Pre-Budget Submission 2019

SUSTAINING JOBS, MAINTAINING COMPETITIVENESS AND DELIVERING CERTAINTY FOR THE RESTAURANT AND TOURISM SECTOR

Presented to:
MINISTER FOR FINANCE,
Paschal Donohoe, T.D.

KEEP VAT AT 9%
Supporting Food, Tourism & Jobs

RESTAURANTS ASSOCIATION OF IRELAND

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INTRODUCTION

ABOUT THE RESTAURANTS ASSOCIATION OF IRELAND

The Restaurants Association of Ireland is the representative body for restaurants in Ireland. With over 2,750 business owners nationwide, we represent fine dining, casual dining, ethnic, family, gastro pubs, and hotel restaurants. The restaurant sector employs approx. 79,424 people and contributes €2bn annually to the economy.

THE RESTAURANT INDUSTRY IN IRELAND

There are currently 2,628 restaurants operating in Ireland of which 905 are in Dublin. There are about 6,000 pubs in operation of which about 30% are now serving food. There are 983 hotels in Ireland. It is hard to put a figure on the number of cafes in Ireland, but we believe it is well over the 2,500 mark.

The RAI has a current membership of over 2,750 members. The 2,750 figure is a mix of Restaurants, Hotel Restaurants, Gastro Pubs, Cafés as we would also have various industry suppliers as Trade Members, Forum Members and Patrons which brings total membership over 3000. The Restaurant sector went through a very difficult adjustment period from 2008 through to 2013 in line with the rest of the economy. The sector was particularly vulnerable as it is very dependent on inward tourism and domestic discretionary spending. It reacted aggressively to the changed and much more difficult economic climate, by reducing costs and menu prices, and improving the quality of the offering. This approach, when combined with the Government decision to cut the VAT rate to 9% in July 2011, enabled the sector to come through the difficult economic times.

In July 2011, the VAT rate for accommodation and food services was reduced from 13.5% to 9% giving a major boost to our industry, enabling many to keep their doors open, reduce their menu prices and retain staff. Given the growth in the sector, particularly in the past three years, the VAT rate has remained. Some figures illustrated below, show the importance of this rate to the sector. Between Q2 2011 and Q1 2018, the number of people working in the Accommodation & Food Services Sector nationally increased by 54,400, taking total employment from 117,300 to 171,700. The sector accounted for 7.7% of total employment in the economy in the first quarter of 2018. The increase in Indirect Employment as a result of this job creation is estimated at 17,388. The increase in Direct and Indirect Employment is estimated at 79,424.[1]

In 2017, Irish consumers spent €7.5 billion on out of home food & beverage. The bulk of this (91%) was spent in the commercial channels, in locations such as quick service restaurants, full service restaurants, cafés and pubs.[2]

The restaurant industry is a fiercely competitive and difficult industry. There are constant new entrants to the market, high failure rates and high burnout rates. The general feeling amongst members at present, is that business is extremely tough, not only from the competition of new openings and other businesses entering the food space (pubs/QFS) but the continued increase in the cost of doing business, (Insurance premiums, wages cost increases of on average 10%, commercial rate increases, rent increases in urban areas). There is a chronic shortage of suitably skilled or qualified chefs and to a lesser extent front of house managers/supervisors.

To survive in this business restaurants must offer the best quality product at the lowest price.

At a recent Council meeting of the RAI (which is made up of business owners throughout Ireland) all agreed that business at present is particularly difficult, 'staying alive' was their new motto.

In 2017, 82 of our members closed their business, that is more than 1 restaurant a week closing its doors in 2017.

Most of our members are all small owner operators and in many cases, they are the Head Chef. They open a restaurant because they have a passion for cooking food, serving customers and like all business people, trying to make a profit. This is however becoming increasingly difficult.

[1] Job Creation in the Accommodation and Food services Sector Q1 2018, compiled by Jim Power Economics for the Restaurants Association of Ireland

[2] Irish Foodservice Channel In Bord Bia Technomic Report, 2017

HOSPITALITY SKILLS AND RECRUITMENT

Skills Shortage

Since 2012, in each pre-budget submission by the RAI, we have been calling for policies to tackle the chronic chef shortage in Ireland.

Currently, 1,800 chefs qualify each year from certified culinary training programmes. In 2015, the Expert Group on Future Skills Needs (EGFSN) report on the Hospitality sector identified a deficit of 5,000 chef trainees annually. (3) We are now almost 3 years on from the publishing of that report and numbers are estimated at almost 7,500. The key findings of the EGFSN report found that the skills shortage is across all levels, most notably amongst Chefs.

(3) Export Group on Future Skills Needs: Hospitality Report, November 2015.

The reasons for the skills shortage are as follows;

- Insufficient numbers with appropriate training & experience
- Lack of appropriate training centres and courses
- Perception of careers in the sector
- Seen as a casual labour sector with no career ladder where the opposite is true
- Reputation of the sector
- Continuous Professional Development
- Few or no courses available throughout Ireland to current Chefs to improve their knowledge and skills with further education courses
- Societal Focus on more traditional 3rd level progression post Leaving Certificate
- Colleges unable to provide sufficient amount of on the job training hours

Policies to tackle the skills shortage implemented to date;

- Development of National Commis Chef Apprentice Programme (112 places were rolled out in October 2017) (2 days college, 3 days employment x 2 years)
- Development of National Chef de Partie Programme - of which RAI is the Chair – commences September 2018 in two IOTs with approx. 40 registered – another intake commencing in Jan 2019 in 4 IOTs – an earn and learn degree qualification programme
- Development of National Sous Chef and Executive Head Chef apprenticeship programmes.
- Establishment of a Restaurant & Hospitality Skillnet by the RAI - to provide upskilling courses to those currently working in industry.
- Establishment of a National Oversight and Advisory Group 'Hospitality Skills Oversight Group'
- Apprentice Chef Initiative – aims to create a positive and pro-active approach and introduction to culinary arts profession for second level students
- Tourism Insights – online portal for transition year students to promote careers in tourism and hospitality. Over 240 schools have participated to date.

