

Heather Humphreys TD
Minister for Business, Enterprise and Innovation
Department of Business, Enterprise and Innovation
Kildare Street
Dublin 2

15 May 2020

Re: Financial Supports for Business

Dear Minister,

You will be aware that Chambers Ireland has been engaging closely with our members since the outbreak of COVID-19 in Ireland. This has culminated in the publication of a series of surveys and research since March, where our most recent was published at the end of April. The third in a series, the survey has over 1,300 responses and was conducted between the 24 and 28 April 2020.

We draw your attention to the following key statistics which demonstrate the scale of the cash-flow crisis facing the economy-

Closure costs:

- For those businesses that are closed, typical weekly overheads are approximately €2,000
- 25% of firms have noted that overheads are greater than €5,000 per week

Cost of Reopening

- Of those that need to restock, the typical amount required is €3,000 with 25% of firms having to spend over €8,000 on restocking
- For physical distancing measures, the typical cost will be €2,000, with 25% spending in excess of €5,000

Decline in Revenue

- Of the businesses who have been hardest hit (those which have lost more than half of their revenue for the next three months), 60% project that their 2020 annual earnings will be less than half of what they were expecting at the start of the year
- 68% of businesses have invoices outstanding, with €40,000 being the median amount owed

One dimension of our survey, which has not been published yet, sought feedback on the Government loan schemes that had been launched up until the 24 April. As you will see from the below table, only 4% of respondents have applied for one of the loan schemes, with an additional 18% either considering it in the short to long terms. Most respondents determined that loan schemes would not be suitable for their business, given the nature of the economic challenges they were facing.

Response	Total
<i>Applied for Loan</i>	4%
<i>We are actively considering it</i>	8%
<i>We may do in future</i>	10%
<i>No, I don't want to take on the burden of extra debt</i>	20%
<i>No, my business wouldn't qualify</i>	8%
<i>No, the interest rates are too high</i>	3%
<i>No, reducing costs will make more sense than taking on extra debt</i>	8%
<i>No, too much debt already</i>	3%
<i>No, it's better to return slowly than accrue debt</i>	8%
<i>Balance/No opinion</i>	29%

The data above verifies the representations our Network have been raising with your Department, where we have highlighted that debt-based solutions will not be the solution to the liquidity and cashflow crisis within Irish businesses due to COVID-19. The key message from our members is that an expansion of the financial supports, with a move towards grants rather than loans, will be essential.

It was for this reason that we in Chambers Ireland welcomed, in principle, your recent announcement on the 2 May of a “Restart Fund” which would allocate grants to businesses through their local authorities. The shift by Government towards grant aid is the right decision and paired with supports such as the Wage Subsidy Scheme, will be critical to supporting businesses to re-open and survive the challenging economic conditions they face.

However, while the decision to create a grant fund for business is entirely welcome, it is now imperative that we ensure that the scheme is robust, that it is being allocated consistently, that Local Authorities are funded and supported to do so, and that such a grant scheme meets the needs of businesses.

Feedback to date has been that the €250 million cap on the fund will not be enough to support the liquidity crisis businesses are facing. Separately, while we recognise and appreciate the need for a straightforward methodology for calculation, the fact that the size of a grant is linked solely to the amount a business paid in rates in 2019, rather than to the difficulty they have experienced as a result of COVID-19, will mean that for many the size of the grant won't be sufficient to meet the costs of overheads.

We would welcome a conversation with your Department on how these grants can be delivered and how the size of the grant fund can be expanded. We believe that schemes in countries like the UK and Denmark, where businesses are offered direct grants to support managing the costs of overheads, would be worth exploring. In particular given the results of our survey above, we believe there is merit in re-allocating funds currently designated for loan-based schemes to the Restart Fund.

Finally, It is crucial that the Restart Fund, and any future grant or funding initiative, is implemented and communicated urgently, consistently and equitably across all local authorities and that there is a clear understanding amongst officials as to how it will be applied. There must be a level playing field for all businesses across the country.

Beyond the Restart Fund, we request that the Department reviews existing supports, such as the Business Continuity Vouchers, to ensure that remain open to new applicants and can effectively support businesses as they look to re-start operations as local economies re-open throughout the course of the summer months.

The biggest risk in responding to the economic crisis we are facing is that we under-react, rather than over-react. Businesses who have been worst impacted, are mostly SMEs, and clustered in sectors such as hospitality, retail and local services and are at the heart of local economies across the island. We cannot let these businesses fail and we urge you to examine the potential in expanding grants to schemes, both in size and scale, so that more businesses can be supported.

We remain at your disposal should you wish to discuss any of these results in more detail. Please do not hesitate to contact our office directly.

Yours Sincerely



Ian Talbot
Chief Executive

