

## **About Dublin Town**

Dublin Town is Dublin city centre's Business Improvement District. It is a collective of 2,500 businesses based between Parnell Street and Stephen's Green in the city's commercial core. These businesses employ approximately 60,000 employees and have a collective turnover in the region of €3bn annually.

## **Context for Budget 2019**

Ireland's recovery from the economic crash of 2008 has been extraordinary and has almost universally exceeded expectations. Achieving this remarkable turnaround required a major national effort and focus, where all sectors of society played their part. 10 years on from the crash we can now once again consider our priorities and plan for our future.

However, it would be naive to believe that we have escaped the economic meltdown completely unscathed. Capital investment in Ireland which has historically run at significantly lower levels than our competitor countries slowed to a trickle during the period of readjustment leaving us with very serious infrastructural deficits, which if not addressed will seriously hamper our ability to compete in the coming years.

In addition the state took on a very significant level of unproductive debt during this time. The Irish tax base remains too narrow and is overly reliant on a small number of foreign owned enterprises operating in Ireland, which in itself creates a degree of vulnerability. Taken together these factors limit our options, while we must be mindful that poor decision making and choices will be severely punished.

Therefore, Budget 2019 along with budgets for the foreseeable future will have to be framed prudently. Any alterations to tax incidence and rates together with all expenditure decisions will have to be made very carefully. Within these constraints, however, our chronic infrastructural deficits dictate that priority must be given to capital rather than day to day spending.

Coupled with our own economic vulnerabilities, the external environment, too, is somewhat uncertain. Brexit and the uncertainties of a Trump presidency give pause for thought. In addition, the technological revolution is causing fundamental changes in how people live and how they choose to spend their money, with significant resultant economic impacts. While commentators have recognised that these changes are afoot, there has been little consideration of what they will mean for a small open economy like Ireland and how we can best adjust to this new paradigm.

Throughout the western world, and Dublin is no exception, we are seeing fundamental change in how people are engaging with towns and cities. The pillars which have underpinned city economic activity for the past 150 years are now subject to sudden and very dramatic change.

On-line retail is growing exponentially. In the UK, it has been reported that 18% of non-food retail is now conducted on line. Ireland follows close behind. Dublin Town consumer surveys show that customers are on average increasing their on-line purchases by 40% growth per annum. 70% of these sales are going to sellers based abroad. Given these trends it can be expected that many retailers, both large and small will face increased challenges to maintain their current bricks and mortar position in our towns, cities and shopping malls over the coming 5 to ten years. It has been predicted that 25% of all North American suburban shopping malls will close by 2025. There have also been prominent closures and profit warnings from UK based retailers, many of whom have a significant presence in Ireland. It must be borne in mind that this is at a time when both US and UK economies are still declaring economic growth and strong employment figures, usually factors that result in retail growth.

## Dublin city centre's economic performance

As noted Dublin is not immune from emerging trends. Despite a return to economic growth and dramatic increases in employment, 2018 has seen the first decline in Dublin city footfall since 2011. To the end of July 2018 footfall trailed 2017 levels by 2.7%. Most of the city's retailers are reporting similar declines in sales. Reductions in turnover reported to Dublin Town generally range between 2.5% and 5%. We understand from anecdotal feedback that other retail destinations are having similar experiences.

The on-line trend is accelerating. By 2025 we can expect 25% of non-food retail to be conducted on-line. This has the potential to render many retailers who have failed to establish a working on-line presence non-viable.

### Recommendation

**The time has come to re-examine the standard VAT rate of 23%. This rate was introduced as a temporary measure during the downturn but with Brexit looming and with the ability of customers to buy anything they want on-line, it is time to consider reducing this headline rate back to into line with our competitor countries. The UK headline rate is 20%, a rate that is common in Europe. We must set out a path to re-establishing a rate of 20% as the Irish headline rate. This could be achieved through a reduction of 1% per annum over 3 years.**

**We also need to invest in our retailers. Retailers, particularly smaller family owned enterprises, need to be encouraged to establish viable on-line sales channels through programmes of education and training and practical IT supports.**

## Investing in the sustainability of our towns and cities

Despite the growth in on-line sales, retail will remain a vital element of the city mix. It is likely that it will remain the most significant land use in Dublin and other urban centres. People will still shop on their trip to our towns and cities, while the presence of office based staff will continue to provide opportunities for city retailers. However, the nature of retail will change and the challenges of maintaining a strong retail presence on the high street is a matter that is exercising the minds of place managers internationally.