Issues encountered in tackling shortage:

- Apprenticeships

The two active culinary apprenticeships of Chef de Partie and Commis Chef, do not operate the same as other apprenticeships – there is no bursary as with trade apprenticeship and Industry, i.e. the employer foots quite a large cost.

Currently for apprenticeships developed before 2016, a training allowance is paid by the local ETB to apprentices while attending off-the-job training. In some cases, a contribution towards travel or accommodation costs may be paid if deemed eligible. The sector the apprentice's employer is engaged in will determine the allowance payable. Current applicable apprenticeships are;

Engineering, Construction, Motor, Printing & Paper, and Electrical Industry

This means within ETBs some students in the Culinary Sector are at a marked disadvantage compared to their counterparts training in other industries.

ACTION

A review of apprenticeships and steps taken to ensure culinary students receive the same benefits as apprentices from other sectors, be it bursaries, expenses, etc.

Establishment of a National Tourism and Hospitality Training Authority

Since the publication of the EGFSN report, a National Oversight and Advisory Group 'Hospitality Skills Oversight Group' has been developed. This forum meets 6 times per year and consists of the following members;

- Solas
- Industry Bodies (RAI, IHF, LVA, IHI, VFI)
- Failte Ireland
- Educational Bodies (IOT's, QQI, HEA, ETBI)
- Dept. Social Protection
- Dept. Education
- Dept. Jobs, Enterprise & Innovation
- Regional Skills Dublin

The Hospitality Skills Oversight Group published their 2017 interim report (August 2017) and one of the findings of the report was that hospitality is a diverse industry that would benefit from further co-ordination.

The Council for Education, Recruitment and Training (CERT) was held in very high regard during its operational years. It was funded by Bord Failte, the Department of Labour and the industry and run by a board including hoteliers and restaurant owners. The board undertook to promote a career in tourism to young people and provided direct skills training at its network of training centres and in developing tourism and culinary orientated education in VECs and other colleges.

The RAI would like to see a National Tourism and Hospitality Training Authority established based upon the format of the Credit Review Office, to do the following:

- Oversee policy development in hospitality training needs and the development of national training structures and programmes
- Be a one stop shop for information regarding all training locations and programmes related to the tourism and hospitality industry
- Deliver a National Hospitality Careers Roadshow
- Develop a training charter and an official National code of practice
- Engage with secondary schools for the recruitment, training and formal education of young school-leavers, preparing and incentivising them for careers in the Industry.

ACTION

To establish a National Tourism and Hospitality Training Authority

Work Permits

The Restaurants Association of Ireland welcomed Minister Humphreys' announcement in March 2018 regarding the inclusion of four chef grades for consideration on work permits, as below. The Association has long made applications to the Department of Business, Enterprise and Innovation for the removal of chefs from the Ineligible Categories of Employment List and welcomes this change as previously the only chefs applicable for work permits within the chef category were specialist cuisine chefs.

The Minister approved an exemption from the ICEL list for the following chef grades in response to evidence that the Irish labour market is experiencing a shortage:

- Executive Chef with minimum of 5 years' experience at that level
- Head Chef with minimum of 5 years' experience at that level
- Sous Chef with minimum of 5 years' experience at that level
- Chef de Partie with minimum of 2 years' experience at that level

A quota of 610 General Employment Permits is available for these chef roles, with a maximum number of two such employment permits to be granted per establishment.

This much welcomed and long lobbied for change however saw the removal of the specialist cuisine chef work permit applications which had been in place for many years. Such skills are not native or readily available within Ireland or the European market for Asian cuisine specialists, in particular. As such, the exemption existed and enabled specialist cuisine restaurants to operate, whilst maintaining the 50% work permit staff cap. The new quota for the four chef grades does not provide any exemption on the two-permit cap for these restaurants and specially skilled chefs.

The cap of two permits per establishment is welcomed in maintaining a fair opportunity for all restaurants, both big and small (of which the majority of RAI members are) to avail of work permits, as they are limited in the number available. However there needs to be consideration for a section of the restaurant industry who had long operated and relied upon the work permit scheme to run their business.

In its "Report on the Cost of Doing Business" published in July 2018, The Joint Committee on Business, Enterprise and Innovation recommended that "the work permit applications for particular sectors continue to be considered on a regular basis by the Department of Business, Enterprise and Innovation." This is a welcomed suggestion by the committee, however in light of the abolishment of the much-needed specialist cuisine chef work permits, it is necessary for such a review to take place immediately.

ACTION:

Greater communication between Dept of Tourism and Work Permits division of the Dept of Business, Enterprise and Innovation regarding work permit requirements for Tourism and Hospitality Sector, alongside continued industry consultation.

