RAI Pre-Budget Submission 2021

REBUILDING & SUPPORTING IRELAND'S RESTAURANT & HOSPITALITY SECTOR

Restaurants Association of Ireland

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INTRODUCTION by JIM POWER - ECONOMIST

ABOUT THE RESTAURANTS ASSOCIATION OF IRELAND

The Restaurants Association of Ireland is the representative body for restaurants, cafés and gastropubs in Ireland. With over 2,700 business owners nationwide, we represent fine dining, casual dining, ethnic, family, gastropubs, and hotel restaurants. Established by restauranteurs in 1970 to represent the sector at governmental level and promote and improve the industry, the Restaurants Association of Ireland continues with that mandate to this day.

THE RESTAURANT INDUSTRY IN IRELAND

It is no exaggeration to suggest that the global economy is currently experiencing the sharpest contraction in economic activity since the 1920s. Large swathes of economic activity been shut down in response to COVID-19 and the path to recovery remains very uncertain.

It appears certain that the global economy will be performing below potential for at least the next 18 months. Much depends on the course of the virus, the development and delivery of an effective vaccine, and the restoration of a high level of business and consumer confidence in relation to the risks to health. The danger of secondary outbreaks of the virus as the global economy is gradually re-opened is a real risk.

The reality is that social distancing, health protocols and other virus alleviation measures will remain a feature of life for business and individuals for the foreseeable future. This is necessary, but it will curtail the economic recovery.

Without the successful re-opening of as many businesses as possible, meaningful economic recovery will be seriously curtailed; unemployment will remain high; the public finances will deteriorate; and the social implications will be very severe.

It is essential that Government is as pro-active as possible in addressing the challenges facing business. A very supportive policy approach will be required to sustain businesses during the period of shutdown, and very importantly, for a considerable time-period thereafter.

The likelihood is that as the economy is re-opened, for many sectors the recovery in businesses volumes will be gradual due to more challenging economic conditions, fragile confidence, and the social distancing measures that will have to be put in place until an effective vaccine is delivered. This unprecedented shock to business requires an unprecedented response.

The broad hospitality sector has been the sector most adversely affected by the COVID-19 lockdown of the economy. This sector is a major employer throughout the country; it is the key component of the tourism product; it is the centre of social life and community in Ireland; and at a national level, it makes a very significant economic and fiscal contribution.

The hospitality sector is currently in a very difficult situation and the recovery from this crisis is likely to be slow and difficult. However, it is essential that it makes a full recovery as quickly as possible in order to restore employment and help re-build the very damaged tourism industry. However, to achieve these objectives, significant immediate and ongoing support from the State will be required. Such support is warranted, because thousands of viable businesses within the sector were forced to cease trading. For many, revenues have totally disappeared, while costs have continued to accumulate.

As well as the direct contribution that restaurants make to the overall economy, they are a crucial component of the tourism product. Tourism is vital to the well-being of the Irish economy. In 2019, 10.8 million overseas visitors came to Ireland and the tourism sector is estimated to have been worth €9.3 billion to the economy. It employs in total around 260,000 workers, which is equivalent to 11% of total employment in the economy.

The restaurant sector is a crucial element of Ireland's tourism offering. Having a high-quality and affordable restaurant offering is of vital importance to the success of tourism in Ireland. Restaurants will have to play a key role in re-building tourism in the aftermath of COVID-19.

The immediate challenge is to ensure that businesses survive during the period of forced closure, and the longer-term challenge is to ensure that they remain solvent and sustainable in an environment of social distancing and until demand levels return to the Pre-COVID19 norm.

THE COSTS OF NOT SUPPORTING THE RESTAURANT SECTOR

Providing support to restaurant businesses will come at a significant financial cost to the Exchequer. The proposed measures would cost around €1.6 billion in a full year. However, the costs of not providing adequate support and allowing thousands of businesses to die, would far outweigh those costs.

It is conceivable that without adequate support during this 24-month period, up to 100,000 jobs could be lost in the sector. Such an outcome would impose a very significant cost on the Exchequer, which could be as high as €2.8 billion.

If 100,000 workers were to remain unemployed for a full year:

- It would cost the Exchequer around €2 billion in increased social protection expenditure.
- It would cost the Exchequer up to up to €500 million in lost payroll taxes.
- It would cost the Exchequer around €240 million in lost VAT receipts; and
- It would cost local authorities around €52 million in lost commercial rates.

The regional impact of such job losses would be very severe and seriously undermine the efforts of Government to promote stronger and more balanced regional economic growth.

With such a prospective loss of restaurants, it would prove very difficult to rebuild Ireland's very damaged tourism industry.

