Chambers Ireland
Advancing business together

An Tánaiste Leo Varadkar
Minister for Enterprise, Trade and Employment
23 Kildare Street
Dublin 2

8 July 2020

Re: July Stimulus and expansion of Financial Supports for Business

Dear Tánaiste,

Firstly, on behalf of our network I would like to congratulate you on your new appointment in Government and wish you every success in your roles both as Tánaiste and Minister of this vitally important Department. Your leadership as the crisis evolved and support for the measures already put in place such as the Restart Grant are greatly appreciated.

We have enclosed an overview of our research into the economic impact of COVID-19 on the business community, which has tracked, from March to June, how business has responded to the crisis, the impact it has had on their revenue and their outlook for the months ahead.

The findings of our most recent set of survey results, published in June towards the end of Phase 1, are synopsised as follows-

- **Business activity levels are extremely low** for those businesses that have returned to operation under Phase 1
- Businesses that have opened are typically **experiencing less than half of their usual levels of business activity** for this time of year
- The median expected revenue of survey respondents over the next three months (relative to what they would have expected to be earning in a typical year) has risen from -60% to -50% over the next three months, so **most businesses expect their earnings over the coming three months to be half the normal amount**
- **25% of businesses expect to have earnings that are -70% of their usual level**

- The impact of revenue decline is being **felt more strongly in the regions, notably in the West, Border counties and the South East**
- **Smaller operators have seen revenue reduced most significantly**, again compounding regional effects for areas which do not have large employers
- **Invoice arrears are increasing** with the value of unpaid invoices (relative to the same period in 2019) significantly up across all sectors
- **Almost two thirds of microenterprises and small businesses have experienced both an increase in the value owed to them and an increase in the proportion of debt** that is owed to them that is now in excess of 90-days past due

Since the outset, we have highlighted the need for far-reaching economic interventions from Government to support local economies and job creators right across the country and have welcomed the supports that have been introduced thus far.

Ahead of the publication of additional measures to support business in the July Stimulus, we are reiterating the need for significant supports for business to help them survive the economic crisis caused by COVID-19.

Recommendations for July Stimulus

1. *Continuation of the TWSS beyond August for vulnerable sectors*

Results from our second survey reveal that 96% of respondents believe that the support measures that have already been introduced will need to have their timelines extended beyond the initial 12-week commitment.

We recognise that the requirement for a continuation of the TWSS beyond August will vary between sectors and as the Roadmap phases roll out. However, some form of wage subsidy will be required for all sectors well beyond the autumn, with any tapering off then to occur slowly and strategically. Businesses need certainty on how they will be sustained as the economy begins to reopen.

We call on Government to retain the Wage Subsidy Scheme for impacted sectors beyond the August commitment, and extend it for the duration of 2020. In line with this extension, we call for your Department to ensure that there is a clear roadmap for how the subsidy will be tapered off over time.

2. *Reform of the Wage Subsidy Scheme*

Many businesses availing of the TWSS are faced with an inability to replace or hire additional staff under the current scheme, specifically those in the food and hospitality sector.

This is causing undue obstacles as the TWSS is too restrictive for some of these businesses looking to replace staff. As the scheme is also based on pre-pandemic wages in January and February of this year, extra hours that are given to the remaining staff do not qualify under the scheme.

Employers that have promoted employees, or increased employees' hours during the pandemic (e.g. a permanent change from part-time to full-time, or working additional hours to cover the hours of someone on sick leave or who has left their employment, etc.) are penalised under the current TWSS. Employers in this situation who have availed of the subsidy will have to pay such employees more than their Average Net Weekly Wage and the employer is essentially punished for same by having that excess taken from their subsidy.

In reviewing the TWSS, we call on the Department to work with the Department of Finance to ensure that new employees, hired after the February period, are eligible for wage supports.

3. *Expansion of grant aid for business*

The findings from our recent series of surveys reveal that overhead costs for most business that had closed, exceeded €2,000 per week and business that need restocking expect it to cost in excess of €3,000. The introduction of the "Restart Grant" was a welcome first step in supporting business to re-open. However, our members urgently require additional supports and interventions from Government to the growing costs of overheads, such as rent, utilities, stock. In particular, microenterprises and small businesses seem to have experienced both an increase in the value owed to them and an increase in the proportion of debt that is owed to them that is now in excess of 90-days past due. Without a significant intervention from the State, the debt burden will become insurmountable for many businesses, with closures and job losses inevitably following.