Reinstate the specialist cuisine chef work permit to operate alongside the 610 general chef work permit allocation announced in March.

OR

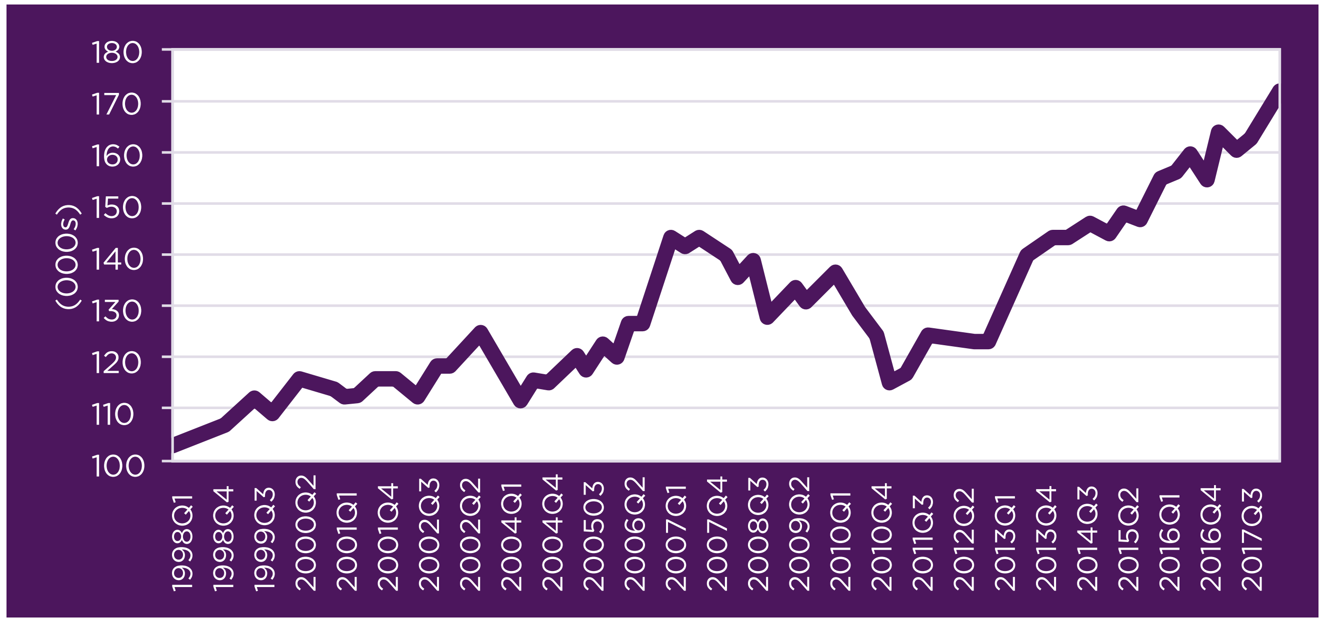
Create an exemption for specialist cuisine chefs from the current 2-person cap on work permits, with the 50/50 rule still being adhered to.

VAT

In July 2011, the VAT rate for Tourism related goods & services was temporarily reduced from 13.5% to 9% by Government as part of a measure to promote job creation. This incentive was due to expire at the end of 2013 but has been subsequently extended due to the fact that it is having a positive impact on the sector.

Between Q2 2011 and Q1 2018, the number of people working in the Accommodation & Food Services Sector nationally increased by 54,400, taking total employment from 117,300 to 171,700 on a seasonally adjusted basis. The sector accounted for 7.7% of total employment in the economy in the first quarter of 2018.

At a national level, the increase in Indirect Employment as a result of the job creation in the Accommodation & Food Services Sector is estimated at 25,024. The increase in Direct and Indirect Employment is estimated at 79,424.



Source: CSO Labour Force Survey, Quarter 1 2018, 20th June 2018.

IMPACT OF JOB CREATION IN THE ACCOMMODATION & FOOD SERVICES SECTOR Q2 2011 – Q1 2018.

	Number of direct jobs created	Number of indirect jobs created	Total increase	Social welfare savings from direct employment	Payroll tax receipts from direct employment
NATIONAL	**54,400**	**25,024**	**79,424**	**€1,088 m**	**€278 m**

Source: Jim Power Economics Limited

SUMMARY OF NATIONAL IMPACT

Employment in the Accommodation & Food Services Sector Q1 2018

- In Q1 2018, 171,700 workers were employed directly in the Accommodation & Food Services Sector.
- The total Gross Annual Wage paid to those workers was €3.98 billion.
- The total Net Annual Wage paid to those workers was €3.53 billion.
- The payroll taxes accruing to the Exchequer from this employment was €877 million.
- Indirect employment supported by the direct employment in the sector is estimated at 78,982.

CHANGE IN EMPLOYMENT IN THE ACCOMMODATION & FOOD SERVICES SECTOR Q2 2011 – Q1 2018

- Total employment in the Accommodation & Food Services sector increased by 54,400 between Q2 2011 and Q1 2018.
- The total Gross Annual Wage paid to those extra workers is €1,260 million.
- The total Net Annual Wage paid to those extra workers is €1,118 million.
- The payroll taxes accruing to the Exchequer from this extra employment was €278 million.
- The savings in social welfare payments, assuming the extra employment took people off the Live Register, is estimated at €1,088 million.
- Indirect employment as a result of the change in direct employment in the sector is estimated at 25,024.
- The number of people signing on the Live Register declined by 230,034. between June 2011 and June 2018.

