



Supporting the Irish Drinks Industry through the Covid-19 crisis

The Irish drinks industry has joined the national effort to respond to the Covid-19 crisis in many different ways, including through producing sanitising products (or producing alcohol for such products) and making donations to support unemployed bar workers and charities working with more vulnerable groups in our society.

The industry has itself been hard-hit by the pandemic, with the global closure of the on-trade as well as restrictions in supply to many off-trade channels (e.g. multiple retailers), which has imposed severe commercial pressures on businesses in the Irish drinks industry; in some cases threatening their future viability. Our visitor attractions (which cumulatively attracted over 3 million visitors in 2019) have also had to close, in order to protect staff and the wider public. The closure of these visitor centres threatens hundreds of direct jobs.

On behalf of the Irish drinks industry, Drinks Ireland wishes to outline the following policy priorities:

Protecting Irish drinks production

The Irish drinks industry contributed over €1.4 billion in export value to the state in 2019. Approximately €1.1 billion of this was accounted for by spirits exports (mainly Irish whiskey and Irish cream liqueur). Over 95% of spirits produced in this state are for export. While export of Irish drinks products is experiencing a decline during the Covid-19 crisis, the Irish drinks industry should be well-positioned to bounce-back and return to full export value in a very short period, to the benefit of the Irish economy.

However, in order to achieve this, it is imperative that Irish distilleries, breweries, cideries, manufacturing and bottling/canning sites are not restricted in operation and continue to be recognised as essential food and beverage production. Distilling, brewing, cideries, manufacturing and bottling/canning operations are and can continue operating on reduced

or skeletal staff allowing for full compliance with best practice in terms of physical/social distancing.

Cashflow Supports

Whilst we welcome the Government's measures to support employers and their employees through the Covid-19 Employer Wage Subsidy Scheme, additional swift action by Government is required to assist businesses with their cashflow, particularly as payments for February/March have in the main not materialised from closed hospitality businesses.

A swift response by Government is required to:

- Ensure that Revenue processes all VAT refunds due immediately
- Immediate repayment of VAT by Revenue to organisations on invoices to suppliers who are not paying their debts
- Defer all further excise & VAT payments until the crisis has passed.
- Ensure that Government, its agencies and semi-state organisations (including Aer Rianta International) pay their own bills on-time and endeavour to go further and pay early as they did during the financial crisis
- Cancel commercial rate charges for the period of the crisis
- Guarantee that the current wage subsidy will not be subject to a tax review by the Revenue at the year end

Given that the EU's state aid rules are essentially suspended until the end of 2020, there is a tremendous opportunity for Government to design schemes to enable businesses of all sizes to have sufficient liquidity at the Government's 0.3% borrowing cost. Measures such as:

- credit guarantees
- interest free loans
- direct cash injection of €25,000 per business

should be implemented in the short-term for both our members and their customers in the broader hospitality sector.

Allow Direct On-line Selling

The closure of the on-trade has been particularly damaging to microbreweries and craft distilleries and cider-makers, who in addition do not have good off-trade reach in the domestic market, as many are mainly focused on exporting. They should immediately be allowed to sell directly on-line to the Irish consumer, without minimum volume requirements. If the craft sector can keep more of the margin, they will survive whilst selling less. This measure would simply align Ireland with the majority of other European countries. Supports should also be provided to develop the e-commerce capabilities of our craft sector.

Planning for Reopening

Irish breweries, cideries, distilleries, manufacturing and bottling/canning sites are complex operations, which will take time to scale back up to full productive capacity from a technical, supply chain, operations, and people perspective. Therefore, it is essential that we have sufficient notice of the reopening of the hospitality sector, to be ready to fulfil demand.

It is clear that the “how-to” of reopening both the hospitality and tourism sectors is far from clear and we would welcome the opportunity to input our knowledge and expertise of lessons learnt in other markets on successful reopening with social distancing measures in place, into this process, to ensure that public and employee safety can be secured, whilst making an effort to get as many small businesses back on their feet as possible, before they run out of money and go out of business entirely, with the consequent job losses right across the country.

Supporting exports – Putting boots on the ground

There is increasing concern among Irish drink exporters – small, medium and large – that the significant international closures or restrictions across the on and off trade will severely set-back the growth of Irish drinks brands. Supporting brands to recover and regain market position and share should be a key priority for Government.