1) TOURISM & HOSPITALITY SECTOR SUPPORTS

a) Wage Supports

Expansion of the Employment Wage Subsidy Scheme is urgently needed. The Temporary Wage Subsidy Scheme which ended 31st October 2020 to be replaced by the Employment Wage Subsidy Scheme has some marked disadvantage for sectors. The Hospitality Sector in particular is facing a long-term recovery and will not trade at the same capacity as before COVID due to:

- No tourist trade – due to travel restrictions
- Restrictions on the sales of alcohol – substantial meal
- Restrictions on opening hours – currently 11:30pm
- Reduced capacity due to social distancing requirements

	Temporary Wage Subsidy Scheme	Employment Wage Subsidy Scheme
What businesses are eligible?	Employers with at least a 20% drop in Turnover due to Covid 19 in the 2nd Quarter of 2020 versus the same period in 2019 and are unable to pay normal wages. The employer must keep the employees on the payroll The employer may top up subsidy if they wish. The top up plus the subsidy should not exceed the average net weekly wage.	Employers with at least a 30% drop in Turnover due to Covid 19 in the period from 1 July to 31 December 2020 versus the same period in 2019.
Tax Clearance	An up to date Tax Clearance certificate is not required.	An up to date Tax Clearance certificate is required.
Eligible employees	The employee must have been on the payroll at 29 Feb 2020 and be included on payroll submissions to Revenue between 1 February and 15 March 2020.	Employees earning Gross weekly wages between €151.50 and €1,462. New employees may be taken on during the period of the Scheme.

What does it cover?	**Employees earning up to €586 per week:** It covers 85% of average weekly pay - A maximum of €350 per week where the net weekly pay is equal to or less than €412 Employee Gross weekly wage Subsidy. A flat rate subsidy will be paid to employees whose previous weekly wage was more than €412 but not more than €500. A 70% subsidy is payable in the case of employees whose previous average weekly wage is more than €500 but no more than €586 with a subsidy cap of €410. **Employees earning more than €586 per week:** For those earning average weekly wage >€500 but <€960, the subsidy shall not exceed €350 per week. Tapering claw back of subsidy arises where the subsidy + Top up exceeds the previous average weekly wage.	It is a flat rate subsidy based on number of paid and eligible employees on the payroll. **Rate of Subsidy:** **Employee Gross weekly wage** **Subsidy** Less than €151.50 Nil From €151.50 to 202.99 €151.50 From €203 to €1,462 €203 More than €1,462 Nil
When does Employer receive subsidy?	With 2 – 3 working days of submission of payroll returns.	Paid once a month in arrears as soon as practicable after the return date.
How is it taxed?	Income Tax, USC, LPT and PRSI not deducted from subsidy payment made to employees No Employers PRSI on the subsidy amount. Employer PRSI .5% on any top up payments made to eligible employees.	Normal rates of deductions for PAYE, USC, Employee PRSI and LPT will apply: • Employer PRSI .5% on the subsidy amount • Employer PRSI .5% on the non-subsidy payments made to eligible employees
Period of scheme	From 29 March 2020 (amended 4 May) to 31 August 2020.	1 September 2020 to 31 March 2021.

ACTION:

- Restoration of the TWSS subsidy per employee – EWSS is almost a 42% reduction
- Return to payment frequency of 2/3 days post payroll submission
- The inclusion of employees earning less than €151.50 – Minister Donohoe's comments that this will encourage employers to give employees more hours shows a lack of understanding for how the sector works and the reliance and choice of some employees to engage in only part time hours, including those balancing child care and full time students.

b) Commercial Rents

A scheme to reduce the burden of commercial rents is essential from the perspective of restaurant owners and landlords. Rents represent a significant fixed cost and should be included in a package of support measures covering all occupancy costs.

The following grant rent support grant mechanism is suggested:

- 100% grant during period when restaurants are closed.
- 80% grant during period when turnover is down 80-100%.
- 50% grant during period when turnover is down 50-80%.
- 25% grant during period when turnover is down 25-50%.

For the 6,500 restaurant and food service businesses in Ireland, the estimated cost of this scheme to the Exchequer would be around €173 million in the 15-month period from 1/4/20 to 30/06/21.

In Year 2 a similar methodology is suggested, but the cost would be significantly lower as business condition should be better in the year from 1/07/21 to 30/06/22.

For the 6,500 restaurant and food service businesses in Ireland, the estimated cost of this scheme to the Exchequer would be around €71 million in year 2.