Regarding the measures that will be needed to support business in addressing this issue, the recommendation from our members is that expanded grant aid, which can be efficiently accessed, will be more useful than loans.

4. *Improve attractiveness of loan schemes*

Loans will of course play a role in supporting businesses in the recovery. However, for loans to be both attractive and useful, they must cater to the specific needs of businesses operating in what are unprecedented times. Through our surveys, we received feedback from the business community on the loan schemes announced by Government up to the start of June. Only 4% of respondents have applied for one of the loan schemes, with an additional 18% either considering it in the future. Most respondents determined that loan schemes would not be suitable for their business, given the nature of the economic challenges they were facing. The feedback tells us that, particularly for smaller businesses, the rate of interest and application criteria make these supports unsuitable for many.

Long-term, 0% or very low interest, loans or grants will be needed throughout the recovery. In addition, the design of these types of loans, for them to be attractive, must contain interest holidays for at least 12 months rather than the current 6 months, with repayments over an extended period. Traditional debt-based interventions will not be the solutions to the liquidity and cashflow crisis within Irish businesses due to COVID-19. Innovative solutions should also be encouraged.

5. *Sustained investment in popular schemes that promote e-commerce*

Schemes such as the Trading Online Voucher have proven to be extremely popular with businesses seeking to mitigate the impact of COVID-19 on their operations. Last month, our Network widely welcomed the additional €14.2 million made available for the Trading Online Scheme. The demand for the Scheme over the past number of months has been significant. The ability to trade online has been a lifeline for so many businesses during the lockdown and will continue to be a valuable support, even as we move through the various phases of reopening the economy. The capacity of businesses to innovate, particularly SMEs, during lockdown has proven to be a saving grace for so many retail and hospitality businesses.

However, we have also received feedback from some of our members that funding streams currently available for the Trading Online Voucher are under pressure, with demand

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outweighing supply. A significant slowdown in the processing of applications. coupled with some LEOs halting Information Sessions – which is the first step that an applicant must commit to as part of the process – suggests that the funding available under this scheme for new applicants may be running out. It is unclear if this is because the new funding streams have not reached Local Enterprise Offices around the country, or that the widely welcomed additional funding is already over-subscribed.

The demand for the Voucher is a testament to its success, and we hope that funding will continue to be made available throughout the rest of the year. E-commerce and the digital economy will be a critical part of the economic recovery, even after the threat of the pandemic has passed. We ask your Department to immediately clarify the current availability of funding for the Trading Online Voucher. We also seek commitment from your Department that schemes like the Trading Online Voucher will continue to receive funding, and that this will be provided for as part of the July Stimulus.

6. *Commercial Rates Waivers and Additional Funding for Local Government*

The announcement by the last Government that the rates deferral was to be replaced with a three-month rates waiver was well received in our Network. However, while the move was welcome in principle, feedback from our members indicates that for the sectors that have been worst impacted (both through closures and declining revenue), waivers would need to be extended beyond three months, with the scope for it to be extended to a full year. Further, we have received feedback that there is a lack of clarity on the ground as to how the waiver should be applied, and when funding to replace shortfall in income will be received by local authorities from the Exchequer.

The July Stimulus package is an opportunity for Government to review this decision, and ensure that all businesses who have been impacted by COVID-19, (we are proposing using the criteria of a 25% decline as the test for eligibility) are not liable for commercial rates for 12 months following on the onset of the COVID-19 pandemic in Ireland.

It is essential that local authorities are funded by central Government, so that a mechanism for granting waivers (and refunding rates already paid), is operable and consistently applied throughout the country. Local Government will also require funding for additional costs arising from the need to redesign city and town centres because of COVID-19. We recognise that this

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is the direct responsibility of the Department of Housing, Local Government and Heritage and we have written to Minister O'Brien on the matter. However, it is of such significance to business we believe it is important for your Department to play an active role in ensuring these actions are delivered.

We are available to brief you on developments as they unfold in local economies across our network. Please do contact me directly to discuss any matter raised within this letter, or any other matter as it arises.

Yours sincerely,

Ian Talbot
Chief Executive

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