

Ógra Fianna Fáil

Pre-Budget Submission

Budget 2017

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Foreword

Having endured years of hardship during times of economic uncertainty and the necessity for austere budgets, Irish people should be sharing in the recovery on a more equitable footing. Ógra Fianna Fáil believes any budgetary adjustments must be progressive and should aim to lift standards in our public services. The previous Fine Gael and Labour Government oversaw consistent regressive budgets during their time in office. In order to foster a fairer way to recover, we must make adjustments that will have lasting positive effects on all but particularly those from disadvantaged backgrounds. Young people have been the worst affected by the downturn in the economy with many having to emigrate for a job, denied access to further education through financial barriers and unable to find appropriate accommodation or get on the property ladder.

Ógra Fianna Fáil believes the adjustment in Budget 2017 should be in the region of a 1 Billion euro upward adjustment as outlined by the Fiscal Advisory Council. An economy must serve a society, not the other way around. Job creation should be encouraged through greater innovation in our domestic economy and a much heavier focus on entrepreneurship. Capital investment with continued building of new schools, hospitals, roads and other infrastructure will also help to spur on economic activity in regions that are yet to see the green shoots of recovery. Protecting our environment whilst growing our agricultural output must also be priorities into the future. As we continue to recover from the global economic downturn, we must not lose sight of our agreed, prudent spending targets and the need to further reduce the national debt for future generations.

There are many areas and departments that Ógra believes there are savings to be made, revenue can be raised and more can be spent however this document aims to highlight some of the priorities we wish to see implemented in Budget 2017.

Eoin Neylon - Úachtaran Ógra Fhianna Fáil.

Department of Education and Skills

As a youth organisation, Ógra Fianna Fáil is very committed to ensuring that education is placed high on the agenda for increased spending in Budget 2017. Our 3rd level sector has seen a dramatic fall in funding and with it, standards. The 2016 QS World University Rankings continued the trend of declining rankings for Irish institutes of Higher Education with the sole exception of NUI Galway. The Cassells report, published during the summer, identifies the issues surrounding funding and the future sustainability of our 3rd level institutions. The Government must take action to fund our future and bring sustainability into the higher education sector. We also need to address pay and conditions of our educators in order to ensure that we retain our teachers in this country and our children get the best education possible from primary and secondary schools.

3rd level funding

With our higher education system in need of urgent care, we must take action to ensure that they remain open, sustainable, and that we remove financial barriers from entry for those from disadvantaged backgrounds. With the 'Student Contribution' now standing at €3,000, it is safe to say that the era of free fees is long over. We cannot allow this charge to continue to rise as more and more students are priced out of higher education. Ógra Fianna Fáil believe that the fairest system to use would be an optional income contingent loan system alongside the retention and expansion of full grant assistance in order not to deter those from low socio-economic backgrounds who are traditionally loan adverse. The implication of such a system, the financial barrier would be removed and 3rd level education would be free at the point of access for all. The Student Contribution would be immediately frozen at its current level with the aim to reduce it as the economy improves and allows for further state investment. Such a system would eventually net the 3rd level institutions an estimated €300mn a year as the loans come to fruition. The administration of the loan system could be done from the NTMA and would cost in the region of €15.5mn to set up and administer. The loans themselves count towards the national debt, but do not contribute to annual deficits, as the student loans themselves act as assets. As such, this programme could be put in place in such a way that increases education investment with minimal increase in budgetary spending.

The state itself needs to increase the amount it directly funds to the 3rd level sector. At present the income of these institutions is made up by approximately 51% from state and the remainder from students or donations/private investment. The OECD average is 64%. We should aim to bring ourselves into line with this figure as the economy improves and allows. This should not be delayed and Ógra is calling for an additional €100mn to be made available in Budget 2017 to bring us closer to this target.