ACTION:

- Adoption of a burden sharing scheme for commercial rents

c) Increased Tourism Budget

The budget for Tourism needs to be increased from the current €186 Million budget to €300 Million in October considering the significant and inevitable long-term recovery for the tourism sector as a result of COVID 19. Once travel restrictions ease and in advance of that for sectors such as conferencing, events and trade shows (who require advance booking) a significant overseas marketing campaign is needed to promote Ireland once again.

ACTION:

- Increase the Tourism Budget from €186 Million to €300 Million

d) Tourism & Hospitality Continuity Grant

This is urgently needed for training, redevelopment and for enterprise and Brexit Supports. It cannot be underestimated the knock-on effect a struggling restaurant and hospitality sector has on: drinks and food suppliers, artisans and the local economy in every town and village in Ireland.

ACTION:

- Introduce a €500 Million Tourism & Hospitality Continuity Grant

e) Local Authority Charges

Commercial Rates/Water/Wastewater/Street Furniture Charges.

These local authority costs represent a major cost burden for restaurants. They will prove very difficult to cover during any lockdown period, but until restaurant business gets back towards pre-COVID levels of activity, which is likely to take at least 24 months, they will represent a very significant cost burden on business.

Ongoing intervention in the form of a grant to cover these costs and keep the businesses solvent will be very important over the following 24 months. It is assumed that the average cost for the 6,500 restaurants is around €40,000 per annum.

A grant scheme to cover these costs on a gradually reducing basis using the following methodology is suggested:

- 80% grant towards these costs where turnover is down by between 80% and 100% on 2019 levels.
- 50% grant towards these costs where turnover is down between 50% and 80% on 2019 levels.
- 25% grant towards these costs where turnover is down between 25% and 50% on 2019 levels.

In Year 1 of this graduated approach (1st July 2020 to 30th June 2021), it is estimated that the cost of this scheme would be around €123 million.

In Year 2 (1st July 2021 to 30th June 2022), it is estimated that the cost of this scheme would be around €78 million.

OR

Creation of a Small Business Recovery Fund

The 'National Small Business Recovery Plan' recommended the setting up of a Small Business Recovery Fund to be capitalised by the EU and Government to re-capitalise the SME sector by paying compensation for the sudden SME losses.

ACTION:

- A graduated grant scheme for local authority charges or creation of a small business recovery fund

2) TOURISM & HOSPITALITY VAT RATE

A 9% VAT rate for the restaurant and hospitality sector should be introduced on a permanent basis to assist recovery, create certainty, and secure a viable and sustainable future for the sector.

The 9% VAT rate would cost an estimated €250 million per annum in gross VAT terms.

These changes to VAT would help the international competitiveness of the tourism sector and provide support to a restaurant sector that is under severe pressure. This would help the overall tourism sector, but it would be particularly supportive of regional economic activity.

A reduced VAT rate for the hospitality sector proved very effective after it was introduced in July 2011 in terms of saving many very vulnerable businesses; in supporting a recovery in employment in the sector; in rebuilding Ireland's tourism sector; and in helping the recovery in the national economy and the regions. The same can and must be done again.

Current Tourism & Hospitality VAT Rates within the Europe

Pre-COVID Ireland had one of highest Tourism and Hospitality VAT rates in Europe which made us uncompetitive when attracting tourists and securing long stay tourism. Now when the sector is facing a significant crisis and due to ongoing travel restrictions, will last for the next 24months at least, Ireland has failed to impose a competitive tourism and hospitality VAT rate in line with our European counterparts. The below European countries have taken steps to reduce VAT during this uncertain time and in many cases, they will continue to have a lower VAT rate than Ireland when the temporary reduction ends.

Country	Goods / Service	Old Rate	New Rate	Start Date	End Date
Austria	Hospitality & Culture	10%	5%	01 Jul 2020	31 Dec 2020
Belgium	Hospitality, restaurants, cafes	12%	6%	8 Jun 2020	31 Dec 2020
Bulgaria	Hospitality, restaurants, cafes	21%	10%	01 Jul 2020	31 Dec 2020
Cyprus	Hotels, accommodation, hospitality, restaurants, cafes	9%	5%	01 Jul 2020	10 Jan 2021
Germany	Hospitality, restaurants, cafes	7%	5%	01 Jul 2020	TBC
Lithuania	Hospitality, restaurants, cafes	21%	9%	July 2020	31 Dec 2020
Montenegro	Restaurants, cafes and catering services	21%	7%	04 Aug 2020	31 Aug 2021
UK	Hospitality and tourism including restaurants; cafes; pubs (ex alcohol);	20%	5%	15 Jul 2020	12 Jan 2021

ACTION:

- A 9% VAT Rate for the entire restaurant, hospitality and tourism sector

3) STAY & SPEND / EAT OUT TO HELP OUT SCHEMES

The current stay and spend scheme will not succeed in driving business to the restaurant and hospitality sector. Its introduction in October is too late as urban centres have struggled since reopening in June as those who did choose to staycation chose coastal areas. The operation of the scheme, it being a tax credit to be claimed at a later date is far less of an incentive than the Eat out to Help Out real time vouched scheme that operated in the UK. A real time discount is what would see a boost in consumer spend and staycations. A voucher scheme is also more inclusive as the stay and spend scheme sees a significant section of society who do not pay tax excluded, be they retirees etc.