Source: Job Creation in the Accommodation and Food services Sector Q1 2018, compiled by Jim Power Economics for the Restaurants Association of Ireland

Cookery Schools – The Current Guideline

On 19 April 2017, Revenue published eBrief 37/17 which clarifies the VAT treatment of the above services. The VAT exemption applies to providers of children's or young people's education (and school or university education) where it is provided by a "recognised body" e.g. a school or college as defined in the Education Act 1998.

In order to qualify as a 'recognised body' a cookery school must be one of the following:

- A public body
- A school recognised by the Minister for Education and Skills.
- A provider to which an Education and Training Board has outsourced the provision of education.
- A training provider to which SOLAS has outsourced the provision of education.
- A provider of training for initial or continued access to a regulated profession within the meaning of the Recognition of Professional Qualifications (Directive 2005/36/EC) Regulations 2008 (S.I. No. 139 of 2008).
- A provider of a course leading to an award recognised on the National Framework of Qualifications.

- A provider of a course which is currently listed on the Interim List of Eligible Providers.
- A provider of a course leading to an award by an institution which is an approved college for the purposes of claiming tax relief for tuition fees.
- A provider of a course which is validated by Quality and Qualifications Ireland.
- A body providing education to children of school going age which is equivalent to a curriculum prescribed by the Minister for Education and Skills for early childhood education, primary or post-primary schools.

We would ask, in light of the significant chef shortage, that cookery schools not applicable under training VAT rate be considered under the current 9% Hospitality and Tourism Rate.

EUROPEAN COMPARISON

It was announced on the 4th September 2018 that Romania will reduce its tourism VAT rate from 9% to 5% - this decision has been made in response to low tourism figures for July 2018. We would call on the Department of Finance to makes decisions about the current Irish Tourism VAT rate, not based on what can be recouped in VAT revenue but in terms of the revenue that can be gained from overseas tourism as a result of a competitive VAT rate. A key figure from Failte Ireland 2017 Tourism Facts for consideration is that there is 23c in every euro going back to the exchequer in direct tourism related taxes.

4 REASONS TO RETAIN THE 9% VAT RATE FOR TOURISM

Brexit poses the most significant challenge that the Irish economy has faced in generations. It has the potential to take more than 4% off Irish GDP over a 5-year period. Regional and rural economies will be most vulnerable, given their strong dependence on high-value added indigenous activities such as Tourism and the Agri-food Sector. In the face of this challenge, it is essential that the competitive position of the tourism sector is as competitive as possible. The 9% VAT rate is an essential component of the competitiveness of the sector.

Sterling has weakened significantly since 2015. The sterling/euro exchange rate averaged 72.63 pence in 2015; 81.92 pence in 2016; 87.64 pence in 2017; and 88.16 pence so far in 2018. This represents a significant deterioration in the terms of trade over the past four years and damages the competitiveness of the Irish tourism product for the vital UK market. Increasing the VAT rate in the face of this deterioration in Ireland's exchange rate competitiveness would be a big mistake.

In the first six months of 2018, 4.87 million overseas visitors came into Ireland, which is 6.7 per cent ahead of the same period in 2017. Visitor numbers from Great Britain increased by 2.2 per cent and accounted for 36.7 per cent of total overseas visitor numbers. However, this is down from 40.9 per cent in 2016. **The crucial UK market is under pressure** from sterling weakness, but luckily the overall tourism performance is being held up by very strong growth in visitor numbers from elsewhere. Increasing the VAT rate would not be advisable in the face of this pressure on the vital UK component of Ireland's tourism market.

The National Competitiveness Council (NCC) and the National Treasury Management Agency (NTMA) have highlighted the 'concentration' risks to the Irish economy. The sustainability of Irish growth could be threatened by the heavy dependence on the performance of a narrow base of firms and economic sectors. The top 10 per cent of firms account for 87 per cent of value-added in manufacturing and 94 per cent in services; a third of total exports are accounted for by just 5 firms; and 39 per cent of corporation tax is paid by the top 10 companies. The obvious risk is that if any of those companies or their sectors experienced a shock, then the Irish economic model could be quickly and cruelly exposed. Having a diversified economic model is crucial. **Indigenous sectors such as tourism need to be nurtured and expanded in order to reduce the 'concentration' risks to the Irish economy.** The 9% VAT rate is essential to achieve this objective.

ACTION

Retain the 9% VAT Rate for Tourism and Hospitality.

