



IRISH RETAIL INDUSTRY RECOVERY PLAN

APRIL 2020

Summary

The Retail Industry makes a very significant contribution to the economic and financial well-being of the Irish economy.

- It employs 288,000 people directly, and up to 400,000 when indirect employment is taken into account;
- The net wage contribution to the economy every year is estimated at €6.94 billion. These wages generate further expenditure in the economy, and when this multiplier effect is included, the total net financial impact of the retail sector and its associated employment is estimated at €10.41 billion;
- The Irish Retail Industry collects €5.61 billion in VAT receipts for the Exchequer;
- The Irish Retail Industry pays around €768 million in Corporation Tax to the Exchequer.
- The Industry has a very strong regional footprint, and is essential to the well-being of towns and cities around the country.

The industry is now in serious trouble as a result of the COVID-19 crisis. A number of measures need to be implemented as quickly as possible to ensure that as many of the businesses and jobs as possible in the Industry are preserved. The proposed measures include:

Measure 1:

Establishment of a Government backed commercial rent grant scheme equal to 60% of the rent and service charge cost during the emergency period.

The cost of this measure to the Exchequer is estimated at €330 million for a 3-month period.

Measure 2:

The permanent cancellation of all Local Authority rates for all impacted businesses for a 12-month period.

The cost to the Exchequer of this measure is estimated at €730 million for a 12-month cancellation.

Measure 3:

The implementation of liquidity supports for retail businesses and speedy and simplified implementation of these supports by the banks.

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Measure 4:

The distribution of a gift card of €500 to all Irish households which can only be spent in town and city centres and will be zero balanced after a fixed window of time.

The estimated cost to the State would be €850 million.

Measure 5:

The implementation of a back to work scheme such as a "Jobs Bridge" type initiative to re-employ the highest possible proportion of our retail industry colleagues who have been temporarily laid off.

We believe that these measures are essential to ensure the survival of as much of the retail industry as possible and to re-employ as many of the workers who have lost their jobs as possible. The costs of not implementing these measures to support the recovery of the retail industry are very significant.

There is a distinct and very real risk that without the suggested measures, up to 110,000 jobs could be lost in the retail industry. This would cost the State an estimated €2.2 billion in a full year in increased social welfare payments and would cost the State an estimated €800 million per annum in employee taxes foregone. In addition, further significant damage would be done to the economic and social fabric of every town and city in the country.

Ireland is in a period of unprecedented crisis that requires an unprecedented official policy response. Now is the time to be brave. There will be significant costs involved, but the social and economic benefits will far outweigh the costs. The retail industry believes that it will have a key role to play in re-building the Irish economy, but it needs a strong official policy response.

It is essential for the economic and financial health of the consumer, the retail sector and the overall economy, that this crisis is not followed by a period of fiscal austerity. That would risk turning a recession into a depression. Economic growth and recovery must be fully supported and a higher level of Government debt must be accepted as a fact of life in the near-term. The promotion of stronger economic growth is the best way of ultimately reducing the burden of debt. The retail industry is determined to play its part in that return to stronger economic growth.



Introduction

Covid-19 is, first and foremost, a global humanitarian challenge of great scale. It has affected communities across the globe. Thousands of healthcare professionals are bravely battling the virus and while doing so, putting their own lives at risk. We sincerely thank our amazing healthcare workers at a time of great crisis.

At an economic level, it represents the greatest economic shock since 2007/2008, but in some respects, it is worse, in the sense that many businesses have had no option other than to cease trading completely. Large swathes of the economy have effectively been shut down. Unfortunately, while revenues have virtually ceased for many businesses, many costs are still being endured, such as commercial rates and rents. These circumstances have combined to cause a serious cashflow crisis and business liquidity crisis that seriously threatens the sustainability of many businesses. The real danger is that without strong targeted support measures, many of those businesses may not be in a position to re-open once the lockdown in large swathes of the business economy ends. This would represent significant long-term damage to the business infrastructure of the economy and would inhibit economic recovery and the re-building of what has been a very successful economic and business model.

The imperative for policy makers and the banking system in Ireland is to ensure that those businesses that were viable before Covid-19 struck, will be around to pick up the pieces once life starts to return to normal. It is imperative that as many of the pre-Covid-19 businesses as possible are around to re-employ the thousands of workers who have lost their jobs as a direct result of the crisis. This will be essential to reduce the excessive pressure on the social protection element of Government expenditure at the moment, and to generate the tax revenues that will be necessary to eventually restore order to the very damaged public finances. The public finances will have to be repaired on a gradual basis through economic growth, and policies of fiscal austerity cannot be pursued as this would risk turning a short sharp recession into a longer depression.