How the Eat Out to Help Out Scheme worked for the consumer in the UK:

- Get a 50% discount on food or non-alcoholic drinks to eat or drink in (up to a maximum of £10 discount per diner)
- Every Monday, Tuesday and Wednesday between 3 and 31 August
- As many times as you like
- You do not need a voucher to use this scheme and you can use it at the same time as other offers and discounts.
- There is no minimum spend.
- The discount will be automatically available to you at participating establishments. Establishments will then claim a reimbursement from the government for the discount they've given you.

The cost of implementing an Eat out to Help Out Scheme in Ireland would cost €34 Million per month.

ACTION:

- Implement a voucher scheme similar to the Eat Out to Help Out Scheme

4) EXCISE DUTY

The Restaurants Association of Ireland is a member of The Drinks Industry Group of Ireland (DIGI), which represents suppliers, publicans, independent off-licences, licensed restaurants and hotels, importers, and drinks-themed visitor centres. We back DIGI's call on the government to reduce alcohol excise by 15% in Budget 21 to support the industry in its recovery from the economic disaster caused by covid-19.

We believe the 15% reduction is responsible and justified by the abnormal negative economic situation, a consideration of sectoral and macroeconomic aggregate demand and aggregate supply factors, and its role, along with other supports, in the survival and eventual restoration of the sector's large direct and indirect economic contribution. The potential no-deal Brexit is also a factor that should encourage a reduction in alcohol tax.

The 15% reduction would broadly reverse the excise increases that were implemented in October 2013 as part of the austerity measures. In that year, beer excise increased by 17.9%, cider by 17.8%, spirits by 15.5%, and wine by 14.6%.

Many parts of the drinks and hospitality sector will be in lockdown longer than most other activities and will face a slow recovery to full pre-Covid levels of economic activity. The ongoing survival of substantial numbers of enterprises is at serious risk.

International comparison of Irish alcohol excise

The proposed 15% reduction in Irish alcohol excise should be seen in the context of the current very high levels of Irish alcohol excise compared to other EU economies. Ireland has the highest wine excise of the 27 EU member states and the UK (28 countries).

Ireland has the second-highest beer excise (but the UK rate is close to the Irish rate) and the third highest spirits excise. On the composite indicator (unweighted average of the three individual rates for wine, spirits, and beer), Ireland has the second-highest average aggregate alcohol excise of the 38 countries, behind only Finland.

Only 11 of the 28 countries have a composite rate of more than €1,000 per HLPA (hectolitre of pure alcohol). Only four countries have a composite rate of more than €2,000 per HLPA and only three, including Ireland, have a rate of more than €3,000. Seven countries have a composite rate lower than €500.

A 15% reduction in Irish alcohol excise (indicated by a 15% reduction in the composite rate) would change Ireland's composite rate to €2,939 per HLPA, which would still be the third-highest alcohol excise rate among the 28 countries after Finland and Sweden.

"Excise duties on alcohol in Ireland are very high by EU standards and the drinks industry is one of few industries which suffers excise tax in addition to VAT. In 2019, excise removed €1.233 billion from the drinks industry, including both on and off-licence segments. Alcohol excise should be reduced by 7.5% in Year 1 and a further 7.5% in Year 2. This would be a substantial boost to cash flow and commercial viability in the context of a difficult recovery and much lower turnover because of physical space expectations. It would also enhance the competitiveness of the Irish tourism product in a time of deep crisis.

The cost of this measure in Year 1 is estimated at €92 million and €184 m in Year 2." - Jim Power

ACTION:

- A 15% reduction in Irish alcohol excise

5) NATIONAL TOURISM POLICY

a) Review of Tourism State Agencies

Irish Tourism needs organisation and leadership – a single voice is needed for the organisation of tourism in Ireland, particularly training and skills. The national marketing and development functions are divided between two organisations and regionally between multiple bodies causing confusion and lack of direction and leadership. There are a number of groups established, including the aforementioned Tourism and Hospitality Careers Oversight Group which serve important functions in their own right, however a single voice is needed to steer all stakeholders in a common goal. For this reason we are calling for a review of State Agencies responsible for the development and promotion of tourism to ensure that current state agencies are fit for purpose and tasked with work that prioritises the industry's needs. Also important in this time of ecomic uncertainty is to ensure no duplication of work or campaigns across agencies.