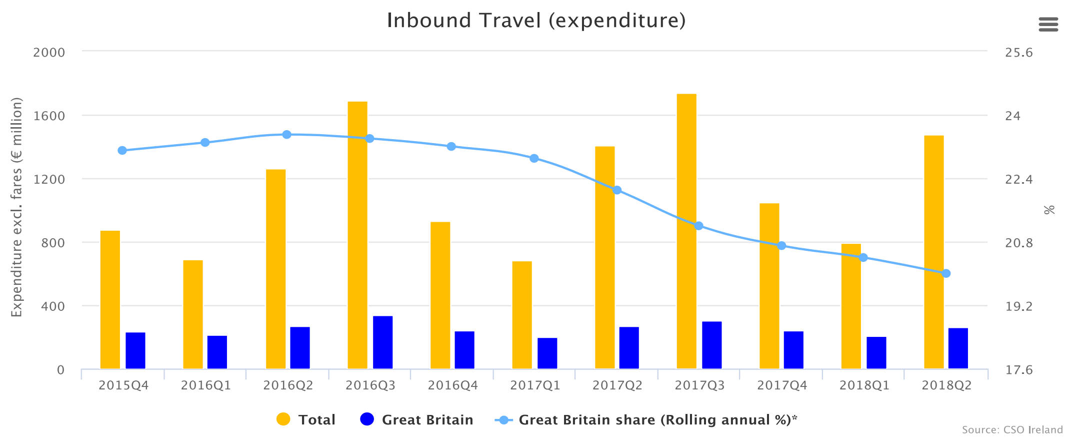
BREXIT

Tourism Ireland welcomed growth of +7.8% in overseas visitors for January-July 2018, however, Niall Gibbons, CEO of Tourism Ireland, said upon the release of the report in August: "While we welcome the fact that arrivals from Britain are up +2.5%, it's too early to say if this represents a turnaround in the long-term trend. The impact of Brexit on outbound travel from Britain, therefore, remains a concern."

Ahead of Brexit, the currency effect is the big issue:

- Restaurants in general will suffer if visitor numbers from the UK continue to decline due to sterling weakness;
- Restaurants in the Border counties are particularly vulnerable to sterling weakness as less people will come across the border from Northern Ireland and customers from the South will have a financial incentive to go North of the Border;
- Restaurants in rural areas all over the country will suffer if indigenous exporters, which are very important contributors to rural economic activity, come under pressure due to sterling weakness.
- Post-Brexit the following threats to the Restaurant sector can be identified:
- Sterling weakness and its consequences will remain a serious threat;
- If a 'Hard Brexit' transpires, indigenous Irish exporters will come under significant pressure. Farming and agri-food businesses are likely to be particularly vulnerable. If rural businesses suffer, the restaurant sector in rural areas will be particularly vulnerable. The Dublin market will be less vulnerable, due to its capital city status;
- If the Common Travel Area is not preserved, the outlook for the UK tourism market will become very pressurised;
- If the UK leaves the EU's Open Skies arrangement, air travel between Ireland and the UK could be adversely affected, with negative consequences for tourism and by implication, the Restaurant sector.

Expenditure (excl. fares) by residents of Great Britain and all non-residents on overseas trips to Ireland



The figure above represents a worrying trend in the decline of Great British Tourists since Brexit. With this in mind it is vital that the sector maintains competitiveness. Specifically:

- The 9% VAT rate needs to be preserved;
- Minimum wage increases need to be minimised;
- The general costs of doing business for restaurants in areas such as local authority charges and regulatory costs need to be controlled; and
- The shortage of Chefs and other restaurant operatives needs to be addressed.

COST OF DOING BUSINESS

Insurance

The Restaurants Association of Ireland is a member of The Alliance for Insurance Reform which brings together 21 civic and business organisations from across Ireland, representing 35,000 members with 628,150 employees to demand action to end crippling insurance premiums.

It is a response to countless stories from small organisations where services and jobs are being damaged by excessive insurance costs.

Some of the successes this industry driven alliance has had to date:

- 24th May: Alliance presented to the Oireachtas Finance Committee & are lobbying to get a policy holder representative on the Personal Injuries Assessment Board
- 14th June: Members presented CCTV footage demonstrating fraudulent claims to TDs and Senators in Leinster House
- 15th June: Public meeting held in Gorey attended by Minister of State - Department of Finance Michael Darcy and other local councillors and TDs.
- 20th June: Billy Kelleher TD introduced the Civil Liability and Courts (Amendment) Bill 2018 which is now at its first stage, the bill proposes to provide that, where a court has dismissed a case on the basis of being a fraudulent action, it is automatically referred to the Director of Public Prosecutions, DPP

In its July 2018 "Report on the Cost of Doing Business" the Joint Committee on Business, Enterprise and Innovation made the following recommendations on the current issues with Insurance experienced by all sectors:

- Earlier notification time of claims to the defendant
- The establishment of the Garda Fraud Unit
- That where an award exceeds the Book of Quantum, that the judge gives a written explanation as to why

We welcome these recommendations by the committee and would encourage that action be taken based upon them.

ACTION

Reinstate the Blue Book overview of the insurance industry

Change the approach to calculating the Book of Quantum using the cap and concept of proportionality already established by the Court of Appeal.

With consideration of some amendments a swift passage of both pieces of legislation; the Civil Liability and Courts (Amendment) Bill 2018 and Personal Injuries Assessment Board (Amendment) (No. 2) Bill 2018 is needed.

