Chambers Ireland submission to the Special Committee on Covid-19 Response on the topic of reopening the economy – the State's response and support for business

June 2020

Introduction

Chambers Ireland represents the largest network of businesses in the State. With 40 Chambers, located in cities and towns in all parts of the country, we are uniquely positioned to understand the needs and concerns of Irish businesses and to represent their views. Drafted in consultation with our Chamber Network and associated policy fora, which represent the Chambers and their member organisations, Chambers Ireland is pleased to have the opportunity to make a submission to the Oireachtas Special Committee on the COVID-19 Response.

Chambers Ireland has been conducting and publishing a series of nationwide surveys on the impact of COVID-19 on the business community. All corners of the country are represented in the responses and the results will inform the advocacy of Chambers Ireland and affiliated chambers, on behalf of businesses throughout the country, and provide guidance to the Government on next steps required to support business through the crisis. We intend to publish a further set of survey results, the week beginning the 8 June 2020, which we would welcome the opportunity to brief the Committee on.

Issues for Consideration

Context

Chambers Ireland has conducted a series of surveys, to document the impact of COVID-19 on business and local economies. Results **published on the 9 April**, found that **84%** of businesses expect revenue to decline by in excess of 25% in the next three months**, up from 73%** two weeks earlier.

Our most recent set of survey results, **published on the 30 April**, found that fears about cashflow and liquidity were the greatest concerns of micro-enterprises (<10 employees) with closures and staffing being a concern for larger businesses across many sectors.

Revenue

- Half of firms expect an immediate loss of revenue that is in excess of 60%, with smaller businesses most affected
- Full year expectations for 2020 suggest a slow rebound for the economy

Closures

- Only 15% of businesses have not experienced some form of closure
- Overhead costs for most businesses that are closed exceed €2,000/week
- For businesses that need restocking most expect it to cost in excess of €3,000
- For 25% of businesses that need to restock costs will exceed €8,000
- Half of all businesses will need at least two weeks to reopen, while 25% will need more than a month

Invoices outstanding

- 68% of businesses are awaiting payments, with the median amount due being €40,000

Liquidity

The above findings highlight the gravity of concerns held by business about liquidity and their ability to not only survive the crisis but re-open when it is appropriate to do so.

This kind of non-focused stalling of the economy, caused by COVID-19, is unprecedented in recent memory and is far more like a natural disaster, such as a major earthquake, than the most recent Global Financial Crisis in 2008. The extent of the shock, and the severity of the impact on businesses, particularly SMEs, has called for significant interventions by the State to support workers, retain jobs and give a life-line to so many businesses that have been adversely affected through no fault of their own.

It is for this reason that we have welcomed many of the Irish government's measures in response to the COVID-19 crisis. Acting immediately to protect jobs, welfare payments, temporary bans on rent increases and evictions, as well as liquidity and credit support measures for firms are precisely the measures needed to abate the economic shock of the pandemic, the risk of significant output loss, bankruptcies and insolvencies, and an increase in unemployment and people at risk of poverty.

However, while some measures have been extremely successful in supporting businesses to weather the storm, our members have raised concerns that Government has been too risk averse in their approach to offering supports to business to cover overheads other than wages, such as rent, utilities, stock, and refurbishment. These supports must come in the form of grant-aid, rather than, debt-based supports, and these views were raised with Government in a submission in April, which detailed our recommendations on commercial rates, prompt payment and liquidity supports. In the absence of ambitious interventions, much more like the approach taken in EU member states like Denmark, we risk causing a deeper, longer recession across the medium term which could be mitigated, or at least have its impact lessened, if there are better liquidity supports available.

SME Supports

Government has introduced additional supports since our earlier submissions, many of which we have welcomed. However, it is our view that because of the conservative approach in the Roadmap to Recovery and the commitment long-term to social distancing, a much more expansive approach to financially supporting the business community will be needed. We have detailed our views on the variety of supports and grants below, including recommendations for how they can and should be reformed. Our central ask is that these supports be reviewed regularly, and those schemes which are proving popular and useful to businesses, should be expanded and re-capitalised, with funding transferred from those that are less impactful.