ACTION:

- Review of State Agencies tasked with development and promotion of Tourism

b) Restaurant & Hospitality Forum

Under the Department of Business, Enterprise and Innovation now led by Minister for for Enterprise, Trade and Employment and Tanaiste Leo Varadkar there is a Retail Consultation Forum. Established under the Action Plan for Jobs 2014 to provide a platform for structured engagement between the retail sector and relevant Government Departments

The purpose of the Forum is to allow key issues of relevance to the retail sector to be discussed, with a view to identifying practical actions which could be taken by Government, or by industry itself.

A Restaurant and Hospitality Forum needs to be established in order to identify practical actions for the sector, particularly with restaurants and hosputality being one of the most negatively impacted upon by COVID 19 and also will take the longest to recover.

ACTION:

- Establishment of a Restaurant & Hospitality Forum

c) Industry Developed Tourism Policy

In light of the impact that COVID 19 has had on the Touirsm Sector and the length of time a recovery will take, including diversification needed to make that recovery possible requires a roundtable of the various and broad tourism sub sectors to develop a policy for the sector, developed by the sector. Utilising coal face knowledge and years of experience that businesses and tourism professionals have. The Government's Tourism Policy Statement: People, Place and Policy – Growing Tourism to 2025 and indeed the Tourism Leadership Group as formed last year are, in light of COVID in need of broader contributions, skillsets and subsectors of the Tourism industry, to best inform a plan for the sectors long recovery period ahead.

ACTION:

- Industry Developed Tourism Policy

d) Tourism Satellite Account (TSA)

Tourism Satellite Accounts are the international standard statistical framework used to compute the economic value of tourism by merging data coming from National Accounts with tourism expenditure data coming from tourism surveys.
According to a recent report by CAST – Centre for Advanced Studies in Tourism for the European Union: The economic impact of tourism in the European Union - Final report, February 2019: "There is a real data shortage for tourism in Europe that is not in national accounting but instead in the field of tourism accounting. One of the main problems identified is listed as follows:

Some countries are not working on building their own national TSA. This is mainly the result of TSA not being included in the legal framework of Eurostat, hence National State Organisations (NSOs) are investing only marginal and residual time and human resources in their development. The improvement in IT and in statistical tools certainly will be making the collection and organization of information more efficient in many other sectors of the economic system. Hence, NSOs might soon release human and financial resources to dedicate to TSA Development.

There are 9 such countries (Croatia, Cyprus, Greece, Hungary, Ireland, Latvia, Luxembourg, Netherlands, Slovakia) with Ireland included on the list." Ireland needs a Tourism Satellite Account.

ACTION:

- Establish a Tourism Satellite Account to enable transparent and accurate recording of tourism data

6) THE COST OF DOING BUSINESS

a) Insurance

The Restaurants Association of Ireland is a member of The Alliance for Insurance Reform which brings together 28 civic and business organisations from across Ireland, representing 36,000 members with 640,000 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.

The Alliance's general objectives and specific real reforms are:

PREVENTION of exaggerated and misleading claims being pursued and settled

1: Set up the Garda Insurance Fraud Unit

2: Link Sections 26 and 25 of the Civil Liability Act 2004 so that exaggerated and misleading claims are automatically forwarded to the Gardai for potential prosecution

3: Oblige lawyers to comply with the duties of candour and inquiry now being applied to Asylum cases

CONSISTENCY in the calculation of awards at realistic and affordable levels

4: Recalibrate the Book of Quantum to reflect international norms and norms already established by the Court of Appeal

5: Redefine and re-balance the "common duty of care" to require the occupier to take a duty of care that is reasonable, practical and proportionate.

TRANSPARENCY on how premiums are calculated, and claims are settled

6: Produce a schedule of forecast reductions for reforms

7: Reinstate the 2003 IIF/IBEC protocol on dealing with claims

8: Publish an up to date Key Information Report on Employer and Public Liability insurance claims

9: Make a Claim-by-Claim Register available

The issue of insurance reform was already an absolute priority for Irish SMEs, community groups, sports and cultural organisations, charities and other voluntary groups prior to the emergence of Covid19. But as we start to work out what kind of country we will have post-Covid19, it is critical that the incoming Government clearly commits to getting insurance sorted as a matter of urgency, so that it is no longer a barrier to the success of businesses and community organisations.