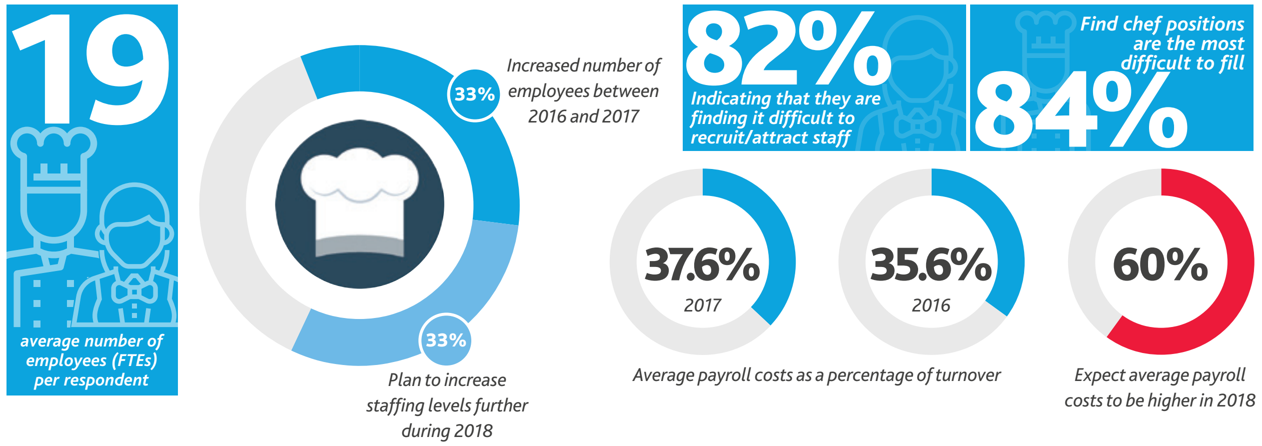
Labour Costs

The Restaurants Association of Ireland commissioned BDO to conduct an independent survey of members in quarter one of 2018 to gather both operational and financial data on the performance of the restaurant sector in Ireland.

The respondents comprised of:

- 48% City/ Town Centre
- 18% Suburban
- 34% Rural

STAFFING & COSTS



Respondents reported a **2% increase in payroll costs** as a percentage of turnover

Despite seeing an average increase in **food margin percentage of only .2%**

The Restaurants Association of Ireland supports the minimum wage as a principle and recognises that it should increase as economic circumstances improve. It is vital, however, that the minimum wage is appropriate.

The Restaurant sector is very labour intensive and is a very competitive and low margin business. The proposed increase to €10.50 per hour (programme for government) would seriously increase the cost base of the sector and undermine the competitiveness of the Irish tourism product at a time when it is under threat from Brexit and other risks. The minimum wage is currently 6% higher here than in the UK.

Minimum wage increases are applied right around the country, where economic conditions and wages vary. The expectations of other grades of employees must be taken in to consideration.

ACTION

No further increase in minimum wage in the short term

Commercial Rates

We recognise that local authorities are striving to maintain the delivery of high-quality local services in the face of increasing strained financial resources. However, as a business representative body we cannot dismiss the fact that businesses are now paying more rates for less services.

Restaurants are paying more for less with the transfer of water and waste services to Irish Water and private commercial waste services.

How are commercial rates calculated?

Local authorities charge commercial rates on the basis of valuations provided to them by the valuations office.

The valuations office visits a premise to establish the net value of the property, which in a restaurants case would usually be the rent for the year. The valuations office will compare the annual rental value with other similar properties in the area. Each local authority sets an annual rate of valuation (ARV) common to all commercial, industrial and non-domestic properties.

The valuation of a property is multiplied by ARV to calculate the number of commercial rates payable per annum.

For a restaurant the calculation of rates does not take in to account;

- the ability to pay
- the size of the premises
- Profitability
- Numbers employed
- Location

However, other licensed premises such as hotels and public houses are valued by reference to the trading data of their property.

By using the valuation system of rents, it does not take in to account where a neighbouring property has benefitted from the ban on upward only rent reviews. This is clearly unfair to those restaurateurs whose lease still include an upward only rent review provision and does not reflect the market rent thus ultimately leading to the higher the rent, the higher the commercial rates that are paid.

ACTION

A review of the commercial rates system to reflect a more fair and propositional valuation for all business types

Other Business Costs

BUSINESS IMPROVEMENT DISTRICTS LEVY (BIDS)

In some local authority (Urban areas) an additional rates charge has been charged to businesses, known as a Business Improvement District Levy. This BID's scheme is currently operating in;

- Dublin
- Dun Laoghaire
- Ennis
- Sligo
- Dundalk

A percentage is added to the commercial rates bill of the property that goes directly in to the BID fund. To establish a BID, business owners must vote for it to be established.

For example, in Sligo ratepayers contribute a levy calculated at 3.09% of their respective rateable value giving the BID an annual budget of approximately €375,000 per annum.

In Dublin city centre, the BID was established in January 2008 and the levy was calculated at 3.8% and in 2017 it was 5.9% with the potential for further increases of 1%-2% in 2018/2019 as they now link it to inflation. Dublin Town is the organisation tasked with running the BID and a vote takes place every 5 years. It is mandatory for businesses to pay the levy. In some areas of the centre members benefit and in other areas they do not.

The BID levy is seen by many as a double taxation. The policy document, A framework for Town Centre Renewal, recommends the establishment of BIDS areas throughout many towns in Ireland or else the Town Team Model. This document also illustrated the example of the Town Team Model, where Roscommon county council agreed to forego 1% of the rates to establish Town Team's in 6 major towns in Roscommon.

For members of the Restaurant Association, they would prefer to see that the current rates they pay go towards the Town Team initiative rather than be levied with additional rates charges.

OUTDOOR SEATING CHARGES

In some local authority areas, restaurants must pay for outdoor seating and tables. The following local authority areas would on average charge €125 per table and two or four chairs;

- Dun-Laoghaire Rathdown County Council
- Dublin City Council
- Fingal County Council
- Wexford County Council
- Tipperary County Council
- Louth County Council
- Kerry County Council
- Kilkenny County Council
- Cork City Council
- Cavan County Council
- Waterford County Council
- Offaly County Council
- Sligo County Council
- Mayo County Council
- Limerick City and County Council

In some areas, restaurants/cafes are also charged for Sandwich Boards outside their premises. This could be a one off yearly fee of €75-€125. It is prohibitive for small independent businesses who wish to promote their establishments within their local communities.