The Irish Retail Industry is a key component of the economy. It facilitates consumer wants and also provides high levels of employment all over the country, in rural and large urban economies. Many towns and cities around the country have struggled to maintain economic vibrancy and life in recent years, and having a vibrant retail offering is absolutely essential to address the problems. The danger at the end of this crisis is that there will be a further diminution of the retail offering in towns and cities around the country and the problems of maintaining vibrancy will be exacerbated. This cannot be allowed happen as the social and economic consequences would be detrimental to the regional economic growth agenda.

Consequently, it is essential that the re-building of the retail industry has to be central to the overall economic recovery plans. The retail industry directly employs 288,000 colleagues, however when direct and indirect employment through suppliers, wholesalers and logistics are included, the number of jobs dependent on a functioning retail industry increases to over 400,000 people.

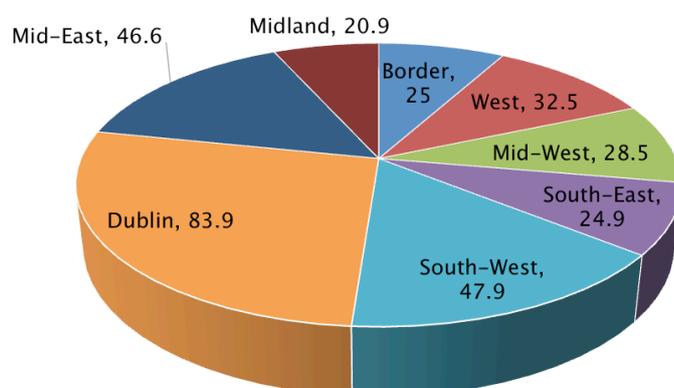
Introduction

Table 1:
Summary Economic Contribution of the Retail Sector

Direct Staff Employed	288,000
Gross Wages Earned	€9.04 Billion
Net Wages Earned	€6.94 Billion
Employee Taxes Relating to Direct Employment	€2.1 Billion
Income Multiplier Effect	€10.41 Billion
Indirect Employment	112,000
Total Employment Supported	400,000
VAT Collected	€5.61 Billion
Corporation Tax	€768 Million

- The net wage contribution to the economy every year is estimated at €6.94 billion. These wages generate further expenditure in the economy, and when this multiplier effect is included, the total net financial impact of the retail sector and its associated employment is estimated at €10.41 billion;
- The Irish Retail Industry collects €5.61 billion in VAT receipts for the Exchequer;
- The Irish Retail Industry pays around €768 million in Corporation Tax to the Exchequer.

Figure 1:
Regional Breakdown of Employment in the Wholesale & Retail Trade (000s Q4 2019)



Source: CSO Statbank

Figure 1 shows the strong regional contribution that the Retail and Wholesale Trade makes to employment in Ireland. It is a very significant creator of employment all over the country. This regional employment has to be protected from COVID-19 damage.



Introduction

The Irish Retail Industry has suffered greatly over the period of the Covid-19 crisis. Those that have closed their doors will struggle to recover, while those essential sectors who have remained open to serve their public duty have in many cases sustained significant losses - pharmacy, forecourt and pet retail as a case in point.

We passionately believe that a Retail Recovery Plan needs to be developed and implemented immediately to ensure that the damaged retail industry can return to life as quickly as possible. The following Retail Recovery Plan outlines 5 important measures which we believe will deal with legacy costs during the period of emergency and will be required to jolt our economy back into action.

All legislative support required to deliver a fast recovery should be included in one Government Act – the Financial Emergency Measures in the Public Interest (FEMPI) Act.

It is clear that we face a consumer demand crisis. Demand has been significantly and negatively impacted by Covid-19. Employment will return to impacted sectors in proportion to and commensurate with the demand levels that return to each sector of the Irish retail industry.