Urgent actions the Alliance for Insurance Reform wishes to see Government take regarding Insurance:

- Establish a Cabinet committee to coordinate action and ensure the necessary reforms are put in place urgently. All relevant Ministers to be actively involved in this committee. This committee to make a progress report to the Dáil on a monthly basis.
- Cut unfair general damages to reflect international norms and ensure that legitimate minor injuries attract modest damages. The Alliance expects general damages for minor injuries to be dramatically reduced along the lines of the Fair Book of Quantum published by ISME.
- Urgently review and re-balance the "common duty of care" so that occupiers are required to take a duty of care that is reasonable, practical and proportionate but not absolute, ignoring personal responsibility.

- Fully resource a dedicated Garda Insurance Fraud Unit.
- Insist on insurers committing to a schedule of reductions on delivery of the key reforms listed above.

Other ideas from the various GE2020 manifestos that would help make the Irish insurance market more sustainable and more consumer-friendly include:

- Ban dual pricing.
- Commence and enforce the Consumer Insurance Contracts Act 2019.
- Create, from existing resources, an office within Government tasked with encouraging the entry of international insurers into the Irish market.
- Establish a new Consumer Affairs Committee in Dáil.
- Give the Competition regulator (the CCPC) effective enforcement powers to punish and deter anti-competitive conduct.
- Introduce a new deterrent to prevent individuals with a history of bringing fraudulent claims from bringing new claims without the prior approval of the High Court, to deal with serial claimants.
- Make it an offence to knowingly provide false information to PIAB.
- Make perjury a statutory offence and easier to prosecute, to ensure that false or misleading evidence in insurance cases is discouraged.
- Provide affordable insurance options to arts and culture, community, charity and sports groups that cannot source insurance, as an emergency measure.
- Reduce the claims period for minor soft injury tissue injuries.
- Regulate Claims Management Companies.
- Require lawyers to comply with the duties of candour, to ensure they do not to seek to win litigation by any improper means.
- Strengthen solicitors advertising regulations to include stronger enforcement of any regulations surrounding advertising of “no win, no fee” legal services.

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 welcomed these recommendations by the committee, made over 2 years ago and would encourage that action be taken based upon them.

ACTION:

- Establish a cabinet committee for Insurance
- Fully resource a dedicated Garda Insurance Fraud Unit
- Insist on insurers committing to a schedule of reductions on delivery of the key reforms listed above

b) Labour Costs

The Minimum Wage

The Restaurant sector is very sensitive to wage costs and it is essential that increases in the minimum wage do not impact negatively on employment, hours worked, the price of the product and general wage levels in the sector. Consequently, further increases in the minimum wage would need to be considered very carefully, particularly given the competitiveness challenges now facing the Irish economy in general and the tourism sector in particular from Brexit, the increase in the VAT rate in Budget 2019, and intense pressure on a range of input costs, particularly insurance and commercial rates. The closer businesses are to the border, the worse the impact of an increase in the minimum wage due to sterling weakness. The Restaurant sector in Dublin should not be taken as a barometer of the sector countrywide. Trading conditions are very different around the country.

It is important that the minimum wage is not used as the main element of reducing inequality. Getting housing costs down, reducing the personal tax burden, and targeted social welfare would be more prudent from a policy perspective.

Foreign Direct Investment is very important to the Irish economy, but there is a significant concentration risk for Ireland. Multi-national companies account for one third of total income tax, Universal Social Charge (USC) and Employers PRSI paid in the State. In 2018, 10 firms accounted for almost 40% of Corporation Tax receipts, which equates to around €4.1 billion. The identities of the 10 companies are not known, but the strong likelihood is that they are all foreign-owned. This highlights just how vulnerable Ireland would be to an FDI shock. Consequently, it is imperative that policy towards indigenous business activities is as supportive as possible. Setting the appropriate level for the minimum wage is an important component of this agenda.

As a principle, the National Minimum wage is socially and economically positive and it should increase as economic circumstances improve. However, it is vital that the minimum wage is set at an appropriate level and that it does not undermine employment or damage the competitiveness of the Restaurant sector and the general tourism proposition.

Source: A Report on The National Minimum Wage by Economist Jim Power, February 2019

The Living Wage

In July 2019 the Living Wage Technical Group announced the new living wage as €12.30, a 40c or 3.4% increase.

Two concerns have been highlighted by the Restaurants Association of Ireland membership regarding this determination by the Living Wage Technical Group.

1. **The makeup and oversight of the Living Wage Technical Group**

The Living Wage Technical Group appears to consist of; Vincentian Partnership, Nevin Economic Research Institute, TASC, Social Justice Ireland, UCD, Unite Trade Union, SIPTU, whilst employee bodies are well represented there is a distinct lack of input from employer representatives. This is in comparison to the Living Wage Foundation in the UK, that is a registered charity and rates are calculated annually by the Resolution Foundation. The Foundation is overseen by the Living Wage Commission which consists of both Trade Unions, University research centres and employers.