Utility Costs

In our submission and subsequent statements to the Joint Committee on Business, Enterprise and Innovation, prior to the publishing of their "Report on the Cost of Doing Business" the RAI indicated that members are subject to almost 28 different licences, regulations and regulatory regimes. The fats, oils and grease charge costs restaurants on average €1000 alone. Also, multiple inspections could be conducted by a single entity such as the Environmental Health Officer to save time and resources for all parties involved.

In the publication of its final report the Joint Committee made the following recommendation: "A review of all regulatory systems that affect businesses be undertaken, with a view to streamlining and combining the inspection and enforcement of the rules to reduce the cost of compliance for business". The RAI welcomes such a recommendation.

EXCISE DUTY

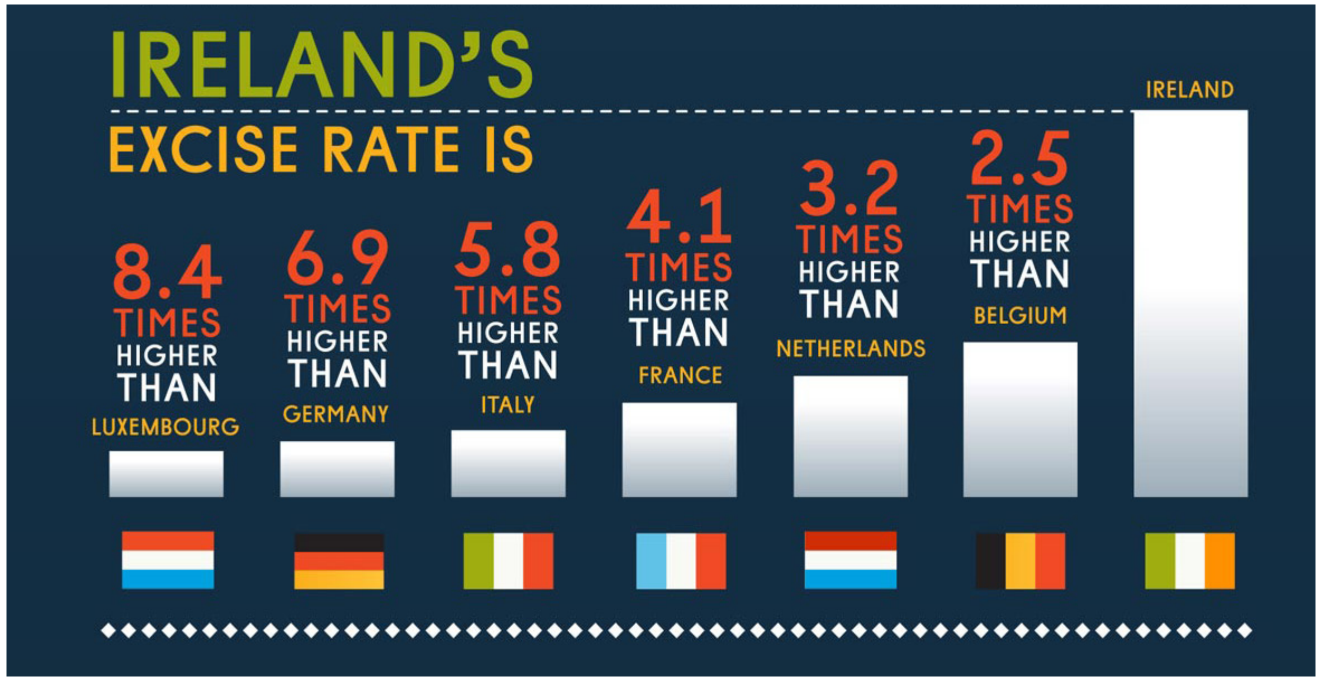
The Restaurants Association of Ireland is a member of the Drinks Industry Group of Ireland (DIGI) and we support their call on the Irish Government to reduce alcohol excise tax by 15%.

The argument that excise and a subsequent higher cost in alcohol leads to lower levels in consumption by consumers is not shown in the most recent National alcohol consumption measured by Revenue clearances, which showed that consumption in 2017 is 9.9% lower than in 2007.

High excise rates are bad for small business and local economy. The Drinks Industry Group of Ireland (DIGI)'s latest figures from August 2018 shows there has been a drop in pubs from 8,617 to 7,140 across the country. These figures are based on all available stats about the number of seven-day liquor licences, which date back as far as 2005. That's a drop of 1477 or 17%. Rural Ireland's numbers have been suffering the most – there is almost 20% less pubs now compared to 2005.

These rural areas, such as the midlands and some border counties have not seen an increase in tourism numbers like other parts of the country, namely Dublin and towns along the Wild Atlantic Way.

THE STATISTICS ON EXCISE ARE ALARMING;



Source: Support Your Local Report, Anthony Foley, April 2017

- The tax take on a standard bottle of wine is now over 50%.
- Since 2012, excise on wine has increased by 62%
- Ireland has the highest wine excise in the EU 28
- Ireland has the second highest beer excise in the EU 28 behind Finland
- Ireland has the third highest spirits excise in the EU 28 after Sweden and Finland

Ireland has very high alcohol excise tax levels compared to other EU countries. Ireland has the highest wine excise tax in the EU . This is extraordinary for an economy which depends so much on international tourism. Fourteen EU countries do not impose any excise tax on wine. Ireland has the second highest beer and third highest spirits excise tax.