3rd level grants

As pointed out above, if such a system is to work in a manner that benefits all students, then those from the poorest socio-economic backgrounds need to remain fully grant aided. Cuts during the recession undoubtedly affected progression through the education system for many young people and this needs to be redressed urgently. Ógra believes that there should be an immediate increase in 3rd level maintenance grants to the tune of €12.5mn in Budget 2017 with further expansion of grants in 2018.

We also need to reverse the drastic cuts that were made to postgraduate grants. As we try to promote a knowledge based economy with greater research and innovation, we must cater for the greatest number of people possible to drive the research that will achieve this. Postgraduates not only achieve ground breaking research but they also contribute to the undergraduate education and help improve teaching standards. Ógra is calling for the complete re-introduction of the postgraduate grant scheme to 2010 levels at a cost of €53mn.

Apprenticeships

Almost 60% of young Irish people go on to study at 3rd level after the leaving cert, however, with youth unemployment still running at over 17%, it is clear that tertiary education alone is not the answer. This can be explained by a European study that shows that for the foreseeable future, even in high tech economies, some 50% of the workforce will require medium-level skills and an estimated 15% will require low-level skills. Apprenticeships have been ignored for far too long and should be developed as a means to expand the workforce and produce skilled workers in different sectors in a relatively quick time to boost competitiveness. It also provides a means of up-skilling for young people who are not academic by nature. There is also a skills shortage in construction at a time of a housing crisis in which we urgently need to build houses. Some of the key proposals Ógra would make with regard to apprenticeships are:

- The development and promotion of industry-linked ICT training systems;
- An online registration process for linking prospective employers with apprentices;
- Government grants to provide a financial incentive for apprenticeships is urgently needed
- A formal system for cooperative arrangements for small employers to share apprenticeship training responsibilities;
- Diversify the location of formal training centres for apprenticeships;
- Tax incentives for construction companies to hire new apprentices in anticipation of future demands,

We would estimate that, combined, these can be achieved for an initial amount of €28mn. This figure may rise as more people chose to use the apprenticeship route. This could be alleviated with an ongoing review of the incentive grants for urgently needed skills and the tax incentives for construction companies.

Entrepreneurship in Schools

Further to ensuring young people can get the best education in our third levels, we would also like to see us redress the fact that we have one of the worst youth entrepreneurship rates in the EU. Ógra Fianna Fáil believe an “Entrepreneurship in Education” subject should be taught during the Transition Year of secondary schools on a trial basis, with the expectation of extending the subject material to junior and senior cycle students upon feedback and recommendations from educators, students and employers. Introduction of this subject would require additional modules in Teacher Training Colleges and the course structure and content would need constant review in order to ensure it keeps in step with the changes of the commercial and creative world. Ógra Fianna Fáil believes the Department of Education should dedicate an initial €10mn towards the development and provision of such a module.

Young teachers and Irish

If we are to give our children the best start in life, then we must provide the best teachers we possibly can. Since 2012, however, there has been a grossly unfair system in place that sees two teachers doing the same job getting paid at different pay scales to an estimated cost of a combined €250,000 to newly qualified teachers over their career. This is inequitable, unfair and simply not republican. Young teachers deserve to be treated fairly otherwise, many of them will leave the country in search of better pay. Ógra Fianna Fáil demands full pay equalisation for young primary and post-primary teachers which the Department of Education has costed at €47mn.

Teachers are also the custodians of our national language and as such, the cut to the Gaeltacht grant for student teachers cannot be continued and must be restored. Ógra Fianna Fáil believes that the grant be reinstated to the value of €2mn with a further €2mn made available for new incentivised courses in the Gaeltacht for teachers.

Department of Health

On top of greater spending across the HSE, in line with budgetary allowances, and greater management of existing resources to reduce waste, Ógra is calling for a number of provisions to promote a healthy life style and wishes to highlight some key areas that require urgent investment.

