



Submission

Oireachtas Committee on the Good Friday Agreement

6th of April 2017

Lorraine Higgins, Head of Public Affairs & Communications

Chair, Deputies, Senators,

Many thanks for the invitation to address the Committee. For the purposes of today's presentation and given events of last week the focus of my submission will be confined to the impact Brexit is having on the retail industry and what we see as the possible solutions.

Like many in this Committee room, I was disappointed with the outcome of the UK referendum. That is not to say I believe the EU is perfect; it isn't. It needs reform and needs to do less and do it better. But what Brexit has taught us is that elections and referenda have become polarizing in recent years and have been driven by division and hate and not a country's best interests.

We saw this over the past few months, in Austria, to a lesser extent in Italy and of course to a greater extent in the US with Donald Trump. It is a regrettable feature of international politics and while it is a broader issue which is not the focus of this meeting the consequences of such political shifts are.

There is no under-estimating the potential threat a hard Brexit will have on our economy, an economy which is so dependent on a close trading relationship with Britain. To put its significance in perspective, the UK is

- the second largest economy in the EU behind Germany &
- the fifth largest economy in the world.

But more critically, it is its position as Ireland's biggest trading partner, with over

- €1 billion in goods and services being exchanged between our countries on a weekly basis and
- the fact 100,000 Irish households are dependent on this relationship,

which sums up the breadth of the challenge facing the retail industry which, is our largest private industry employer in Ireland,

- and provides 282,000 jobs in every village, town and city
- has 42,000 businesses who survived the recession of which,
- 83% are Irish owned,
- 75% of which are family businesses
- and contribute 5.7 billion annually to the Exchequer.

Article 50 has now been invoked but the period between now and the full termination of the UK's membership will be defined by uncertainty, unpredictability and destabilization which doesn't make it any easier for us to strategise to stave off the worst excesses of a post Brexit hangover.

However, early indicators are proving difficult wherein two negative retail industry reports were released in January: one from KBC on Consumer Sentiment and the Visa Spending Index which both recorded a downward trend for the industry. The reports concluded that in December 2016:

- Overall expenditure by householders was down
- There was a fall in consumer confidence which marked a 22-month low
- Online spending was up 15.4pc, where much of it was focused on British retail operations (who are now aggressively marketing their goods and products on Irish websites and social media).
- Face-to-face spending in shops decreased for the third successive month,
- clothing and footwear, didn't report a rise in spending at all.

So, it is clear that the leaking of huge spend to the UK is hurting Ireland and its businesses which is being aided and abetted by the virtual phenomenon of increased online sales and the return of cross border trade. Driven by devaluation of Sterling the statistics are alarming for Irish retailers:

- e850,000 is spent every hour online in Ireland and
- of that amount 70% is going out of the country,
- 17% of Irish SMEs are not on line and
- of those who are 75% cannot process payments on their sites.

So, it is clear the challenge to retail is enormous which we are currently trying to abate with our continued engagement with State Agencies.

More broadly, the further depreciation of sterling will continue to push up Irish import prices and make exports less competitive. Differing packaging requirements and long delays and queues of trucks at point of entry will also affect the cost of goods, impact on the freshness of produce and put pressures on margins that don't currently exist. We feel strongly that hard border control cannot be tolerated by this country given our unique geographical position and I would urge the Government to ensure they use the precedent set in the Munich agreement in this regard.

But above all else we need to bring solutions rather than problems to the challenges we are facing. There are a number of actions necessary to lessen the impact on the largest private industry employer in this country and they are:

- That the next Budget be Brexit proof
- Reduce VAT to allow us compete with the UK rate
- Reduce employment costs and PRSI
- Abolish Upward only rent reviews retrospectively
- Empower retailers to get online and have full access to State supports
- Negotiate a "special position" deal with the powers that be in Europe as Spain are with Gibraltar on their mainland.
- Implement the recommendations of Retail Excellence and Retail NI "Building Retail: North and South" Report which include:
 - Establishing a North-South Retail Forum
 - Using State Agencies to create cross-border shopping breaks
 - Retail to form part of the tourism strategy of both Failte Ireland and Tourism NI
 - Further investment in the Dublin- Belfast Enterprise Network
 - Launch a campaign North and South on VAT Back entitlements

My colleague CEO of Retail NI, Glyn Roberts, will discuss these recommendations in further detail in his presentation

- Separately, deal with the Bus Éireann debacle which is damaging to us internationally and is having an enormous impact on footfall and retail sales activity.

The opportunity must be used to support the largest employer in the domestic economy with favourable measures targeted at ensuring rising costs don't outstrip growth. These actions are critical at this juncture as the impact of Brexit is not a well-defined scenario for Ireland who is the collateral damage in this referendum outcome.

Disentangling Ireland from the UK is the most brutal break up of a long-standing relationship and we need to ensure that we get the best possible terms to safeguard Irish retailers and the 282,000 jobs and 100,000 businesses dependent on the relationship. For many local businesses this is a difficult and uncertain time. A post-Brexit Ireland needs to remain a self-confident, outward looking innovative country and we can't let anything jeopardise that.

I appreciate the opportunity to participate in this forum and thank you for listening.

For more details contact Lorraine Higgins, Head of Public Affairs and Communications – 087 9034883

About Retail Excellence

Established in 1995, Retail Excellence is owned by the members, for the members. We are an organisation which invests in innovative and exciting learning, market intelligence, human resources services, Government representation and member networking initiatives. Retail Excellence has over 1,650 leading retail companies in Ireland. Our members are the most progressive and innovative retailers. Retail Excellence is by far the largest retail industry body in Ireland.