Source: **https://www.livingwage.org.uk/living-wage-commission**

2. **Data**

The annual inflation rate in Ireland fell to 1.0 percent in May of 2019 from 1.7 percent in the previous month. It was the lowest inflation rate since February, as prices slowed mostly for housing & utilities, transport and restaurants & hotels. Inflation Rate in Ireland averaged 4.49 percent from 1976 until 2019, reaching an all-time high of 23.15 percent in October of 1981 and a record low of -6.56 percent in October of 2009.

According to research conducted by the Economic and Social Research Institute (ESRI): A minimum wage policy may not be an effective tool in reducing the level of household poverty, the report stated (in reference to the 2018 increase in minimum wage) "while the change had no measurable impact on household incomes, workers directly affected earned an additional €30 a week. Usually, these were casual employees and young people who were not primary family earners and their contributions to household incomes were found to be insignificant. Because of that finding, the use of a minimum wage policy was challenged as being an efficient way to tackle poverty."

ACTION:

- No further increase in minimum wage in the short term

c) 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. In recent years costs have increased 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 into 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 into 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

d) Other Business Costs

Outdoor Seating Charges

Whilst many local authorities have taken action to waive fees in the last number of months due to medical advice that outdoor gatherings are safer than indoor, not all authorities have taken this step. As an Association we are conscious that this should not be a temporary one either. 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
- 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 that previously cost in the region of €75-€125, it has been announced by Dublin City Council that this charge will now increase to €630 from 1st September 2019. This decision was taken without consultation with relevant stakeholder groups, including business representative organisations such as ourselves. It is prohibitive for small independent businesses who wish to promote their establishments within their local communities.

ACTION:

- A review of local authority charges to provide greater consistency and accountability for rate payers and also to ensure that Local Authorities are supporting businesses to operate within public health guidance and facilitating outdoor seating areas

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 and two years on from that report calls for action on that recommendation.

ACTION:

- A review of regulatory systems that affect businesses to be undertaken

7) HOSPITALITY SKILLS AND RECRUITMENT

a) Hospitality Skills at an EU Level

HOTREC White Paper – was presented by HOTREC to the EU Parliament in February 2019, and includes a 2019-2024 EU Mandate of 5 Priorities for EU Policy and Decision–Makers, one of those 5 priorities is:

"Social Affairs - Skills: Make the fight against skills shortage a truly EU case:

Despite the fact of representing 2 million businesses, 90% of which are micro- enterprises, and 11.9 million jobs, the hospitality sector strives to attract and retain workers. Technological changes have created new needs for digital skills to respond to customers' demands and to be more visible online.

Societal change also drives new demands, for instance in food services, were qualified chefs are missing. In fact, while the average job vacancy rate is of 1.7% in the EU, in the accommodation and food service sector, it reaches 3% in Belgium, 4.4% in Germany, 7.4% in Greece. A strong EU policy should be set-up to help the tourism industry to innovate, attract, train and retain the workforce. Solutions pass through EU funding able to finance massive trainings (e.g. on digital, interpersonal skills, languages); the promotion of quality, cost-effective and attractive apprenticeship schemes and vocational education and training (VET); advertising existing tools (e.g. European Hospitality Skills Passport, which enables employers and job seekers match on the labour market); facilitating the transition from education to work to meet the labour market demand; anticipating and detecting emerging skills needs.

At the same time, the EU should secure the possibility of using flexible working arrangements, to help the industry face the challenge of seasonality and the fact that customers expect hospitality business to be open outside normal working time, weekends included. All in all, the EU Institutions should support the launch of multi- stakeholder campaigns to improve the image of the hospitality and tourism sectors."

b) Apprenticeships

We welcome Minister for Further and Higher Education, Research, Innovation and Science Simon Harris' launch of the Apprenticeship Incentivisation Scheme for employers considering the economic impact of COVID 19. The scheme sees apprenticeship employer eligible for a €3,000 payment for each new apprentice who is registered between the period 01 March and 31 December 2020. However, this scheme does not address the inequality between pre-2016 traditional craft apprenticeships and apprenticeships developed and operating post 2016.

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 traditional "craft" apprenticeship established before 2016, and industry, i.e. the employer pays the employees while they are on site working and also while they are off-site learning / training.

Currently for apprenticeships developed before 2016, a training allowance is paid by the local Educational, Training Board (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 students in the Culinary Sector are at a marked disadvantage compared to their counterparts training in other industries.