Mental Health

It is widely accepted that we simply are not doing enough to tackle mental health stigmas in Ireland, nor are we delivering adequate and timely care for those who suffer from mental illness. Ógra Fianna Fáil firmly believes we need a new approach to mental health care in Ireland. Mental illness has replaced road deaths as the leading cause of death for young people in Ireland. In order to combat this ongoing epidemic, we must learn from the successes of the past; like the National Roads Authority and the drop in road deaths. A new National Mental Health Authority, separate from the HSE and with a standalone budget can achieve the delivery of care that is so sorely lacking in Ireland. Such an authority can implement the outstanding portion of A Vision for Change which has been missed through lack of funding and political will, including bringing the staffing levels up to the required 12,000 needed for the Vision for Change strategy. This can allow us deliver adequate mental health care in a community setting. We believe this can be achieved in just 3 years at an average cost of additional €62.33mn per annum for each of the three years (total spend of €187mn by 2019).

Sunbed Levy

A recent HSE report shows that, despite the now well known negative effects of sunbeds, they remain popular with Irish people. The report found that 7% of the population regularly use sunbeds, with 3% using them at least once a week. In order to highlight the detrimental effects of this practice, which leads to significantly greater cases of melanoma, Ógra proposes a 10% levy on their use. Such a move is estimated to yield €15mn for the exchequer and we would call for this to be ring-fenced for the youth mental health budget.

Sugar Tax

Obesity is a growing problem in Irish society, along with the rest of Europe, with current World Health Organisation (WHO) predictions stating that by 2030, Ireland will have the most obese men in Europe by percentage of population. The WHO are predicting that the rate of obesity in Irish women will rise from 23% to 57% and in men, from 26% to 48%. The total number of Irish adults that the WHO envisages as being either overweight or obese by 2030, stands at a staggering 89%. Action needs to be taken now in order to combat this both in this generation and for future generations to come. The imposition of a tax on sugar sweetened drinks will not only act as a way to highlight our unhealthy obsession with such beverages as a nation, but also raise additional funds to launch education programs on healthy eating and living and to promote community sports and exercise initiatives. Such a tax would add 6 cent to the cost of a can of premium cola and would collect €71mn, according to the Dept. of Finance, funding which could be used to tackle our obesity epidemic.

Department of Finance

Throughout the recession, many workers faced tax hikes and a lowering in living standards as the country's economy was in a perilous condition. Now that all the economic indicators are showing a marked improvement, it is only just if the people, who made such great sacrifices, are the first to share in the rewards of a recovery. Getting a fair days pay for a fair days work and rewarding those with the bravery to become entrepreneurs and create employment are key to ensuring we have an equitable and sustainable recovery that isn't overly reliant on Foreign Direct Investment (FDI) for its future viability.

Universal Social Charge

The USC was brought in as an emergency measure to balance the books during the height of the recession. However, history has shown that a lot of these emergency measures soon become staples of the exchequer figures. We cannot allow this to happen to the USC. The least well off must be the first beneficiaries of USC reforms as we move to eliminate it for all incomes to €80,000 over the next 5 years. Ógra Fianna Fáil wish to see the 1% rate on earnings to €12,012 eliminated in Budget 2017. This would benefit the tax payer to the tune of €120 each. The financial room this would give struggling households could prove vital for many families. The cost to the exchequer of this move is €137mn.

Self Employed Tax Credit

Entrepreneurship in Ireland remains at one of the lowest levels in the EU. There are multiple factors affecting this, however, one of the key reasons is the lack of social protection afforded to the self employed should their business fail and the additional tax burden they individually have to pay. Ógra Fianna Fáil is calling for the immediate extension of the full €1,650 PAYE tax credit to the self-employed. This will remove one of the chief barriers people cite as reasons not to set up their own business. This will cost €123mn in lost Revenue for the state but will encourage more people to become their own boss and act as an economic driver as our economy becomes more self-sufficient and less dependent on FDI.

Home Care Tax Credit

People who care for people at home provide great, and often unrecognised, service. They sacrifice their own career prospects in order to care for a loved one and in doing so, rely less on the state for direct assistance. Ógra Fianna Fáil believes this sacrifice cannot go without reward in Budget 2017. We propose that the home carer tax credit be increased from €1,000 to €2,000 at a cost of €72mn.