The general wisdom is that retail will become increasingly experiential. It will form one of the attractions and things to do while in a city. Retailers will have to adapt their business models to survive and thrive in these changed circumstances. This is likely to result in later opening hours (in consumer surveys Dubliners have expressed their interest in shopping after their office day is complete and their frustration that many retailers close at the same time as they complete their working day). Internationally retailers are opening their premises to new experiences. For example we are seeing cafes opening within bookshops and department stores devoting more prominent space to higher quality restaurants while they steadily evolve into places of leisure and entertainment as the day progresses. Irish planners will need to consider these evolving uses as well as later evening and night uses in deciding on planning applications. The increase in evening and night time urban uses will have implications for how public services (and in particular Gardaí, emergency services and local authority service providers) are deployed and the levels of total provision required.

### ***Importance of the discipline of place management***

Ireland came late to the development of out of town shopping centres and therefore came late to the emerging discipline of Place Management and important role initiatives such as Business Improvement Districts play in sustaining and growing urban economies. The discipline is still very much underdeveloped in Ireland. However, 20 Irish Towns have taken up membership of the

Association of Town and City Management (ATCM) through the Purple Flag process while a small number of professionals within the sector have joined the Manchester University based Institute of Place Management.

The development of place management skills and increasing role for business people within town and city management could once have been described as beneficial but is now better described as essential. There are a number of international models for establishing more formal engagement between the business community and relevant public sector town and city stakeholders. Promoting good practice in this regard may very well determine the success or otherwise of Irish towns and cities in rapidly changing circumstances.

Business Improvement Districts have an internationally proven track record as one of the most successful ways that effective place management can be achieved with both public and private sector involvement. However, it would be churlish not to recognise the opposition that certain interests have to the development of the BID concept in Ireland. However, it is equally worth noting that none of these parties has offered an economic analysis of the future of town centres or solutions to how challenges can be addressed. Business representative groups who have actively considered town and city development have publicly supported the BID concept. It must also be recognised that BID's can generate not insignificant budgets to address business needs which are key to maintaining town and city vibrancy and vitality.

One of BID's key strengths is that they bring various businesses from different backgrounds together in one organisation aimed at improving trade and the business environment within a particular location. As businesses increasingly come to rely on each other as part of the overall town experience, this aspect of BID activity will become increasingly important for town centre development. Also, at a time of increasingly complex change, business survival will rely on quick responses and adaptations. BID's are best placed to meet these challenges.

#### **Recommendation**

**The legislation underpinning BID's in Ireland could be strengthened. Changes that would facilitate the creation and development of BID's would include:**

- **The ability of BID to exclude very small businesses whose contribution is not efficient to collect; allowing such businesses to opt in where they so choose**
- **The ability to exclude smaller service based businesses, allowing such businesses to opt in where they so choose.**
- **The ability to cap the contributions from larger businesses**
- **The ability to alter BID boundaries on renewal**
- **The consideration of property owner BID's which would comprise property owners interested in taking a longer term perspective on the future shape and infrastructure of our towns and cities. London has a functioning example of such a property owner BID.**

## The Hospitality Sector

Dublin's hospitality sector is performing well. Most bars, restaurants and cafés are reporting increased sales. However, they are also reporting that the increases in their income are being more than matched in rapidly rising core costs. Staff being priced out of their current accommodation seek pay rises to meet their accommodation needs.

In recent years, given changes in trading conditions, Dublin city has seen a large number of change of use planning applications from retail to restaurant use. However, it must be borne in mind that restaurants operate differently to retail outlets and traditionally have had a lower profit per square foot than retailers. This is due to the fact that restaurants have shorter opening times and must also devote a large portion of available space to kitchen use. It is important that all concerned recognise this important distinction.

