

July Stimulus Package
Irish Exporters Association submission
9th July 2020

1. Introduction:

The Irish Exporters Association welcomes the commitment made in the Programme for Government to come forward with a July Stimulus Package that will rebuild the economy, get people back to work and help reopen businesses that have had to close or limit their activities in order to support public health.

On behalf of the Irish exporting community, we call on the Government to take account of the proposals in this submission that will assist Irish exporter's ability to lead an economic recovery, which we have done in the past. Exporters have played a fundamental role in economic crises of the past and this is no different. The establishment of a State backed Export Credit scheme, access to liquidity and the continuation of the Temporary Wage Subsidy scheme are just some of the measures that the IEA would like the Government to address.

Uncertainty is the overriding issue for members of the Irish Exporters Association. The July Stimulus Package must aim to bridge the gap of uncertainty as much as possible, allowing businesses to continue to operate and be prepared for all eventualities.

2. Issues for consideration:

Several important considerations about the context in which the July Stimulus Package comes must be taken account of. We reached out to our membership to gather the key issues of concern:

- **COVID-19:** The Stimulus Package should take account of the risk that another wave of the virus is a high possibility. We would call on the Government to ensure that measures proposed as part of this Package can be adapted to quickly address the economic fallout owing to a potential future wave of the virus. The Package must also take account of the impact that a future wave would have on an already strained economy and the efforts to rebuild it.
- **Forecasts for the Irish and EU's Economy:** The Economic and Social Research Institute reported in its Summer Quarterly Economic Commentary that under the baseline scenario (most likely to occur) real GDP is set to decline by 12.4 per cent this year. The European Commission's Summer Forecast 2020 (published 7th July) states that euro area economy will contract by 8.7% in 2020 and grow by 6.1% in 2021. These figures are an important basis for the Government's work, and it must be stressed that these figures are subject to change.

- **Brexit Uncertainty:** As negotiations continue with limited progress to date, the outcome of talks between the EU and the UK will play a pivotal role in any economic strategy that the Government pursue. The Stimulus Package must take all possible outcomes into account when modelling, drafting and deciding on the correct measures to take. As the Government is aware, the problems surrounding a potential lack of a comprehensive free trade agreement have not been alleviated or solved, they are in fact exacerbated by the COVID-19 pandemic.

The negotiations need to be brought back into the mindset of the business community and rapidly. We are aware of a number of new measures the UK is planning to implement as they consider their own preparedness, which our members are seeing for the first time. We are seeing increasing levels of engagement from our members around Brexit and therefore now is the time for Government to step up its activity. The IEA is calling on the Government to engage in an awareness campaign on what is to come, including developing worst-case scenario preparedness plans for businesses, as soon as possible.

- **Climate Change and Sustainability:** The aims of the European Green Deal are set to dominate upcoming EU legislation and policies. In particular, the goal of ensuring that Europe becomes the first carbon neutral economy in the world by 2050 will drive the work of the current European Commission and this goal will play an important part in the EU's COVID-19 economic recovery strategy.
- The Government must ensure that this Package foresees changes coming down the line for business' operations. It presents challenges and opportunities for exporters and in light of the impact of COVID-19 on our members, we are asking that the Government uses the Stimulus Package to smoothen this curve – make the challenges easier and inspire innovation within companies to adopt more sustainable practices – we believe this is key to rebooting the economy. We also see it as the perfect time to commence repositioning Ireland as a hugely attractive place of sustainable FDI.

3. Answers to specific questions raised:

- What are the pressing challenges facing businesses?

Incomes and Tax: Fall off in demand while trying to retain staff on full wages despite falling revenues.

Access To Liquidity: Access to credit facilities for working capital so businesses can grow.

Food and Hospitality sector: The operation of establishments in the hospitality sector, in terms of volume of business, tourism and viability of their operations going forward will have an impact on the amount of food being ordered and in turn will impact the future of food production and businesses in Ireland.

Business Activity Outside of Ireland: There is a need for a quicker way to turn around travellers on return, e.g. testing on arrival and 48 / 72 hours later rather than 14-day quarantine. Much business activity takes place overseas, travel restrictions may potentially impact growing export markets for sales.

Businesses Premises and Workforce: Cost of implementing COVID-19 preventative measures and re-organising business operations in light of the pandemic and restrictions brought in. Making sure that businesses are fully compliance with guidelines is an issue.

Testing on demand for instances where a remote meeting is not possible, e.g. physical inspections of sites, installations etc.

With the winter months on the horizon, a greater effort in the early roll out and availability of the flu vaccine will be important for businesses to decipher a potential outbreak of the virus in workplaces.

