most significant economic and social challenge facing Ireland now. Housing needs to be treated as a national emergency, in the same way as Covid-19 was. A national emergency requires an emergency response. Waterford Chamber believes that the following suggestions should be considered to address housing supply:

- Planning delays are a significant constraint on the delivery of residential accommodation. Chambers Ireland has recommended that within the courts, the Environment and Planning court needs to be commenced as a matter of urgency. It also recommends that An Bord Pleanála needs to be carefully monitored to ensure that it does not strategically use technical reasons for invalidating proposals. It is essential that An Bord Pleanála is properly resourced and that the local authorities are properly resourced to speed up the planning process and increase housing supply. In its Budget 2024 submission, the CIF has also highlighted the imperative to ensure that administrative capacity constraints in the planning system, including local authorities and An Bord Pleanála need to be addressed.
- Public lands need to be freed up for residential development.
- Uisce Eireann needs to be properly resourced to ensure that long delays in the connection of water supply do not delay delivery. Likewise with the connection of electricity supply.
- The cost of housing delivery is a major constraint on the viability of development now. Labour costs, material costs and taxation all add significantly to the cost of delivery. This is being exacerbated by the sharp increase in ECB interest rates and bond yields over the past year. CIF has recommended that the recently introduced EU Vat Directive should be examined to investigate if housing could be deemed to fall within the scope of application of the super reduced rate of VAT between zero and 5 per cent, which is allowed within the Directive. The concept of 'a statement of fair value' that would be agreed to by the developer could help ensure that the reduced VAT rate is passed on to the house buyer.
- Development funding is a major problem for developers now. The cost and availability of capital is a significant issue. Given the projected surpluses in the Exchequer finances and the crisis nature of the housing issue, the State could consider subsidising the cost of credit for developers. Such a suggestion would be politically difficult, but during a national emergency, all options should be considered.

7. TOURISM

Tourism is an important part of the local economy in Waterford. The success of the Waterford Greenway gives a clear indication of the potential for tourism in the region. The South-East accounted for 6 per cent of overseas visitors to Ireland in 2019.

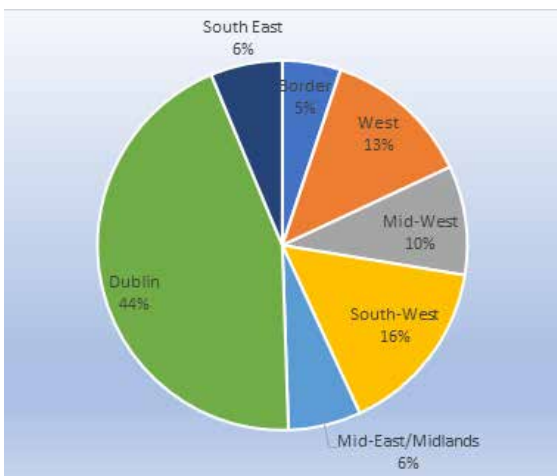
Figure 5: Regional Breakdown of Overseas Visitors (2019)



Source: Fáilte Ireland

The South-East accounted for 14 per cent of visitors from the Island of Ireland in 2019.

Figure 6: Regional Breakdown of Visitors from the Island of Ireland



Source: Fáilte Ireland



Faillte Ireland has a strong strategic objective to growth tourism in Ireland's Ancient East, and the Waterford region can make a significant contribution to the future growth of this important tourism brand.

One of the deficiencies in the tourism offering of the Waterford region is the lack of accommodation. Branded hotel names do not operate in Waterford.

There is a serious tourism accommodation supply issue in Ireland, particularly in the regions, with over 3,000 additional bedrooms required to meet demand and allow the tourism economy to fulfil its potential. The removal of hotel beds to accommodate Government contracts has exacerbated the situation. The high-risk scenario is that when Government contracts end, there will be a further reduction in the stock of accommodation, particularly in the regions.

If Government wants to address this problem, it will have to introduce various incentives/tax breaks to encourage new development in targeted areas. Without such interventions, the lack of viability will prevent an increase in accommodation from occurring.

Based on the identification of areas where there is a requirement to increase accommodation, specific area-based incentives could be considered. These incentives could take the form of a tourism-based EIS scheme; a 10-year holiday from commercial rates; or some form of specific grant funding.

The cost of new hotel build is very high, but for some operators, there may be potential to add more hotel rooms by allowing development in adjoining properties. The current regulatory environment makes this very difficult. Changes to the regulatory/legislative environment to allow expansion to adjoining premises in streetscapes would be effective in bringing alternative additional accommodation on stream. This would also address the issue of derelict/empty commercial properties.

For hotels with the requisite grounds, the promotion of the development of eco-pods would provide considerable accommodation, particularly during the warmer weather peak tourism season. Hotels with adequate grounds would also benefit from capital allowances for the construction of much needed staff accommodation.

[1] Waterford – A university City: The Opportunity to create a vibrant city centre, 20th January 2023

[2] Waterford 2040, Regional City of Scale, 2023



Waterford
Chamber
Advancing business together

Established in 1787, Waterford Chamber is the leading business representative organisation in Waterford with a membership of over 550 businesses. The Chamber represents the interests of its members and actively contributes to the economic development of Waterford City and County.

MISSION

To be the 'The Voice of Business' in Waterford dedicated to supporting, promoting and advocating for our members while being the catalyst for creating a vibrant and sustainable economy.

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