

April 2020

Save Our Jobs Save Our Restaurants

*Step Down Recovery Plan
For the saving of jobs in the
Restaurant Industry in Ireland*



Save Our
Restaurants

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sorc.ie



Hit First



Hit Hardest



Last Out

Restaurant workers are a vital part of the Irish economy. There are more than 6,500 restaurants all over the country, employing over 80,000 workers. However, the Restaurant industry, along with many others has been decimated by the C19 crisis, 80% of these jobs are now on the line. This is a sensible and cost effective plan to save most of these jobs.

“ It will be more difficult to re-open restaurants than it was to close them.

With countless businesses closed, tens of thousands of valued employees effectively unemployed, business owners are facing bankruptcy and the value of business assets destroyed.

On top of this there is a great deal of uncertainty as to when business will be back to normal. Many commentators say that until a vaccine is developed and widely available, social distancing will be a reality, and that it could be another two years, before restaurant businesses get back to normal. This is way too long for most closed businesses to survive.

In the event that restrictions are partially lifted and restaurants and bars can resume partial trade, the economic costs of doing so in terms of rents, bank payments etc. do not make sense without full trade being resumed.

OUR AIMS

The Save Our Jobs / Save our Restaurants coalition has been formed by a group of hospitality professionals and advisers with three aims:

- Get our amazing employees back to work ASAP. Re-assure employees that it's safe to come back to work, and keep people employed, and paying their taxes.
- Get the cost base of viable restaurant businesses into line with actual sales, allowing viable business to survive.
- Re-engage the public, by re-assuring them that it is safe to come out and dine with restaurants.

GOVERNMENT SUPPORT

“We just want to get our amazing employees back to work as soon as possible

This step down plan aims to be an equitable strategy to look after the interests of our employees, our shareholders and Ireland itself. Step down support means that most help goes to those businesses that need it most, and is stepped down as revenues in those businesses recover.

Where applicable this support should be provided by way of direct government grants as opposed to bank administered debt. Introducing additional debt into the system will not resuscitate our sector.

Any restaurant which is receiving any state aid it should have a no dividend policy for the year in which the state aid is received, and all profits should be ploughed back into the business.

It seeks to allow viable restaurants to survive for two years, or until a vaccine is widely distributed in Ireland. This proposal recognises, that while restaurants may be allowed to re-open, it is likely with social distancing measures in place, overseas tourism dead, and a nervous customer base, sales will take a long time to come back.

With an unadjusted cost base during this period, most restaurant businesses will not survive. The aim of this plan is to get the operating costs of restaurants into line with post lockdown sales, while making sure the support goes to those who need it most, while those who don't need it, don't get it.

We have included a series of supplementary proposals, many at no cost to Government, which would make the viability of restaurants, and the associated jobs more certain and hopeful.

Our 3 point Step Down Plan

1. LABOUR COSTS STEP DOWN

Government continues to provide income supports for employees for 2 years post restaurant sector lockdown.

Business down 25% or more

The temporary wage subsidy of 85% of take home pay up to a maximum weekly tax free amount of €410 per week to help affected companies keep paying their employees, is continued, where turnover has fallen by 25% on 2019 figures.

Step Down Methodology

- Existing wage subsidy scheme remains in place for the duration of the restaurant sector lockdown period
- For the 24 month period post restaurant sector lockdown the following applies;
- Current subsidy is paid by government where turnover is down 80-100% on 2019 figures
- 70% subsidy (based on current wage subsidy scheme methodology) is paid where turnover is down 50-80%
- 50% subsidy (based on current wage subsidy scheme methodology) is paid where turnover is down 25-50%
- Subsidies are initially claimed on a self assessment basis but are subject to independent audit every 12 months

Our 3 point Step Down Plan

(Contd)

2. OCCUPANCY COSTS STEP DOWN

Government subsidises occupancy costs (OC) for viable restaurants for 2 years post restaurant sector lockdown. This aims to make many of the fixed costs more variable and inline with actual sales.