Stamp Duty on Shares

With the outcome of the Brexit vote, there was an initial fear of market volatility and an unsure future for the financial service industry here and across Europe. Markets, however, appear to have settled following the initial shock of the referendum result. The weak Sterling has created its own significant issues but Ireland should try to capitalise on the vote in the UK by attracting businesses to move their operations to Dublin and with them, a great number of high end jobs resulting in higher income tax returns for the exchequer. In the aftermath of the vote, it has been reported that the number of job applications in the financial sector rose by 800% from Britain looking for work in Ireland, with only half of these being Irish nationals. The outlook is good and as such, minor adjustments, even at this time, should not overly affect further expansion of the sector. Stamp Duty of shares in Ireland remains very low at only 1%. With no great market volatility and a period of relative stability ahead (save any great shocks, like a Trump election win in the USA), the financial sector can afford to make a larger contribution to the exchequer without putting any employment or attractiveness to FDI in any great risk. Ógra Fianna Fáil is proposing a very modest increase on the stamp duty on shares from 1% to 1.3%, which, according to figures from Revenue, would yield a further €144mn for the state. This additional revenue can fund the increased budget for the provision of social housing.

Department of Social Protection

Ógra Fianna Fáil is acutely aware of the fact that the social protection and taxation systems create poverty traps in our society. We are committed to introducing reforms that will alter the way the state provides welfare in such a means that it is accessible, streamlined, cost effective for the exchequer, and above all, fair on the individual. A key principle in achieving such a goal is to move our welfare system towards one based on the principle of a 'basic income'; a minimum take home pay each week for every citizen in the state.

Basic Income

The idea behind the basic income system is that the provision of means testing and other tests through the Department of Social Protection is costly and inefficient, creating many loopholes and poverty traps along the way. By moving to the basic income system, setting the initial value as €188 per week, there is scope for huge savings in administration in the mechanisms of Government. The first step we need to take in order to move towards the new system would be to refund tax credits to people whose income is too low to actually make any benefit from them. This is estimated to cost the exchequer €166.6mn per year. This does not take into account the savings that would be made from such a system, however, as that is too difficult to predict at present. The tax credit refund would apply whereby unused tax credits are refunded to people who meet the qualifying criteria of being a worker, over 18 years of age (and not in full time education) and where they have a minimum income from employment of not less than €4,000 and not over €15,600, rising to €31,200 in the case of couples.

Department of Housing, Planning, Community and Local Government

Housing in Ireland remains in a state of crisis. The previous Government's lacklustre attempts to tackle the housing crisis have resulted in more and more families losing their home, growing housing lists and more people living on the streets and in emergency accommodation than at any time previously in the history of the state. The shocking lack of investment in social housing during the tenure of the Fine Gael/Labour Government is largely responsible. Whereas Ógra Fianna Fáil welcomed the increase in funding to tackle this issue in Budget 2016, it is clear more must be done in both alleviating homelessness and to reduce some of the pressure on the private rental market.

Social Housing

During the last Government, development of social housing almost completely ceased. Over the first 4 years of the last Government (2011 to 2014 inclusive) just 1,252 social houses were provided. This is compared to 14,581 in the three years leading up to the FG/Labour Government taking office (2008 to 2010), which were arguably worse financially for the country. Budget 2016 saw an additional €145mn made available for the provision of social housing in Ireland. Ógra Fianna Fáil does not believe that this is sufficient however and a further additional €145mn should be made available in Budget 2017, bringing the entire budget for social housing for 2017 to €1.078bn made up from combined current and capital housing allocation in conjunction with housing services from local authorities. This total fund covers: Social Housing Current Expenditure Programme (SHCEP), Rental Accommodation Scheme (RAS), Housing Assistance Payment (HAP), Capital Loan and Subsidy Scheme, Traveller Accommodation and Support, Homelessness services and support, the deinstitutionalisation programme for people with disabilities, Local Authority Housing provision, Capital Assistance Scheme (CAS), Mortgage to Rent Scheme, Energy Efficiency/Retrofitting: Private Housing Grants for older people to adapt their home for independent living and, the Pyrite Remediation Scheme.