- What issues do you foresee in the coming months?

Access To Liquidity: Cash flow issues with SME businesses; lack of liquidity and lack of credit for viable businesses.

Food and Hospitality Sector: Potential that many Hotel, Restaurant and Catering (Horeca) businesses could cease to operate if the recovery does not go according to plan. This will have a knock-on effect of bad debts and a potential snowball effect on companies servicing these customers. The decisions being made on travel and quarantine requirements could have a large bearing on what the recovery will look like. Staycations are going to be more popular, however pricing will influence demand.

Business Activity: The impact of reduced child-minding capacity once the summer holidays are over and potentially schools are on reduced scheduled or not able to open will be an issue that needs a solution.

Home Working Costs: Costs usually carried by employers are now being carried by employees working from home, example: home heating and increased electricity bills. The Government will have to assist employers with “working from home policies”. These could be given in the form of allowances or grants.

- What new measures could the Government take to revitalise the economy and support business in Ireland?

Food and Hospitality sector: Revised VAT rates in the hospitality sector and supports for primary food producers.

Incomes and Tax: Certainty on the extension of the Temporary Wage Subsidy scheme beyond the end of August and the terms of the extension must be addressed in this package. Businesses are heavily relying on this payment to keep afloat. This payment will have to continue until year end at least. We would call on the Government to keep it at its current form for as long as possible and to also extend the scheme for new hires within companies. An early signalling, by the end of July is critical as companies begin to plan workflows in the final part of the year.

The potential build-up of tax that workers and businesses will have to repay to the Revenue Commissioners for being placed on various COVID payments will have to be looked at with a strategic long-term vision. It is possible that some companies will need to finance the warehousing of sums owed to Government, landlords and other commercial entities. This needs to be considered outside of what would normally be considered the criteria for “viable businesses”. Being able to stretch these repayments over a period of 2 – 3 years would be a huge help to businesses. A separate way of financing this will need to be looked at away from the banks as we are critically aware that banks are not lending as they should, and will look in any case to bring any such “warehousing financing” into overall debt considerations.

Job Creation and Retention: SME’s will require continued financial support based on targeted policies with a focus on job creation and retention. Funding for apprenticeships, where companies will be funded to take on apprentices.

Export and Trade: The creation of a State backed Export Credit scheme. An Export credit insurance scheme will play a key part of the Stimulus Package and, as one of the EU countries that does not have a state-backed export credit agency, Ireland is putting itself at a competitive disadvantage. We continue to drag our feet on this, and it is essential that we make haste.

A focus on export market development, with companies’ part-funded to recruit export sales and marketing expertise would assist in driving the recovery. A similar focus on alternative supply chain development also needs to be considered. The EU in its Multiannual Financial Framework (MFF), will make funding available for companies to develop strategically important supply chains. How will the Government link into this to ensure that we have less of a dependence on sourcing materials outside the EU?

Getting goods on and off the island needs to be prioritised further. We saw the need for Government to step in and support critical sea routes during the COVID-19 crisis. We are now extremely worried about the impact of reduced aviation activity, on our exporters and on the FDI sector. We are seeing a potentially catastrophic collapse in air capacity globally, and as an island this has the potential to significantly impact negatively.

Whilst it is understandable that passenger air traffic will inevitably stay very low, this will have a ripple effect on Ireland's ability to transport goods by air. Some sectors, such as pharmaceuticals, tech and high value seafood rely heavily on air capacity to transport goods. Any reduction in aviation or policies that reduce air capacity need to be taken with this in mind and the overall attractiveness of doing businesses from Ireland. We need to take immediate action to strategically ensure that we maintain enough air cargo capacity on and off the island to support these high value goods.

Marine sector: In our own marine sector there needs to be a strategic plan put in place for all marine activity which outlines investment - commercial fishing, ports & harbours, offshore wind, marine leisure (recreational fishing, recreational boating, water sports), living on the water (floating homes, live aboard barges), water based tourism. This plan should bring together all industry sectors and focus on how we can enhance the blue economy.

Connectivity: Regional broadband roll-out should be expedited. The IEA believes that this is achievable at no additional cost to the Irish Exchequer. Continued working from home and climate considerations that this will give should be looked at further.

Loans & Business 'Viability': Borrowing policies and the banking sector's ability to lend to businesses needs to be examined. The shock of COVID-19 and Brexit uncertainty has created liquidity issues for businesses. The definition of a 'viable business' in this climate should be looked at. The State has a role to play in ensuring that liquidity is accessible for businesses. We have concerns that the banks are not playing ball with either Government intervention or the business community - an alternative need to be developed rapidly, including exploring other options/ways to directly vector finance to businesses.