

National Small Business Recovery Plan

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OPENING STATEMENT, John Moran, Chair of SME Recovery Ireland Special Committee on Covid-19 Response, Tuesday 30 June

Members, thank you for inviting us to attend today to address the topic of Ireland's *Response and Support for Businesses*.

SME Recovery Ireland is an umbrella platform which sprung up to give small businesses and the 1.5 million people relying on them for jobs a strong unified voice during the COVID-19 emergency.

I am here as Chair of the SME Recovery Ireland. I am joined by Derek Foley Butler, founder of SME Recovery Ireland and Jean McCabe, a small business owner. You will already have received our written submission and our National Small Business Recovery Plan.

Our proposals, the result of much consultation, have already been endorsed by 26 Irish industry bodies and we have had positive engagement with 5 local authorities to date.

If we were to leave you with one message today, it is that **SMEs across Ireland are dying, need a bailout of some 15bn including immediate injection of large-scale liquidity support worth €6bn to survive the impact of the Covid-19 pandemic and the existing schemes must be restructured as grant aid not debt which the firms are afraid to take on.**

We cannot be afraid to spend this money. Unlike the last crisis, this time we can spread out the pain as we have the ability to borrow it if we do not waste that borrowing space on less valuable choices. I believe Stephen Kinsella has already explained to you how much more valuable government investment is compared to government spending structured as wage support (or even the much talked about umbrella money).

Saving and investing in SMEs is an investment to save jobs. It should be used to modernise our SMEs and create new well paid 21st Century jobs in our indigenous sector. That is the only way to pull us out of the recession.

But we cannot wait and hang around. Perfection is the enemy of survival. Firms are dying already. The July Stimulus Package must make lower cost liquidity available immediately for firms and include a major fiscal grant scheme. Our scheme set out in the National Small Business Recovery Plan would use the Revenue Commissioners to recapitalise firms based on how severe their COVID related losses were. That is the fairest, fastest and easiest way to do this. But the important thing now is to get cash out quickly, however we do it.

But don't just ask us, or academics, you have to ask SME's. And by that we mean small firms too not just big industry or their representatives. Only they understand what will really save them. They are telling us they need cash but not mountains of debt.

The €6.5bn support package announced by Government two months ago has not worked. Many of the schemes were based on a different slow burner crisis – Brexit – where there was time to plan and gauge viability before releasing funds.

SMEs will tell you words of encouragement or schemes on paper will not save them. Only cash available today will. Despite the greatest crisis in our SME sector and economy, only €100m of cash has been drawn down. The unused portion should be immediately reallocated, and the schemes restructured.

The economic epicentre of this pandemic has been SMEs, with 85% of businesses having closed to some degree, of which 34% shut completely during lockdown. SMEs have lost up to three and half months of trading for 2020 and for many recovery is expected to be very slow.

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We worry that up to now, frankly, the State is not getting ahead of the problem and does not appear to have a handle on the huge cost of the pandemic to the SME sector. I am reminded of the years lost during the banking crisis when poor decisions were taken in the absence of good evidence on the extent of the losses in the banks. We cannot make the same mistakes again.

If you understand how much SME's have been devastated, you will see the response to date has been too slow, too small and too expensive.

Our National Small Business Recovery Plan is based on three key guiding principles.

1. SME's are vital to our social fabric – they are the lifeblood of our communities and have a disproportionate impact, particularly on our rural communities.
2. SME's need to be recapitalised with a €15bn euro bailout using an equitable blend of policy instruments. €6bn needs to be released immediately as liquidity. If done as debt, it needs to be followed by a “debt for equity” swap and more grants to allow firms to get back on their feet and recover from their losses.
3. SME's need a boost to demand

What has been different about our ask from the outset is immediate and easy to access liquidity and a comprehensive grant programme, administered as a Covid-19 recapitalisation or compensation scheme.

Other bodies such as the Central Bank, IBEC, KPMG and Chambers Ireland have now accepted the need for what we proposed especially the need for direct fiscal transfers (grants). IBEC like us have recently looked for measures amounting to €15bn.

We are very worried too that Ireland has massively lagged our European counterparts in the scale and effectiveness of our policy response. Our businesses compete with firms in these countries and I will provide detail on this during Questions. In Northern Ireland, for example, grants to the value of £25,000 were made available to stricken businesses in the retail, hospitality, tourism and leisure industries as early as the 18th April. In contrast, small businesses operating within the same industries down the road in the Republic of Ireland facing the same challenges have only been able to access grants up to €2,000, barely covering the costs of restarting let alone the costs incurred while forced to shut. Germany has invested over 25% of GDP to support businesses. Denmark has a €6bn compensation fund and France introduced a €300bn euro government 90 per cent guarantee five year loan scheme charging as little as ¼ of one per cent on loans of up to 3 months of 2019 revenues or 2 years of wages paid for companies with revenues less than €1.5bn.

Our Government was admirably quick to support income of employees at the outset of this crisis but that alone will not save businesses. The cries for help from small business owners have gone largely unheard.

We welcome that the Programme for Government recognised the importance of the SME sector, but it lacks detail. Time is rapidly running out.

We now need to see urgent and decisive action from our new Minister for Enterprise, Trade and Employment if our SME sector is not to be decimated along with the 1.5 million jobs supported by the sector before this pandemic.

As elected representatives you will understand what will happen in our communities if we allow the failure of our small businesses at scale. Small businesses breadth oxygen into our local communities, not just in the employment they provide but also the support they provide for local initiatives. It is they who sponsor the local GAA teams, buy tables at the local charity's fund raiser, who use local suppliers for their needs.

Our small businesses closed to protect our collective National Public Health. In a similar spirit of solidarity, we must stand with them now to help them recover for our collective benefit.

We look forward to answering your questions.

ENDS