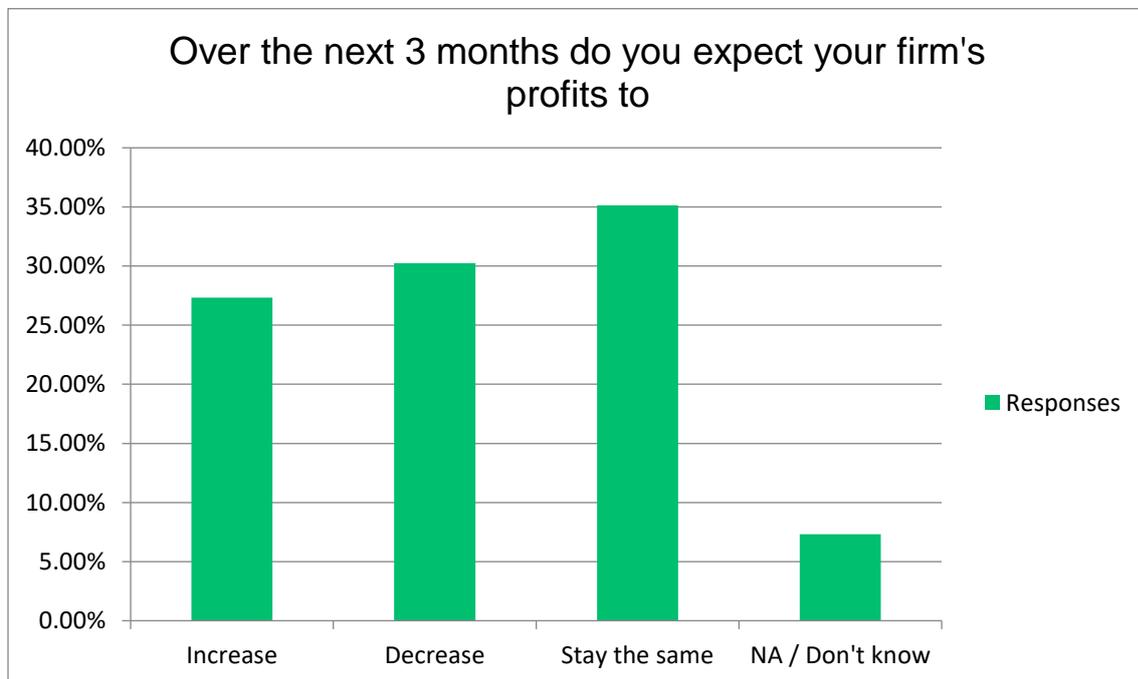




## Submission on Covid-19 Business Supports Q1 2021

January 2021

Dublin Chamber is the representative body for businesses in the Greater Dublin Area. Our multi-sectoral membership base spans the spectrum from small start-ups to major multinationals, providing a keen insight into the needs of businesses and employees at this challenging time. Throughout the Covid-19 crisis, we have been working closely with affected businesses through focus groups, surveys, and direct member engagement to monitor the commercial impact of the pandemic and the effectiveness of Government supports. At the close of last year, our Business Outlook Survey Q4 2020 revealed the continuing impact of Covid-19 on business prospects among a representative sample of 205 Dublin companies. Almost one in three firms surveyed (29%) expected revenues to decline over the first 3 months of 2021 and a similar percentage (30%) expected profits to fall. Meanwhile, one in three (33%) identified cost reduction or cash flow management as their most pressing challenge at present.



Some businesses are reporting significant erosion of their capital base during the crisis, and Dublin Chamber is working with members to identify future policy solutions. Short-term debt arising from the Covid-19 crisis will have to be converted into long-term debt in many cases, raising the broader issue of the recapitalisation of businesses post-Covid-19.

In the meanwhile, businesses now face a second exceptionally difficult year, with severe pandemic restrictions set to continue for the immediate foreseeable future, and a highly uncertain outlook in respect of the support landscape beyond Q1.

Informed by our ongoing engagement with companies of all sizes, Dublin Chamber makes the following recommendations to Government in respect of Covid-19 related business supports in Q1. We are particularly concerned to ensure that businesses struggling due to Covid-19 do not face a 'cliff edge' on 31<sup>st</sup> March 2021, and that adversely impacted businesses are no longer excluded unfairly from vital support programmes.