As the recovery of the Irish Retail Industry is so vital to the wider economy, we are calling for the immediate implementation of 5 measures:

Measure 1:

Establishment of a Government backed commercial rent grant scheme equal to 60% of the rent and service charge cost during the emergency period

Measure 2:

The permanent cancellation of all Local Authority rates for all impacted businesses for a 12 month period

Measure 3:

The implementation of liquidity supports for retail businesses and speedy and simplified implementation of these supports by the banks

Measure 4:

The distribution of a gift card to all Irish households which can only be spent in town and city centres and will be zero balanced after a fixed window of time

Measure 5:

The implementation of a back to work scheme such as a "Jobs Bridge" type initiative to reemploy the highest possible proportion of our retail industry colleagues who have been temporarily laid off



Introduction

We believe that these measures are essential to ensure the survival of as much of the retail industry as possible and to re-employ as many of the workers who have lost their jobs as possible. The costs of not implementing these measures to support the recovery of the retail industry are very significant.

For example; the permanent loss of 10,000 retail jobs would cost the State an estimated €200 million in a full year in increased social welfare payments; would cost the State an estimated €72.8 million per annum in employee taxes foregone; and would have a very negative impact on employment in towns and cities around the country and would further undermine the 'health of the high street'.

There is a distinct and very real risk that without the suggested measures, up to 110,000 jobs could be lost in the retail industry. This would cost the State an estimated €2.2 billion in a full year in increased social welfare payments and would cost the State an estimated €800 million per annum in employee taxes foregone.

1

Commercial Rents Grant

It is clear that one of the greatest challenges facing the Irish Retail Industry is the expectation that commercial rents will be paid during the period of the crisis in many cases, while rental payments have been paused in other cases. In an environment where cashflows for many retailers have disappeared altogether or have been significantly reduced, this is not a sustainable situation. It is not viable that rents be paid during the crisis or that arrears have been allowed to build up, that will have to be paid once the crisis ends. The reality is that once the crisis ends, business conditions will take some time to return to a semblance of normality and cashflow is likely to remain under pressure for a prolonged period.

It is important that a solution is found that is deemed suitable to both tenant and landlord and thus when we reopen our doors we are not faced with this legacy cost. Without an immediate solution being found, we will simply enter a phase where significant landlord and tenant legal disputes will take place and each party will have a diminished likelihood of survival. A viable rental market and a viable retail market are essential components of a functioning economy. Both are now under threat, and it is in the interests of all stakeholders and the national economy that a workable solution is agreed and implemented as quickly as possible.

The solution we propose is that Government must establish a 'Commercial Rent Grant Fund' equivalent to 60% of commercial lease rent costs over the period of the emergency. The grant must apply to all retailers impacted by the crisis, both those that closed their doors through the period of emergency, and those who remained open to serve our Nation. Retailers who make a successful business disruption insurance claim should be excluded from this grant scheme. We need to work with and support landlords. Without functioning and solvent landlords no recovery will be possible.

We are proposing a 60|20|20 solution. Over 80% of commercial rents have been paused during the state of emergency. The payment of commercial rents will further dissipate in the coming weeks. The solution is that once businesses reopen, the commercial rent due for the period of closure is discharged as follows:

- 60% of commercial rent and service charge is paid by Government to landlords through a grant mechanism
- 20% of the commercial rent and service charge is discounted by the landlord in lieu of the significant business disruption experienced by all tenants
- 20% is paid and service charge by the tenant and a payment plan is put in place to assist the tenant through the recovery phase

This solution will support a real recovery in Ireland both for commercial tenants who must be supported and allowed to reopen without having to face legacy property costs and landlords who must be assisted in meeting their significant financial obligations.

Additionally, commercial tenants must be protected during the period of the crisis. Thus, the Government must legislate to ban all lease forfeitures during the period of the crisis.

1

Commercial Rents Grant

Required Measure 1:

Government must launch a grant scheme equivalent to 60% of the commercial lease rent during the emergency period. Tenants must pay 20% and landlords 20%. The grant should apply to all impacted tenants, including those that closed during the period of crisis and those who remained open to provide a public service. Any businesses with business disruption insurance should be exempt, once their insurer has confirmed to underwrite the cost of disruption. Without such a scheme there is potential for some landlords and retail tenants to become insolvent. The Commercial Rent Grant Scheme would contain a number of caveats such as:

- It should be a voluntary scheme where both landlord and tenant must agree to apply for the relief. The scheme should include a WRC arbitration type process allowing for a transparent, equitable and fair application of the scheme
- There must be a register of participants listing all landlords and tenants availing of the grant scheme
- No interest will apply on the 20% tenant rent due and a payment plan will be agreed to enable the tenant time to cash flow the 20% rent
- The scheme should be directly linked to retail revenue declines during the period of the emergency

Furthermore, emergency legislation must be enacted to ban all lease forfeitures during the period of emergency.

