



Statement to Covid-19 Committee

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Chairperson, members of the Committee. We welcome and appreciate the opportunity to address your committee today.

Firstly we would like to extend our condolences to the families and friends of those who have died as a result of this pandemic. We also hope those currently sick or in hospital as a result of the virus have a speedy recovery.

A very special thanks to all those health care and front line workers who have continued to provide essential and valuable services over the past number of months. They have made all of our lives safer and more bearable.

While public health is rightfully our foremost concern, the pandemic has also had a considerable impact on many businesses, not least the pub trade.

Our pubs are unique and provide an experience which is unmatched in any other country.

That is why visiting our pubs is regarded as an essential aspect of Ireland's tourism offering.

Pubs are also an integral part of the fabric of many communities across the country, acting as a meeting place, a social hub and an outlet in areas of limited facilities.

The pub sector also makes a significant contribution to the Irish economy and Exchequer.

Pubs in Ireland employ 50,000 people directly and are responsible for several thousand additional indirect jobs. These jobs are spread throughout every part of the country.

The pub sector is a multiplicity of small family owned and run businesses. There are just over 7,100 pub licences in the country. 78% of these have an annual turnover of less than €390k from alcohol sales (Source: Revenue). Less than 6% are in the top licence band with sales in excess of €1.27m per annum.

Pubs across Ireland have played their part during this crisis. Our industry was the first sector to close on 15th March, putting public health before our economic and commercial interests. We fully recognise this was the only responsible course of action and it was strongly supported by the VFI.

However it should be acknowledged this period has been difficult for pubs. Turnover in the industry immediately dropped to zero. Tens of thousands of people lost their jobs in the space of a single day. Livelihoods disappeared in an instant, some of which may never return.

Pubs face a very uncertain future. It is certain that public health guidelines will restrict business in our industry for some time to come and that pubs will be among the last sectors of the economy to fully reopen and resume normal trading. We also have no indication as to when those 'normal trading' conditions will return, with recent suggestions that may not happen until such a time as a vaccine or treatment for Covid-19 has been found.

Very few sectors of the economy will have been hit as hard. None will have their trade limited for so long.

Our sector has always been resilient. It adapts. It is innovative and brings an entrepreneurial guile to whatever trading environment it faces. Whatever the post Covid-19 'new normal' looks like, we have no doubt that Irish pubs will meet that challenge head on, finding new ways to appeal to their customers and to maintain the place of the pub in Irish society.

We also know that when pubs are in a position to trade, they will reopen quickly and efficiently. Our members are ready to re-employ tens of thousands of people across the country and to begin once again generating much needed, significant revenue for the Exchequer.

But first we have to survive this crisis. To do that the pub sector will need Government support. We know this is a difficult time for the State and the economy. However at this time of crisis we are asking the Government to invest in protecting the viability of the pub industry.

We know that this is an investment that will pay off, providing a return on investment of multiple times of what is being asked and which will make a difference to employment, commerce, Exchequer revenues and community life across the entire country.

Never before has the pub sector needed the support of the Government as we do now.

In summary there are four key areas of support needed as follows:

- VAT on alcohol sold in the On Trade
- Extension of the Temporary Work Subsidy Scheme
- Extension of current assistance with commercial rates
- A reduction in excise paid on alcohol

VAT on on-trade alcohol

Specifically, VAT relief on alcohol sold for on-trade consumption is an incentive for the on-trade to reopen. It would generate immediate and tangible support to these businesses, allowing them to reopen viably and maintain jobs. Until now, it was understood that this was disallowed under EU VAT Directives. However, we have now established that this measure is possible given the European Commission Directive 2009/47/EC that amends the Directive 2006/112/EC with regard to VAT. The amended directive makes it possible to extend and apply a lower VAT rate on on-trade alcohol in Ireland and across the EU.

EU and UK measures

Such a measure would be in step with other EU countries, which are using temporary reductions in VAT to provide immediate support to their drinks, hospitality, and tourism sectors in the midst of the Covid-19 crisis.

In Spain and Italy, VAT on on-trade alcohol has long been set at the hospitality rate. In Cyprus, the VAT rate on services has been reduced from 9% to 5% from June to January 2021 and this applies to alcohol sold in the on-trade.

In the UK, a lower VAT rate for the tourism sector – including pubs, restaurants and hotels – is an option currently being considered.

We are specifically asking that the VAT on alcohol sold for on-trade consumption be reduced from its current rate to 9% until December 31st 2020

Temporary Wage Subsidy Scheme (TWSS)

As previously mentioned there are 50,000 people directly employed in the pub sector with many thousands more dependent on it whether they be in manufacturing, service or farming. Wage costs are very significant in the trade typically ranging from about 20% of turnover in wet pubs to well over 30% in food led pubs. This will increase as a result of additional staff requirements to comply with C19 safety measures and reduced capacities.

The TWSS needs to remain in place until the social distancing restrictions are lifted and needs to be amended to allow those seasonal workers not on the books in February to be covered.

Commercial Rates

With the new valuation system in place the pub sector is one of the very few where rateable valuation has been based on turnover. That turnover will now be decimated. The commercial rate cost will need to reflect that.

The current rates holiday needs to be extended while the social restrictions are in place. The rateable valuations need to be amended to reflect the new norms in turnover

Excise

Ireland has the second highest rate of excise in the EU after Finland. It is not our place in the league that matters but the difference between us and others

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 HLPAs 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 HLPAs, which would still be the third-highest alcohol excise rate among the 28 countries after Finland and Sweden.

There is a requirement to introduce a 15% reduction in excise.

Conclusion

I have no doubt there are some who do not see support for the sector as a priority, who in fact wouldn't shed a tear if pubs never reopened – but, as I said earlier, pubs are an integral part of our national story.

I am minded of the words of Kevin Martin, an extensive writer on the phenomenon of Irish Pubs – who says:

“It's not really alcohol that pubs are selling, it's the conviviality. That's always been the case. You can but drink anywhere, but that pub environment – well, it's a key part of who we are.”

As we have seen over the past 15 weeks alcohol was certainly freely available. The result was many uncontrolled house parties and a massive surge in domestic violence reported to and by the Gardaí.

The pub is an antidote of sorts to that uncontrolled environment – it's a safe, regulated space that promotes community and sociability.

The pub sector is viable but needs short term assistance. Now is the time to provide that assistance.