



**Submission to the Department of Enterprise, Trade and Employment for their
forthcoming July Stimulus Package**

July 2020

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Moving from Lockdown to Recovery:

The Covid-19 pandemic is the greatest and most sudden threat the Irish economy has faced since the foundation of the State. The British Irish Chamber of Commerce has been supportive of the measures introduced by the Government to limit people's exposure to the virus. Now that the economy is beginning to move to the recovery phase of this unique economic cycle, it is imperative that the Government take an unprecedented role in spurring economic growth through a national stimulus plan. To this end, the Chamber is supportive of the Government's intention to implement a July Stimulus package.

The Need for a Significant Stimulus Package

Over the last two budget cycles, the Chamber advocated for the need to "increase the Budget surplus or to increase the allocation to the rainy-day fund". In addition, the Chamber recommended that the Government "curtail discretionary current expenditure increases" to shore up the economy in the event of an "economic shock". Given the Chamber's cautious positioning on Government finances, we do not propose significant increases to the national deficit or debt lightly. However, circumstances dictate that significant Government intervention is not just warranted, it is required.

Key factors that should be considered when finalising the Stimulus Package:

- The Stimulus Package should be sizeable enough to spur economic growth in a depressed economy and incentivise consumer demand.
- Protecting businesses that were viable before the Crisis and which will remain viable after the recovery should be the main focus of the Package.
- The conditions for borrowing are favourable, as long as the country can demonstrate that it will have the capacity to honour its obligations it is unlikely that the market will turn on Ireland.
- Permanent Current Expenditure Increases (excluding automatic stabilisers) will have to be paid for by tax increases or adjustments to other current expenditure line items. Current expenditure increases should not be considered as stimulus measures.
- Growing the Economy is the best way to reduce the Debt to GDP ratio.
- The Stimulus Package should factor in the additional challenge of a 'No deal' Brexit to the economy and the most affected sectors.

The recommendations contained within this section are the culmination of meetings and interactions, supplemented with expert analysis and input from the Chamber's Executive team. The Chamber will make an additional budget submission in the coming weeks to include other key sectors.

- i. **The Temporary Wage Supplement Scheme:** This scheme has saved thousands of jobs and has cost the exchequer less than the Pandemic Unemployment Payment. The removal or adjustment of this scheme should be done on a phased basis in consultation with employers' groups. The support will need to be maintained for a longer period of time for sectors that cannot resume their normal functions e.g Culture, Arts, Sport and Tourism.
- ii. **Restart Grants:** Thousands of Businesses in Ireland have complied with the directives of Government by closing their premises. These are viable businesses that will be viable again when this crisis abates. The Chamber is calling for the Programme for Government to commit to supporting these businesses and in doing so support thousands of workers. The current restart grant is too limited in its focus, it excludes larger businesses that employ significant numbers of staff and are in a precarious position. They too need additional supports. The UK approach has a far wider remit and the grants can be significantly higher.
- iii. **Maintain Liquidity:** The Government needs to commit to unlimited liquidity assistance for businesses that are in need. When compared to the UK, Ireland is falling short. In the UK, Firms can avail of 100% backed government loans of between £2000-£50,000 with a flat rate of 2.5% interest. For the first 12 months, the government will pay fees and interest on the loans, with debt repayment only starting after that period. The government provide lenders with a 100% guarantee.
- iv. **Introduce Emergency Measures to Safeguard the Agri-Food sector:** Following the outbreak of Covid-19, the Irish agri-food sector has shown its resilience and continues to provide people with the highest quality of produce. However, farmers, producers and suppliers are facing various challenges in responding to this crisis. Irish food and drink exporters are coming under increased pressure and with Brexit on the Horizon further challenges lie ahead. The Programme for Government should reiterate the Irish Government's committed to introduce whatever measures are necessary to protect Ireland's most important indigenous industry.

v. Support the Hospitality and Tourism Sector:

- **Reduce the VAT the Hospitality and Tourism Sector:** The tourism and hospitality sectors are bearing the greatest brunt of the crisis with tens of thousands of jobs “temporarily” laid off since the outbreak of Covid-19 in Ireland. To ensure an immediate rebound in our tourism and hospitality industry, the Government must introduce a temporary reduction to the VAT rate applicable to these sectors to 0% for the duration of the Covid-19 crisis and then permanently at 9% once recovery has taken hold.
- **Increase the Tourism Budgets:** Increase the current tourism budgets by €50m and double the capital budget.

vi. Maintain the focus on Brexit as a Priority:

- **Retain the Brexit Contingency Fund:** The Chamber welcomed the announcement in Budget 2020 of the “Brexit Contingency Fund.” The Chamber has long advocated for the setting up of such a fund to help protect those businesses most vulnerable to a “No deal” Brexit. While the immediate focus has correctly been on the Covid-19 outbreak, the new Government should not lose sight of the impact Brexit will have on Irish trade with the UK. Therefore, the Chamber recommends that the new Government retain the Brexit Contingency Fund to protect Irish businesses from the worst effects of Brexit. The Chamber outlined specific areas that will need resources in our [Pre-Budget submission](#).
- **Increase Resources for Brexit-Facing State Funded Agencies:** Ireland's state agencies are rightly regarded as amongst the best in the world and will play a leading role in Ireland's response to the Covid-19 outbreak. The Chamber has seen first-hand the work of the IDA, Science Foundation Ireland, the Irish Research Council, Tourism Ireland, Bord Bia and Enterprise Ireland, as well as the LEOs in supporting their clients, not just for the immediate consequences of Covid-19 but the challenges associated with Brexit. Ireland's State Agencies will lead the line in our national response to the current crisis and for the transition to post-Brexit trade with the UK. Therefore, they need to be resourced appropriately. The

Chamber recommends that the Stimulus programme commit to a significant increase of resources for State Agencies.

- **Preserve and expand Brexit Supports:** Brexit supports that were put in place to support businesses preparing for Brexit should be preserved until clarity on the future relationship is reached. After which, supports should be targeted at sectors most disrupted by new arrangements.

- vii. **Retain 'Ireland 2040':** The view of the members of the British Irish Chamber of Commerce is that the current strategy lays out a clear national plan for infrastructure with €116 billion allocated in funding over a 10-year period. During the last recession, general government capital expenditure was significantly reduced from 5.2% of GDP in 2008 to 1.8% of GDP in 2013. The new Government must learn the lessons of the past and commit to ringfence planned infrastructure funding over the course of its term.