The cost of this measure to the Exchequer is estimated at €330 million for a 3-month period.



2

12 Month Permanent Cancellation of Rates

Local Authority Commercial Rates:

Commercial rates represent a significant cost commitment for retail business. There is an expectation that commercial rates should be paid during the crisis, unless alternative arrangements have been made agreed with the local authority. This is not a sustainable situation in an environment where cashflow has disappeared or has been significantly diminished. Retailers have a far lower chance of survival if local authority rates are to apply for the 12-month period from 1st March 2020. Local Government will struggle to collect rates from impacted businesses, including those who closed during the crisis and those who remained open to serve their Nation, while incurring significant costs in doing so. Local Government must be supported by Central Government at this time.

Thus, Central Government must fund the local authority rates bill for a 12-month period. By implementing this measure Central Government can support Local Government who in turn can support impacted retailers, hoteliers, restaurants, pubs and creches. We also suggest that on 28th February 2021 a further rates support measure might be required by certain sectors of retail such as tourism related businesses, as it will take a long time for the international tourism market to recover.

The reality is that many businesses do not, or will not for some time, have the requisite cashflow to pay commercial rates and would be forced to close. This is a lose-lose situation for both the business owners and the local authorities. The imperative must be to preserve as many businesses as possible and ensure that they become viable rate-paying entities as quickly as possible. This would represent a win-win situation for both the business owners and the local authorities.

Required Measure 2:

Central Government must provide a fund to Local Government equivalent to 100% of local authority rates for all impacted businesses including retail, hotels, pubs, restaurants and creches for a period of 12-months from 1st March 2020. Local Government must then exempt all impacted businesses from local authority rates for a 12-month period from 1st March 2020. Local Government must implement a local authority rates review mechanism on 1st March 2021. This will permit further rates exemption supports to apply for vulnerable businesses for a further 6 to 12-month period.

The cost of this measure is estimated at €730 million for a 12-month cancellation.



3

Business Liquidity Supports



Retail Business Liquidity and Recovery:

Once retail activity returns, it is likely it will return at a slower pace with consumers demonstrating great caution both in terms of financial prudence and residual healthcare concerns. It is likely that consumer behaviours will have also changed forever. The new norm will be online shopping which will very negatively impact on commercial activity in our town and city centres. Additionally, the shift to online will also witness a significant migration of consumer demand to international websites with limited economic benefit to the State. Additionally, social distancing measures will be the new norm and significant investment will be required by retailers to apply these rigorous new ways of doing business.

Central to assisting businesses to recover will be liquidity and cashflow.

Required Measure 3:

The Government must fully resource all Covid-19 working capital and loan schemes. Current funding is less than adequate and a fund of €2 billion must be made available to SBCI and other State loan mechanisms. They must be fully operable, accessible and efficient in their treatment of all applicants. A zero or very low interest rate should apply to those loans for a 2-year period.

Additionally banks must speedily simplify the loan application process ensuring that much needed funds are received by vulnerable but viable businesses.



4

Support Consumer Spending

Consumer Spending and Confidence Measures:

It is fundamentally necessary for Government policy to break consumer hibernation habits and promote a return to normality as soon as is viable from a public safety perspective. Policy needs to shake consumers from hibernation and promote a return to commerce, as soon as it is safe from a healthcare perspective to do so.

Required Measure 4:

The Government needs to implement a consumer spending stimulus plan to revive consumer spending and boost the national economy and local employment. Consideration should be given to the issuance of a €500 gift card for every household in the State. To maximise its benefit for Irish SME's the following rules must apply:

- The gift card must be spent within a 6-month window at which time the card is automatically zero balanced and the remaining balances return to State coffers
- The gift card must only be spent in bricks and mortar stores and not online thus reacquainting citizens with high street shopping
- The gift card can prohibit selected spending environments such as international websites, and international holidays

The benefit of a gift card designed in the suggested manner is that the money would be spent within 6 months and not saved; and it would remain within the local economy, thus deriving the highest possible local multiplier effect. Of the €850 million, an estimated sum of up to €195.5 million would come back to the Exchequer in VAT receipts and an estimated €980 million would be injected into the economy when the income multiplier effect is taken into account. This would stimulate consumer spending, help the recovery in the retail sector and boost re-employment prospects for retail staff. If the vouchers are not spent, there would be no cost to the State.

The estimated cost to the State would be €850 million. The Government must also consider VAT reductions to assist in simulating economic activity.