Initiative	**Response from Business**	**Recommendations**
Temporary Wage Subsidy Scheme	Widely welcomed, with 96% of respondents in our second survey noting that measures like the TWSS would need to be retained beyond the 12-week period	Clarity on tax liability of employees, and the need for it be spread across 1-2 years, rather than in lump sums. More flexible income supports, like the TWSS, for self-employed persons Reform of the scheme so that new applicants are eligible and new/replacement staff can be hired. The purpose of income supports and the TWSS should not be restricted to helping business during the lockdown, but should be retained to support business in the reopening
SBCI/ Microfinance Ireland Loan Schemes	Broadly thought to not be suitable for the kinds of businesses that need financial support	We sought feedback in our survey, published on 30 April, regarding the variety of loan schemes available, with only 4% of respondents having applied for one of the loan schemes, and an

		additional 18% either considering it in the short to long term. Most respondents determined that loan schemes would not be suitable for their business, given the nature of the economic challenges they were facing* *(see graphic 1.0)* However, banks should also be supported to offer credit more easily, where suitable, with the credit guarantee from Government being extended
Trading Online Voucher (TOV)	Widely welcomed with positive feedback, with many businesses having become increasingly reliant on online trading and digital support so they can survive the impact of COVID—19	Our members have told us that they are receiving information from their Local Enterprise Offices that no more funding for this Voucher is currently available. We understand that as of 14 May, less than 40% of the fund has been allocated. We also understand that at that point (on the 14 May), a large number of applications for the TOV were outstanding. If the funding allocation has been exhausted, we are seeking clarification on whether there are plans to allocate additional funding, or move additional funding from schemes that are less popular
Business Continuity Voucher	This was widely used and in demand but has closed since mid-May	The Business Continuity Voucher was proving to be a useful and popular support for many businesses. It would be widely welcomed by our members if this

		Voucher were to be reinstated with additional funding.
Restart Grant	Chamber members have been calling for grant support since the outset of the crisis, and the introduction of the Restart Grant was welcomed	As noted in a recent report from Goodbody, compared to our EU counterparts, Ireland has done nowhere near enough to support our local economies. The €250million Restart Fund will likely need significant expansion
Tax Deferrals (VAT, PAYE, PRSI)	Widely welcomed as a way of supporting cash-flow in businesses	A targeted extension to deferrals may well be required, depending on the duration of the crisis
Commercial Rates	The three month waiver is a welcome starting point, and more useful to businesses than the initial 2 month deferral, but feedback from members is that it should be extended to at least 6 months if not 12 months, with eligibility extending to businesses who have been impacted	Waivers would need to be extended beyond three months, with the scope to be extended to a full year for impacted businesses, as appropriate, if they are to be of meaningful support. Local Govt funding, lost through Rates waivers, must be replaced by central funding from Government The scope of the waiver should be expanded so that it can serve businesses who have been negatively impacted with a proportional rebate, rather than just businesses who have had to close. We suggest that the criteria of a 25% decline in turnover should be the test for eligibility, as is the case with the Temporary Wage Subsidy Scheme. It is very likely that additional funding in excess of original 2020 budgets will be

		required to support the re-configuration of town centres and this, in addition to any rates not collected due to waivers, will need to be funded by central Government.

*Graphic 1.0 - Feedback on Loan Schemes**

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

Impact sector by sector

In additional research *published by Chambers Ireland on the 8 May*, tourism, hospitality, entertainment, and local services all show signs of having been particularly negatively impacted by the crisis. The breakdown is as follows:

- Tourism is the most affected sector, with over half of tourism businesses predicting that their 2020 revenue will be about a third, or less, of what they had been expecting going into the year.

- The hospitality sector is impacted by the double effect of reduced consumption within the economy as a result of the COVID-19 restrictions and the challenge of operating their businesses within the context of physical distancing, upon the reopening of the economy.

- Entertainment, Culture & the Arts are similarly challenged by the necessary public health restrictions as for many the capacity restrictions on their venues sees their business opportunities being severely limited for the duration of the crisis.