### Recommendation

**At a time of rapidly increasing costs for the hospitality sector and given the uncertainties relating to Brexit and what that may mean for the hospitality sector, this is not a time to change the 9% VAT regime. Before any such decision is contemplated we need to consider developments. Ireland's towns and cities need an engine of sustained growth and employment. The tourism and hospitality sectors offer that opportunity.**

## The need to invest in Dublin's infrastructure

It is impossible to overstate the importance of Dublin's economy to the national economy. The levels of employment and tax generation in Dublin are well documented. As the Dublin economy grows it will continue to attract talented people from the rest of Ireland and abroad. However, Dublin's infrastructure is beyond breaking in terms of housing, transport and water. If not addressed these restrictions will place a severe barrier to growth and development which will cost Ireland dearly.

There will be calls to transfer Dublin's economic performance to other locations in Ireland but such calls miss the point. Dublin is Ireland's only city of international scale. It stands alone. Dublin competes with Barcelona, Copenhagen and Amsterdam not Cork, Galway or Sligo. There is no merit in holding Dublin back rather its growth and development needs to be nurtured and fostered for the benefit of the entire country.

## Housing

The population of Dublin will increase. We need to not only plan but more importantly build to meet these needs. This requires capital investment in both housing and our transport infrastructure. Dublin needs apartment development that meets family needs. Unrealistic height restrictions are only adding to the cost of housing and contributing to inevitable homelessness. We need to develop brown field sites and increase residential density significantly. The village of Dundrum is an example of where this is being done successfully. The availability of Luas together with investment in amenities, recreation has facilitated a substantial increase in population which is housed in new high density apartment accommodation. There has been achieved with no tension with the pre-existing population in an area that would have been considered well developed. There is no reason why similar development cannot happen in other parts of the city. When the Luas Green line is upgraded to a metro, the resulting doubling of transport capacity will allow for even greater population density along this route, facilitating further residential development with quick, reliable and efficient access to the city centre.

The development of brown field sites which already have schools, sports and recreational facilities, makes far more sense than continuous building on greenfield sites that then require basic social infrastructure and are lacking in public transport. Where there are private sector failures to construct this accommodation, there is a need for public sector intervention through the Local Authority system.

An examination of the City Living Initiative with Dublin city centre property owners may well assist in bringing unutilised space within the city back into residential use. At present many property owners cite conflicts between heritage and health and safety requirements as barriers to development. There may also be merit in facilitating the combining of upper stories of different premises to create commercially viable residential accommodation. The way forward may see the relaxing of conservation measures to allow currently vacant or under-utilised space to be brought back into productive residential use.

The use of higher density units would allow for much needed office accommodation to be brought on stream.

We also need to make our town and city centres districts where people wish to live. It is likely that city centre space will become available for new uses in the coming years and it makes sense for retailers, leisure and hospitality businesses to have customers at their door steps. To achieve this, we need to reconsider residential development along under-utilised lane ways and also in conjunction with city living initiatives. Internationally there is a flow of people back into town and city centres to live. People will want to replicate this trend in Dublin and we also need to find appropriate locations to house our growing population. It makes sense to consider how this can be achieved in Dublin.

#### **Recommendation**

**Dublin City Centre property owners should be consulted to assess how we can best make the Living City Initiative work. This may require consideration of current conservation requirements. It may also be necessary to facilitate the consolidation of the upper stories of a number of premises to create commercially viable units.**

**The height restriction operating in Dublin requires reconsideration.**

**Brown field sites should be developed, creating higher density family friendly accommodation.**

#### **Transport Infrastructure**

Approximately 300,000 people visit Dublin City Centre each day. They give rise to approximately 450,000 pedestrian movements in the city core. As the city population and its economy grows, so too will the number of people making the daily commute to the city centre. We cannot accommodate this number of passenger movements above ground unless we knock down buildings to build wider roads. Dublin Town certainly does not recommend this as a viable option. Dublin Town while supporting the Bus Connects concept does not believe that Bus Rapid Transit provides an appropriate solution. The scheme will require the displacement of necessary vehicles on already crowded roads. The difficulty in accommodating buses, Luas, cyclists, taxis and pedestrians within College Green (private cars have already been banned from the area between 7 am & 7 Pm) demonstrates the need for us to accommodate more of our travelling public underground.

The Metro North project must go ahead without delay. Metro North allows for 15,000 passenger movements per direction per hour, the Luas allows for c.7,200 passenger movements per direction per hour, while Bus Rapid Transit allows for 3,500. To carry 300,000 people each day efficiently we need to go underground.