### 1. Extend the EWSS and CRSS through 2021

Despite a bleak outlook in many sectors, over half of firms (52%) expect staff levels to remain unchanged in Q1 2021; meanwhile, 31% of respondents expected numbers to increase over the same period, more than double the 13% of firms expecting their staff numbers to decrease. Unemployment due to Covid-19 remains a concern in the most adversely impacted sectors. However, the relatively low expectation of further job losses this quarter is a testament to the success of the Temporary Wage Subsidy Scheme (TWSS) and its successor, the Employment Wage Support Scheme (EWSS), in stabilising the labour market. Current Revenue advice indicates that this support is expected to continue until 31<sup>st</sup> March 2021. It is vital that Government continues to provide this support for businesses for as long as necessary to maintain the connection between employers and employees, and to minimise the long-term scarring effects of the crisis on the labour market.



Similarly, the Covid-19 Restrictions Support Scheme (CRSS) has been a critical lifeline for many businesses struggling as a result of the pandemic. Direct feedback on the effectiveness of this support from qualifying businesses has been overwhelmingly positive. However, there is concern that that CRSS is currently scheduled to continue until 31<sup>st</sup> March 2021, and anxiety to avoid a cliff edge at the end of the first quarter. A sudden withdrawal of this support less than a month after Level 5 restrictions are due to be reviewed would risk

destabilising many businesses, and it is important that companies are sufficiently informed to plan ahead. Availability of CRSS should be maintained for as long as businesses remain impacted by Covid-19 restrictions, and at present it appears highly unlikely that restrictions will be significantly relaxed in the first half of 2021. Businesses need clear reassurance about the support that will continue to be available to them in the context of various restriction levels.

## **2. End inequitable exclusions from CRSS**

Numerous businesses continue to report exclusion from Covid-19 supports despite having experienced collapses in revenue as a direct result of the pandemic and associated public health restrictions. This is causing considerable disappointment, as the scheme was designed to assist those businesses whose trade has been significantly impacted or temporarily closed as a result of the restrictions as set out in the government's Living with Covid-19 Plan. The definition of a 'business premises' and requirement for restriction of public access to it has created an anomaly which is affecting many businesses, most notably in the transport sector.<sup>1</sup> For example, a chauffeuring company reliant entirely upon airport tourism, events, and in-person business meetings, which has seen its business decline by 98% relative to a comparable period last year, is denied the support that will be available to others in the tourism sector, even though it has been impacted by Covid-19 restrictions and easily meets the turnover criteria. Charity retail is also excluded from the scheme as presently operated, leaving many not-for-profit shops without the support available to mainstream businesses during enforced closure.

It is not clear how these exclusions relate to the basic policy objective of the CRSS, which is to provide targeted support for businesses significantly impacted by restrictions introduced by the Government under public health regulations to combat the effects of the Covid-19 pandemic. Meanwhile, they risk necessitating business consolidation and further staff layoffs, and in some instances place the future of Irish companies in serious doubt. To protect the working capital of impacted firms, Dublin Chamber urges reconsideration of these restrictions and, if necessary, the enactment of adjustments to the taxation system to facilitate this.

## **3. Extend the commercial rates waiver throughout 2021**

Business feedback suggests that the commercial rates waiver has been a particularly valued support throughout this crisis, and there is strong demand for a continuation of this relief. The waiver is due to expire at the end of Q1, and businesses with rateable premises now require certainty from Government as to their future cost base in the context of ongoing restrictions and a likely continuation of depressed trade. Urban Ireland has been particularly badly affected by the pandemic, with city centres facing long-term questions about their future. Even after the easing of restrictions, a period of relief will be required to support business recovery. Dublin Chamber recommends use of the Covid-19 contingency package announced in Budget 2021 to fund a continuation of the commercial rates waiver throughout this year.

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<sup>1</sup> Revenue, Guidelines on the operation of the Covid Restrictions Support Scheme, 11 January 2021, p.13 <https://www.revenue.ie/en/corporate/press-office/budget-information/2021/crss-guidelines.pdf#page=13>