Student Accommodation Scheme

In the Financial Act 1999, Section 50 introduced a scheme by way of which the construction of purpose built student accommodation was incentivised in order to alleviate a chronic lack of beds for students in most large urban areas. 17 years later, we now find ourselves in the midst of the worst shortfall in adequate student accommodation in our history, magnified in its severity due to the ongoing housing crisis and the massive pressure on the private rental market it has caused. Ógra Fianna Fáil is calling for the re-introduction of the Student Accommodation Scheme in order to address this shortfall. In doing so, not only will students get affordable accommodation that is tailored to their needs, but, by removing a large number of students from the private rental market, this will remove some of the pressure there which has seen a dramatic rise in rents all over Ireland. On average, the scheme cost the exchequer €156mn for each of its 4 years the last time it was run. We predict that such a scheme being introduced again would also prove just as popular. Not all of the €156mn though is 'lost revenue' however, as, it could be argued, a lot of this would not exist in the first instance without the scheme in the first place.

Local Authority Housing Improvement Schemes

The failure of the Government to invest in improving and modernising the local authority housing stock has resulted in a backlog of families seeking grant assistance to improve their Local Authority owned home. There simply is not enough money being made available to Local Authorities at this time to carryout necessary improvements.

Ógra Fianna Fáil recognises that energy efficient homes mean lower energy bills for homeowners. The Sustainable Energy Authority of Ireland (SEAI) currently awards grant aid for works that improve the BER rating of a home to homeowners only. Ógra proposes that the grant be opened up to tenants of Local Authority (County or City Councils) homes, in order to progress waiting lists for these works to improve the BER of a home. This will cost an estimated €20mn.

In addition Ógra believes that Local Authority tenants should be able to use their own funds to provide for essential home improvements not covered by the SEAI schemes but which are covered by existing, over-subscribed Local Authority Schemes. Monies paid for these improvements by the tenant would then be written off of the rent due to the Local Authority over time (up to a maximum of €10,000)

Department of Jobs, Enterprise and Innovation

Ireland has been a major player in software development for quite some time but in other areas of technology and innovation, we are still far behind our European partners. Alongside the increased funding for 3rd level education outlined above, Ógra Fianna Fáil wish to see greater investment in science and R&D over the next few years. These measures should be targeted in such a manner to support developments in 3rd level and in postgraduate research, however, the initial investment should be outweighed by the potential for inward investment and new start up markets.

European Southern Observatory

The ESO is a 16-nation intergovernmental research organisation for ground-based astronomy. Created in 1962, ESO has provided astronomers with state-of-the-art research facilities and access to the southern sky. The organisation employs about 730 staff members and receives annual member state contributions of approximately €131 million. Its observatories are located in northern Chile. Ireland is not yet a member and this is cutting off access to our researchers and opportunities for our industries. The membership fee of €14mn initially will allow for greater research capacity in Irish Universities, giving our Science Faculties access to cutting edge research and opportunities to use the facilities in Chile as well as making Irish Universities more attractive to foreign students. It will also allow Irish companies to tender for works being carried out by the ESO and to bid to provide equipment and other services. After the initial €14mn, there is an annual €2mn contribution from member states but the potential gains to our higher education sector and to Irish companies far outstrip this cost. Ógra firmly believes that this investment by the state is warranted.