Excise increases not only impact restaurants, hotels and pubs. These increases introduced during the financial crisis as an emergency measure have created significant cash-flow issues for distributors and importers, as many have to pay excise as an up-front cost. Irish wine importers and distributors are now paying €38,240 up-front, on excise per 1000 cases when they are imported.

ACTION

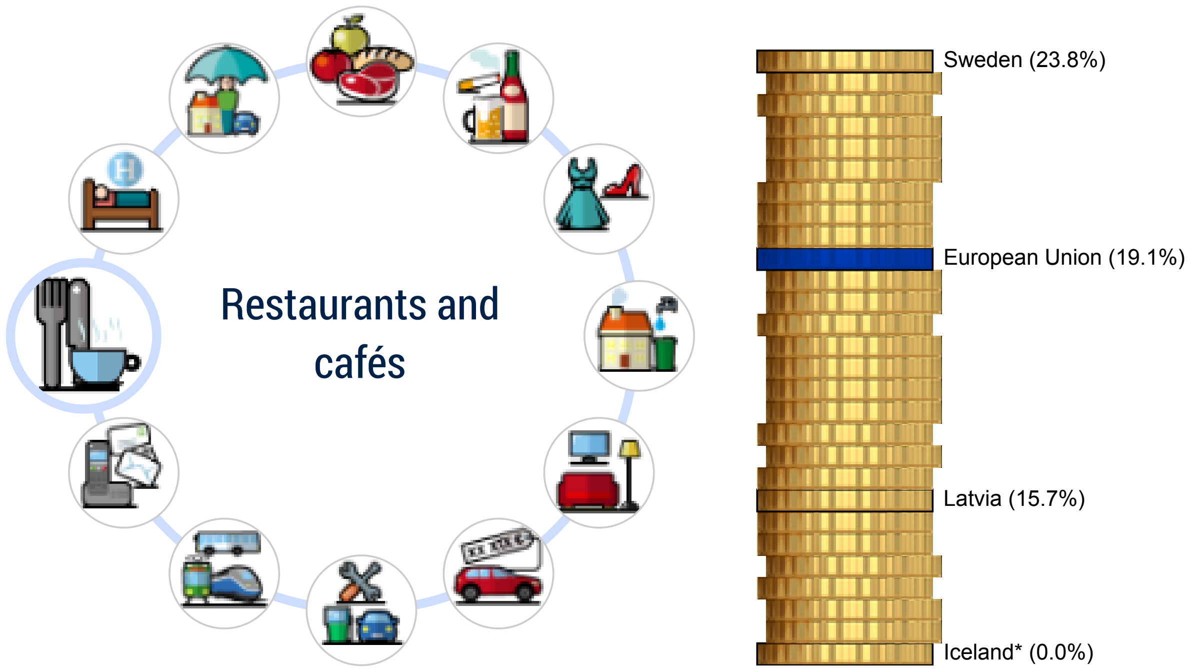
Reduction of 15% in excise duty

NATIONAL TOURISM POLICY

Growth of +7.8% in overseas visitors for January-July 2018 was welcomed by Tourism Ireland CEO Niall Gibbons who said: “We are determined to ensure that tourism growth continues. Our aim is to grow overseas tourism revenue in 2018 to €6 billion, for the island of Ireland.”

Yet there has been a 25% decrease in investment in Ireland’s tourism sector since 2008. With Industry and the Island’s Tourism Marketing body seeking to grow and expand Ireland’s offering as a destination to both visitors from abroad and domestically this decrease in investment is unsustainable. To remain competitive there needs to be increased investment in the sector, greater investment than was called for in the then proposed National Tourism Strategy 2016 – 2022.

HOUSEHOLD CONSUMPTION EXPENDITURE IN THE EU (as % of total expenditure)



** This is an EFTA country which is not part of the EU average.*
For the countries which are not clickable in the drop-down list, data is not available.
Source: Eurostat, Final consumption expenditure of households by consumption purpose.

The above figure demonstrates that Ireland has the second lowest percentage of household consumption expenditure in restaurants and cafés in the EU, at 12.3%, well below the EU average of 19.1%. This demonstrates that not only is the VAT rate vital for the food sector for tourism but also the domestic market.

Enhancing Competitiveness

Ireland ranked 23rd in the 2017 Travel & Tourism Competitiveness Index. The United Kingdom and United States ranked 5th and 6th respectively, both of whom combined makeup the vast majority of visitor to our shores annually. High costs are most frequently quoted as being the biggest deterrent for potential tourists coming to visit Ireland.

ACTIONS

Transport Infrastructure Development – road access, and improvement of information and directional signage to allow for better ground transportation offerings to tourists and facilitate "Road Trip" tourism.

Maintaining 9% VAT rate to ensure Ireland is competitive with its European counterparts on a similar rate of VAT for the Tourism & Hospitality Sector.

Organisation and Leadership – a single voice is needed for the organisation of tourism in Ireland. The national marketing and development functions are divided between two organisations and regionally between multiple bodies causing confusion and lack of direction and leadership.

Establish an Inter-Departmental Tourism Committee to ensure coordinated and joined-up decision making in all areas that impact on tourism.

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