

Presentation by RGDATA to Oireachtas Committee on Business, Enterprise and Innovation on Business Costs Tuesday 28 November 2017

Chairperson and members of the Committee,

Thank you for the invitation to appear before this Committee to address the issue of tackling increasing business costs.

RGDATA represents the owners of 4,000 independent retail grocery outlets with stores based in communities located throughout the State. Our members provide a key service to their local communities acting as a key economic and social hub within their areas.

Collectively RGDATA members employ close to 100,000 people and are the biggest supporters nationally of the Irish food sector and the most generous supporters of local communities and charities spending over €40 million annually on sponsorships and donations.

Our members operate in a tough market. They face competition on a daily basis from major national and international chains, some that employ low cost operating models typically by keeping their labour costs low. They do this by employing fewer staff per store.

Members also face considerable challenges arising from Brexit – particularly members in border areas. While much about Brexit remains uncertain there is a national imperative that we focus on and address cost issues that are arising now and which we can control.

However the independent retailers that RGDATA represents are resilient and will continue to work hard to win and retain the loyalty of their valued customers.

As business people that operate in a dynamic, pressurised and cost sensitive environment, one of the key frustrations for members is when they have to deal with cost inputs over which they have no control or influence and which are largely set by factors or influences outside their control. It is also frustrating for them when the cost of a service is fixed at a prohibitively high level or at a rate which seems to represent poor value for money.

You have no doubt heard a lot about the various costs that are burdening small and medium sized businesses throughout Ireland. I would like to focus on just two of these: commercial rates and insurance costs.

A significant number of the business owners that RDATA represents feel that the level at which commercial rates are levied do not reflect adequate value for money in terms of the service levels that they receive from local authorities. There is a strong sense that they are making a disproportionate contribution to funding local government in Ireland and disappointment that these contribution levels have not been reduced following the introduction of the Local Property Tax.

Unfortunately there is a strong sense held by retailers that local authorities are always very quick to levy charges and costs on local businesses and seem to regard them as a limitless source of funding. We urge this Committee to resist proposals to increase commercial rates or other municipal charges in circumstances where Local Property Tax levels are being reduced in local authorities. The burden of funding local government must be more evenly spread.

The second key area of cost that I would like to focus on is the prohibitively high level of insurance costs in Ireland and the related excessive claims culture which remains a persistent curse for many SME businesses.

I have spoken to countless shop owners who feel powerless and frustrated in their capacity to reduce their insurance costs or claims levels. These are members who run safe modern shops operating to the highest standard of care and maintenance. They absolutely agree that they need insurance for catastrophic incidents. They all employ proper systems of supervision over their stores but yet are blighted by claims that are all too often spurious, false and exaggerated.

These claims do three things to retailers;

- They increase their insurance costs as insurers link the annual premia to claims records
- They incur a direct cost – as all too often the retailer has to pay the excess as the first part of any claim – typically this can be €5,000 per claim. A retailer with 4 claims against his or her shop can easily find the excess element of claims coming in at over €20,000 in a year. All money that has to be directly funded from turnover and which is not covered by insurers.
- Most importantly these persistent claims directly gnaw away at the confidence and motivation of retailers. You can imagine how easy it is to lose heart when you are facing what seems like an unending attack on your business from people chancing their arm and you are powerless to do anything about it.

Let me give you one example which is sadly all too typical of the experiences of our members.

I have one progressive retailer who through hard work, investment and commitment has built a business within his local community. He finds himself under siege from a succession of claims that have been made against his store from different generations of the same family. There are at least 4 claims, none of which the retailer believes are valid and which in each case are not being defended by the insurance company concerned. He feels that the family involved believe that he and his insurers are a soft touch and see no down side in advancing claims against the business involved.

Collectively the different members of the family involved have secured nearly €100,000 in damages from my member and his insurers – all for a series of very dubious claims. What really concerns me is that I can see him losing heart and wondering whether he should just close up the business. He is worn out and feels that he has been abandoned by a system that is powerless to stop chancers from attacking his business. He feels under siege in his shop. And frankly who would blame him.

So if this Committee is to make specific recommendations that will help to reduce insurance costs and claims, and these recommendations are implemented, the Committee will have played a key role in helping to assist business that are being crippled by a perverse and one sided system for delivering compensation to consumers.

RGDATA has sent a series of recommendations to Minister Michael D’Arcy and the Working Group on Insurance Costs which we believe would go a long way to attacking the high insurance costs in Ireland. Among our recommendations include proposals which would;

- Provide new defence to businesses against what is currently a system of effective strict occupiers’ liability
- Introduce certainty in the assessment of Court awards and settlements
- Reduce claimants’ appetite to take a punt on speculative claims
- Reduce the incentive for solicitors to take cases that are tenuous and have a nuisance value
- Introduce a new hard line on exaggerated, false and spurious claims

As I indicated earlier the shop owners that RGDATA represents have a very hands on approach to their businesses. They are in their shops every day and work hard to make their businesses succeed. However limiting their exposure to prohibitive and non productive costs over which they have no control is key to helping them survive and grow in an increasingly challenging environment.

I hope the work of your committee can help to achieve this.