Department of Transport, Tourism and Sport

Hospitality VAT Rate

The hospitality sector has enjoyed 2 bumper years with 2015 breaking all records and increased visits from a number of key areas. Visitors from once healthy markets like Japan, which had nose dived in the aftermath of the 9/11 attacks, have shown significant gains recently. Whereas the weak Sterling is seen by some as a potential banana skin to the continued prosperity of the hospitality sector, there is little by way of concrete proof to date that this is the case. Hotel prices in Dublin are now back to their peak and the industry has recovered in large portions of the country. This is not ubiquitous though so some degree of caution must be exercised. With hotels in Dublin reporting 81% occupancy rates, (one of the highest in Europe) it is clear that the hospitality sector in the capital is booming. Prices are also back up with a recent report showing them to be as high as their post crash peak. The special 9% VAT rate enjoyed by this industry has certainly helped over the past 5 years since its introduction. This has cost the tax payer an estimated €2.5bn according to Revenue over that time period. Dublin cannot be the sole barometer for the industry, however. Many businesses are still only just seeing the green shoots of recovery and these cannot be hammered with greatly increased VAT bills of 13% that a full reversal of the special VAT rate would result in. We must not put jobs at risk with any sudden shocks to the system. That said, the special rate must present value for money for the tax payer and the room rates do not justify that. Ógra Fianna Fáil believes that a partial scale back of the special rate is in order to give fairness to all parties. Raising the special rate to 10.5% would generate an additional €166mn in Revenue for the state and this could be ear marked to fund the tax credit refund scheme in the basic income plan.

Capital Investment

The Government has previously committed to a capital investment program funded through a mix of direct funding and using the Public Private Partnership (PPP) model. Ógra Fianna Fáil believes that there are 3 projects in particular, of great regional need, which were omitted from that list which need expediting as a matter of urgent economic need. These are namely, the N20 Cork to Limerick upgrade (projected cost €850mn, projected duration 10 years), the Galway City Outer by-pass (€500mn, 7 years) and the Narrow Waters Bridge project (€40mn, 4 years). The latter would be part funded by the EU and the Stormont Executive leaving the Irish Government liable for €20mn of the project. The pricing structures of all these projects could be formatted in such a way that PPP aspects account for large amounts of the cost during the duration of their construction but in order to get these projects underway, bringing many much needed jobs to their respective regions, €161.43mn should be made available in Budget 2017 to ensure they get underway. This investment will not only create jobs during construction but the infrastructure themselves will help attract future investment into their respective regions.

Department of Agriculture, Food and the Marine

Another industry that is massively affected by the Brexit vote is agriculture. A weakened sterling has greatly affected exports and market volatility is hugely affecting prices. Farming has a viable future and more needs to be done in the coming years to promote diversity, modernisation and education. The immediate concern has to be the financial short term problems caused by the Brexit vote however.

Agri-solidarity fund

With prices falling for primary producers as a result of several factors not of their making, the Government must intervene in order to tide farmers over until some stability returns to the market and prices come under control. Ógra Fianna Fáil therefore is calling on the Government to match the EU Agri-Solidarity Package and provide €11mn to help farmers through current market volatility.

Summary

A breakdown of all the measures Ógra Fianna Fáil is calling for in Budget 2017 is outlined in the following table:

Income	€mn
Sugar Tax	71
Hospitality VAT	166
Sunbed Levy	15
Share Stamp Duty	144
Total	396

Expenditure	€mn
Student Loan System	15.5
Schools Entrepreneurship	10
3rd Level Grants	65.5
3rd level investment	100
Gaeltacht grants/incentives	4
Apprenticeships	28
Re-introduction of Section 50	156
USC cut	173
Self-Employment tax credit	123
Narrow Waters Project	5
N20 Upgrade works	85
Galway City outer by-pass	71.43
Young teacher pay equalisation	47
Home carers	72
Home improvement grants	20
Agri-solidarity fund	11
ESO membership	14
Social Housing	145
Basic Income	166.6
Mental Health	62.33
Total	1374.36

Net additional exchequer spending € 978.36 mn

This is well within the €1bn allowed for and doesn't take into account administrative savings that some of these measures would bring about. It also allows in the expenditure, monies from tax incentives as "lost revenue" which would not be generated without the incentive scheme initially. The tax changes amount to roughly a third of the adjustment.

Notes



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