Table 2: Multiplier Effect of Gift Card

Value of Gift Cards	€850 million
VAT Generated	€195.5 million
Income Multiplier Effect	€980 million



5

Re-employment Supports

Measures to Return Swiftly to Re-employment of our 200,000 Colleagues:

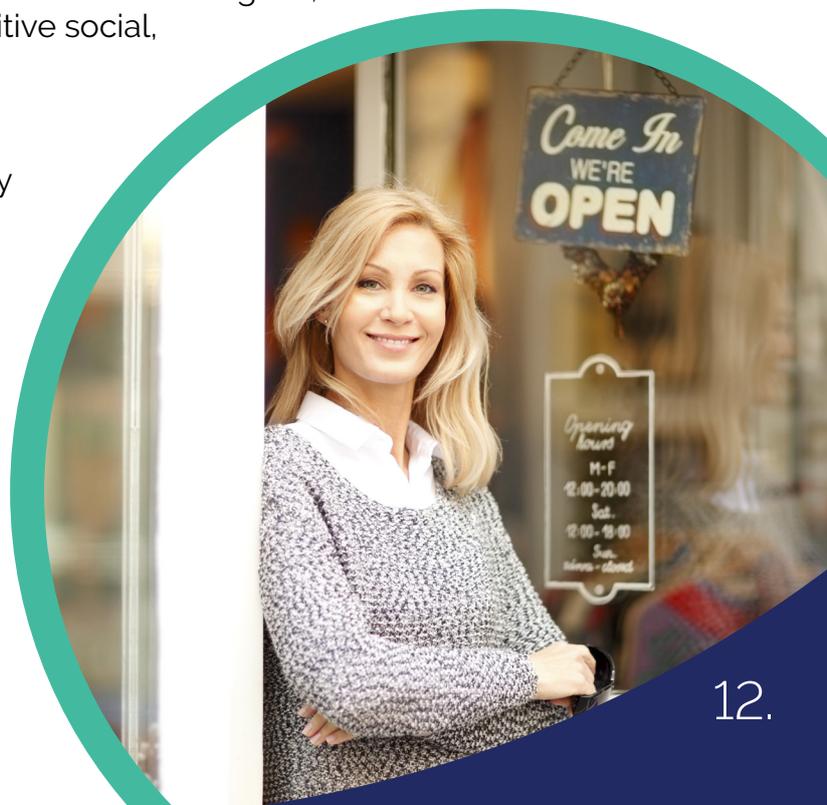
There is concern that with over 500,000 people on the Covid-19 emergency social welfare payment, the process of re-employment of colleagues might not be as straight forward as is necessary or generally expected. Thus, measures are required to facilitate and promote the greatest level of re-employment as possible, and as quickly as possible. As mentioned previously, re-employment levels will match demand and consumption levels in the marketplace. Thus, all measures implemented to enhance demand will similarly enhance re-employment levels. It is a virtuous circle. If incentive is provided to employers to accelerate re-employment levels greater than market conditions warrant, there is potential, with a higher proportion of people back in work, to accelerate demand levels in the economy. This would have the effect of speeding up a return to pre-Covid-19 levels of economic activity and prevent the growth in long-term unemployment, which can quickly become a long-term intractable problem. We believe that the implementation of a Jobs Bridge initiative should be considered once the immediate crisis ends in order to accelerate and maximise re-employment levels.

Required Measure 5:

Once some form of commercial normality returns, a proportion of those retail industry workers who temporarily lost employment will unfortunately face redundancy. This is because demand and consumption levels will fall short of pre-Covid-19 levels and employers will be forced to align labour cost with demand revenues to protect the viability of their companies. We would urge Government to launch a back to work scheme such as a "Jobs Bridge" type initiative at that time, incentivising and motivating employers to re-employ the greatest proportion of employees and get more people back to work as quickly as possible. Any Government initiative to re-employ the maximum proportion of our colleagues, would be a very welcome initiative, with positive social, economic and fiscal implications.

Ireland is in a period of unprecedented crisis that requires an unprecedented official policy response. Now is the time to be brave. There will be significant costs involved, but the social and economic benefits will far outweigh the costs. Be assured, the retail industry will play its part in generating economic recovery, just as it has played its part in helping our Nation through this awful crisis.

We Will Prevail





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 represents over 2,000 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.

Our members trade in every city, town and village across the Nation. They are the backbone to our economy. Their recovery is essential to the wider Irish economy.