Occupancy Costs

- Rent
- Rates, water, water waste, street furniture charges
- Business insurance
- Landlords insurance
- Utilities

Step Down Methodology

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*Occupied
streets
are better
than empty
buildings*

- Government agrees to cover costs on a stepped basis, similar to the Danish model
- 100% Grant towards OC as long as business is not permitted to open
- 80% grant towards OC where turnover is down 80-100% on 2019 figures
- 50% grant where turnover is down 50-80%
- 25% grant where turnover is down 25-50%
- Landlord also gives from 20% reduction pro-rata, and tenant agrees to pay revised figure to agreed terms
- Grant paid monthly, on sales reported by business in an amended monthly P30 report. Subject to independent audit every 12 months

Our 3 point Step Down Plan

(Contd)

3. DEBT REPAYMENT STEP DOWN

Lenders must agree to reschedule the repayment of loans, finance leases, hire purchases and mortgages for 2 years post restaurant sector lockdown where businesses are unable to meet current debt obligations, but where loans were performing as at 31st December 2019.

Facilities

- Term Loans
- Overdrafts
- Business Mortgages
- Finance Leases / Hire Purchases

Step Down Methodology

- Rescheduling of all debt repayments (interest and capital) during the restaurant sector lockdown period
- Interest only repayments for the 12 month period post restaurant sector lockdown
- Restructured capital repayments, based on repayment capacity, during months 13 to 24 post restaurant sector lockdown. Full interest payments during this period
- Covenant modification for this period to ensure no breach is triggered by the step down methodology

SUPPLEMENTARY PROPOSALS

1. Corporation tax rebate

Refund of preliminary tax paid for 2019.

2. Deferral of VAT and P30

Deferral of January – March 2020 payment for 2 years, repaid over 1 year.

Deferral of February / March 2020 payments for 2 years, repaid over 1 year.

3. Clarity on re-opening

Businesses will need at least 4 weeks notice of planned relaxation of Lockdown rules, to re-train staff and re-start supply lines.

4. Put innovation fund in place for restaurant diversification

Because of Covid19 social distancing rules, many restaurants will have to diversify their business models, for example moving into takeaway and delivery, as opposed to dine in. An innovation grant for eligible businesses would help restaurants to develop and test new methods of doing business.

5. Re-introduce a rebate to help employers cover the cost of redundancy

Payments for 2 years

Up until 2012, an employer making statutory redundancy payments to former staff was able to claim back a 60% rebate from the state to help cover the cost. This rate was reduced to 15% in 2013, and the rebate was abolished altogether afterwards. When an employer cannot make redundancy payments, staff are paid by the social insurance fund. In this case, the business must then repay the state 85% of the amount spent.

6. Allow businesses owners to access their pension funds

Without penalty, for the purpose of re-investing in their businesses

- Investment direct into businesses at a time of reduced liquidity.
- By lodging this money with the banks as security, then taking out a new loan, it has the effect of doubling the impact on the business's liquidity.

7. Restrictions on SBCI funding relaxed

Many businesses are unable to avail of SBCI funding through pillar banks, as banks apply same ratios as to a conventional loan, notwithstanding their downside risk is covered.

8. Consumer Stimulus

State funded vouchers to the value of €750 per household ring-fenced to hospitality and non-essential retail sectors.

Founding Supporters

General Founding Supporters

- Philip Lee Solicitors
- Crowe Ireland
- Musgrave Foodservices

Restaurant Industry Founding Supporters

- Camile Thai Kitchen
- LEON
- Winding Stairs Group
- Boojum
- Rocket Restaurants
- Chapter One
- Insomnia
- Wright Group
- Kays Kitchen
- Brambles Group
- Dylan McGrath
- Howth Tourism
- Press Up Group
- Gourmet Food Parlour
- Sprout & Co
- Offbeat Donuts
- Jump Juice
- Dublin Pizza Company
- Freshii
- Loko Restaurant
- Chopped
- ITSA Group
- Bunsen

Steering Committee

- Brody Sweeney – Camile Thai Kitchen
- David Maxwell - Boojum
- Stuart Fitzgerald – LEON Restaurants
- Michael Wright – Wright Group Restaurants
- Brian Montague – Winding Stair Group
- Andreas McConnell – Philip Lee Solicitors
- Brian Geraghty – Crowe Ireland



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