Bord Bia’s Marketing Support Package, offering up to 70% funding for a limited range of qualifying activity is welcome. However, the deadline of 16th April proved too soon, as many companies are still unsure about the scale of impact and the responses that will be needed. We would ask Government to provide additional funding to an appropriate scale in order to fund all good applications, for subsequent rounds of this scheme.

More critically, we would recommend that the range of qualifying activity be expanded to better respond to the needs of Irish drinks exporters who have identified the need to reboot brand marketing and activation in key markets.

Central to this should be an ambitious programme of support - of up to 70% - to allow companies to directly and exclusively employ graduate brand ambassadors in key markets for at least 12 months. Funding ‘boots on the ground’ in key markets around the world has long been the key to Irish food and drinks export success and is now more vital than ever.

In addition, the range of qualifying activity for the Bord Bia Marketing Support Package should be further extended to include:

- Direct marketing and advertising;
- Visits to meet distributors and business customers;
- Host inward buyer visits.

Mutual tariff relief

At present the EU has imposed a 25% tariff on a range of US imports, including American Whiskeys, in response to US tariffs on steel/aluminium. At the same time, the US has imposed a 25% tariff on a range of EU imports, including Irish cream liqueurs, other Irish liqueurs, Irish butter, etc. Tariffs are proven to reduce export values to the detriment of exporting businesses and the broader economy of the exporting country, be that Ireland, other EU states or the United States.

Drinks Ireland calls on the Irish Government to actively propose - directly to the EU Commission and at EU Council level - that the EU seek to expedite a reciprocal agreement with the US on the elimination of all tariffs applied as part of recent disputes, as part of a mutually-beneficial stimulus response to the Covid-19 economic crisis.

It is imperative that Bord Bia boosts its work to support Irish cream liqueur and other Irish liqueur exports to the US during 2020 and beyond for as long as tariffs last, including finalising the proposed conjoint analysis and through a comprehensive tasting programme in-store in the US in the three months from October up to the essential pre-Christmas selling season.

Supporting our visitor centres

Irish drinks visitor attractions in this state – which are currently closed - are highly dependent (88%) on international visitors. Our current estimates point to a projected loss of 70-80% of visitors (for example, totalling in excess of 700,000 visitors to Irish whiskey distillery visitor attractions in 2020). Further significant declines are expected in 2021 depending on the length of time it takes for international travel and tourism to recover.

Drinks-based visitor attractions, similar to the rest of the domestic tourism sector will be dependent in the short-term on the maximisation of domestic tourism, i.e. stay-cations, day trips and domestic spending. Some of this will happen organically as Irish people cancel overseas holidays. But maximisation to support domestic recovery will require proactive support and promotion.

As an immediate short-term option upon lifting of restrictions and reopening of Irish drinks visitor attractions, Drinks Ireland would ask for funding support from Government, via Fáilte Ireland, for a targeted advertising and promotional campaign aimed at Irish domestic tourists such as:

1. Increased funding for the 'Taste The Island' initiative, launched in 2019, to implement an expanded, domestic-focussed campaign in September/October 2020 (linked to the broader 'Keep Discovering' tourism campaign). TTI offers a timely vehicle to promote the Irish hospitality and tourism sector with a focus on Irish food and drink. Increased funding should be directed towards special event/promotions and advertising.

2. Establishment of a marketing support programme for Irish tourism attractions and the hospitality sector to help both individual attractions/businesses and collective groupings to advertise among Irish consumers/tourists. Similar to Bord Bia's current marketing support programmes, up to 70% funding could be offered to individual attractions/businesses as well as to groupings/trade associations/food trails etc.

About Drinks Ireland

Drinks Ireland is the Ibec sector that represents the interests of almost 70 alcohol drinks manufacturers, brand owners and distributors on the island of Ireland. Drinks Ireland is globally unique as it represents all categories of alcohol products in one umbrella organisation through its various trade associations, Drinks Ireland|Beer, Drinks Ireland|Cider, Drinks Ireland|Irish Whiskey, Drinks Ireland|Spirits, Drinks Ireland|Wine.

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