The Joint Committee on Business, Enterprise and Innovation Report on: "The Role of Apprenticeships and Work Permits in Addressing Ireland's Skills Needs" published in May 2019 observed and recommended the following regarding apprenticeships: "The Committee notes that post-2016 apprenticeship programmes do not receive the same level of financial support from the State for off-site training as the pre-2016 apprenticeship programmes. The Committee notes that block release apprenticeships can be particularly problematic for SMEs. The Committee recommends that the Government examine avenues to reduce the financial burden on employers taking on apprentices, particularly SMEs."

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.

The Ask

- To address the inequality between traditional (pre-2016) apprenticeships and new (post 2016) apprenticeships.
- Support for industry employers of new apprenticeships by ensuring they are not taking on all the financial burden of an apprenticeship. Calculations for the cost incurred to a Commis Chef Apprenticeship employer show that it currently costs approx. €7,000 a year.

How:

1) Introducing a female bursary for new apprenticeships.
2) Setting a flat "in training" wage rate as a potential solution to enable ***all apprentices*** to be paid by SOLAS through educational providers.

c) 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' was developed. This forum met 6 times per year and consisted of the following members;

- SOLAS
- Industry Bodies (RAI, IHF, LVA, IHI, VFI)
- Fáilte 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. Subsequent to this the Tourism and Hospitality Skills Tourism and Hospitality Careers Oversight Group was formed involving the stakeholders above.

What is it? The Tourism and Hospitality Careers Oversight Group was established to coordinate the relevant bodies to agree and implement a work programme to address current and future labour supply and skills requirements in the tourism and hospitality sector.

Why? It is recognised that the best approach to support sustainable employment in the Tourism and Hospitality sector requires a coordinated and collaborative approach by industry, education, training providers, and other relevant stakeholders.

How? Members of the Tourism and Hospitality Careers Oversight Group have developed a two-year work plan for 2019/20 that focuses on delivery of five targeted objectives. Initially chaired by Fáilte Ireland, the group will oversee the implementation of key activities to deliver on agreed KPIs.

Key Objectives: Career Promotion, Employment Connections, Recruitment and Retention, Curriculum Alignment and Mapping Existing Provisions.

CERT

The Council for Education, Recruitment and Training (CERT) was held in very high regard during its operational years. It was funded by Bord Fáilte, 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:

- Establish a National Tourism and Hospitality Training Authority

8) NATIONAL FOOD EDUCATION POLICY

There is a lack of nutrition, culinary and general food education in our Primary Schools. Currently, Social, Personal and Health Education (SPHE) and Physical Education are the only areas in the Curriculum and Syllabus for Primary Schools that cover diet and physical well-being. The topics covered under these classes include:

- Healthy eating and the food pyramid
- Healthy lifestyle
- Body care
- Exercise
- Relaxation
- Diet

The Restaurants Association of Ireland (RAI) believe that this inadequate, and that the onus is currently on individual schools, Education and Training Boards and, in some cases, individual teachers to find the resources to teach about culinary education and nutrition or outsource to local chefs and food ambassadors or programmes like Food Dudes or Agri Aware's Incredible Edibles and Pasture to Plate initiatives.

Food education cannot be solely teacher and industry led. It is crucial that there is comprehensive and cohesive guidance from the Department of Education and Skills. The RAI would like to see the development and implementation of an extensive educational programme on nutrition and culinary skills, to be incorporated as a standalone section on the Curriculum and Syllabus for Primary Schools.

The RAI are disappointed to see that the report from the Joint Committee on Children and Youth Affair (JCCYA) on tackling childhood obesity failed to consider nutrition and culinary education in primary schools. There are valid concerns that beginning food education at second level is too late, and the RAI are keen to make nutrition and culinary education part of the curriculum at primary level.

The research in the JCCYA report states that home economics is the only subject where children are taught food nutrition and how to cook for themselves, and that this lessons dependence on processed and take-away foods. Despite stating this research, the JCCYA failed to recommend the expansion of home economics into primary schools and also failed to make any other recommendations on teaching children about nutrition.

The JCCYA also recommend that a "whole system" approach should be taken to the prevention of obesity in children. Given this, the RAI are at a loss to understand how teaching children about nutrition and culinary skills from a young age doesn't fit in the "whole system" approach. Many of the recommendations in the JCCYA about school environment only make recommendations about school environment and contain nothing regarding teaching children about nutrition and food skills.

The RAI have long lobbied for better food education for children. We welcome the recommendation that Home Economics should be a compulsory subject for the Junior Cycle. However, we are concerned that this is not enough, and that nutrition and culinary education needs to be developed in primary schools.

ACTION:

- Comprehensive Culinary and Nutritional Education to be a mandatory element of primary and secondary syllabus

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