Allied to the required investment in Metro, Dublin urgently needs DART Underground to progress. Dublin cannot afford to wait until after 2030 for this investment. DART Underground would allow for 20,000 passengers per direction per hour itself but also very importantly would facilitate greater connectivity between modes of transport.

It is accepted that we must reduce the number of cars on the city centre roads to avoid congestion and in developing traffic strategies for the city, we must differentiate between commuter traffic and shopping/leisure traffic. People who visit the city for Shopping/leisure activities have options. If it is made to difficult for them to visit the city they will take their custom elsewhere including on-line and to foreign retailers.

Dublin's congestion is primarily at rush hour when it is caused by commuter traffic. Yet off peak leisure traffic is being severely restricted. In this context it is important to note that Grafton Streets footfall fell on the initiation of the 12 hour bus gate on College Green in 2015 and has never recovered.

Commuter and leisure traffic issues should be disentangled. We believe that in order to reduce commuter traffic, there should be a reduction in the availability of free car parking spaces at work places. A scheme was introduced in Nottingham whereby employers who provide car parking places must pay a levy, which can be met by either the employer or employee. The level of free parking provided by public sector employers to its employees is 85% of the level of car parking spaces available to the general public. The public sector spaces result primarily in peak period traffic, while the public spaces result primarily in off peak use. We believe that the state has a responsibility in this matter and should address the level of free parking provided to its employees. Policy decisions made by the public sector, providing free car parking to its employees, are costing private sector jobs.

#### **Recommendation**

**Dublin must invest in underground public transport. Metro North must proceed without delay and DART Underground must also proceed. 300,000 people come to Dublin city centre each day. These numbers can only be accommodated efficiently through the development of Underground options.**

**Commuter and leisure traffic must be differentiated from each other. Dublin's traffic difficulties are caused at peak times by commuters, who are often provided with free car parking within the city. Employers, whether in public or private sectors who provide parking should pay a levy, the cost of which may be passed onto their employees.**

#### **Water**

98% of the water produced for Dublin is consumed on a daily basis. This is unsustainable. Dublin's economic and social development is dependent on our investment in our water infrastructure. If Irish Water is denied the ability to raise the revenue required to meet the city's water then the state must provide the funds to make the necessary investments. We must increase water supply but more importantly replace obsolete and leaking pipes.

The business community has always paid for its water use but because this money has not been used to make the appropriate investment in infrastructure it finds its water supply to be unreliable. No business can operate without water. The knife edge balancing of our water supply has led to reduced

or withdrawn water supply on far too many occasions in recent years. This situation simply must be addressed without further delay.

**Recommendation**

**Urgent capital investment is required in our water infrastructure. This can be achieved through facilitating Irish Water to raise the funds required or through direct investment by the State.**

**Investment in People**

The greatest barrier to the development of Dublin's hospitality sector is the lack of appropriate staff. While attempts have been made to encourage staff from abroad to take up employment opportunities in Dublin it is proving extraordinarily difficult to find accommodation for such staff and where it is found it is prohibitively expensive. Employers are finding that is not economically feasible to employ staff who require €1,500 post tax income per month to meet their accommodation needs in the city. This equates to €18,000 post tax income. This is simply unsustainable and needs to be addressed through the provision of housing, whether delivered through the private or public sectors.

It is also vital for the development of a balanced economy that school leavers should be encouraged to consider trades. There are skills shortages in construction and indeed hospitality while we maintain a social bias for office based employment and college education over vocational training. There is a need for the state to promote employment opportunities where they exist now and are likely to do so in the future. There is also a need for state agencies such as Solas to engage more closely with the industry to understand the industry's needs and to adapt programmes to meet the needs of employers. Businesses in Dublin city centre's hospitality trade believe that adequate engagement with employers is not taking place and that preference is being given public sector training providers rather than designing opportunities for sustainable employment.

**Recommendation**

**There is a need to place a renewed emphasis on vocational training. School leavers should be encouraged to consider employment opportunities that exist. Formal engagement between schools and potential employers should be considered, particularly in in districts with high levels of unemployment and early school leaving.**

**State support training programmes should be designed with greater involvement of potential employers.**