- Local Services, which include many public facing businesses, including dry-cleaners, gyms, hairdressers, and those which are tied to local areas as a result of the nature of their business are often limited in their capacity to maintain operations through work practice changes such as remote working.

Regions most impacted

Given the nature of the sectors worst affected, with tourism and hospitality the worst impacted, it is unsurprising that our research tells us that regionally, the counties along the Atlantic Economic Corridor are feeling the impact of this economic calamity more keenly than in other regions. This ties in with research by the Regional Assemblies, published in early May, that counties and town in the west and north-west would be worst affected.

The best way we can support these sectors and local economies to recover is to ensure the towns, cities and regions become even better places to live, work and do business. It is essential that within the next Programme for Government there is a high impact and well-funded response to support these places and regions to economically diversify, during what will be a very difficult few years to come. Such a response should include the delivery of investment in regional infrastructure to support economic growth, more supports for the tourism sector and a national funded strategy to ensure that town centres and high streets, where so many of these businesses are based, are supported to thrive.

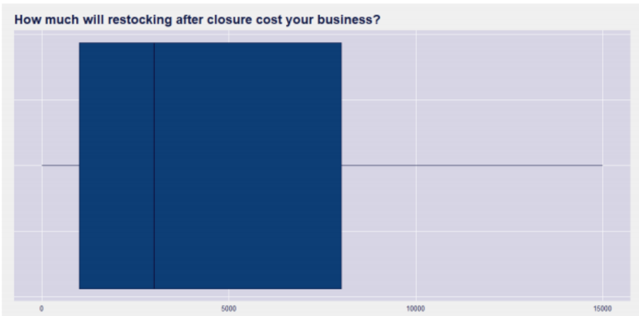
This message was emphasised in an Open Letter, published this week by Chambers Ireland and signed by the RIAI, IPI, SCSI, member chambers and community leaders, calling for a National Taskforce, led by the Department of the Taoiseach, to support town centres to thrive in a post-pandemic world. There will be a need for an urgent increase in funding for Local Authorities. This is critical as these bodies will be tasked with re-purposing town centres, through increased pedestrianisation, wider footpaths and more bikes lanes, so that they can adapt to the necessary social distancing restrictions that will need to be in place as we move to reopening local economies. This funding must come from central Government. Without adequate funding for local government, we risk exposing our high streets and businesses to further economic damage.

Re-opening businesses and implementing social distancing

The National Protocol for Re-Opening Society and Business was an essential step towards supporting businesses, and their staff, to return to work in a way that is safe and protects public health. However, the financial cost of re-opening after a period of closure, and retrofitting businesses to support social distancing is considerable. The survey results we published on the 30 April demonstrated that re-opening the economy will not be a straightforward or inexpensive task, with the cost of re-opening for the median retailer being €3,000. The costs of restocking before they can open will be €1,600, and the costs of implementing physical distancing measures will be another €1,000. It will take them a week to reopen, which will cost another €2,000 in overhead costs.

Graphic 2.0

Closures



Min.	1st Qu.	Median	Mean	3rd Qu.	Max.
0	1000	3000	4863	8000	15000

Restocking will prove to be a considerable burden for many businesses which will need to do it. The typical value required will exceed €3000, but more than 25% will need multiples of that

Final Recommendations – In Brief

1. Regular review of the Roadmap, supported by consultation with business, so that decisions to alter the pace of re-opening the economy can be made when appropriate
2. Retention and reform of the Temporary Wage Subsidy Scheme so that jobs can be retained, and Exchequer receipts supported
3. The reinstatement, with additional funding, of vouchers like the Business Continuity Voucher and the Trading Online Voucher
4. The expansion of grant aid for business to support them through the recovery and re-opening of the economy
5. Extension of the Commercial Rates waiver to 12 months, and for all businesses who have been impacted and can show at least a 25% decline in revenue
6. A cross-departmental National Taskforce, fully resourced by the Department of the Taoiseach, to support town centres in the post-COVID-19 recovery.