**PRESS RELEASE**

Monday, 8th June 2020

**€6.5bn business support package must be reallocated or SME’s will become the nursing homes of the economy**

*SME Recovery Ireland calls for Government to urgently clarify its estimation of losses for small and mediums sized businesses so that the right medicine can be delivered to the ailing sector*

Government must consider reallocating the remaining funds from its €6.5bn business support package announced in May, to save small and medium sized businesses through a compensation scheme and provide easier access to less costly liquidity. That is the call from [SME Recovery Ireland](https://www.smerecovery.ie/) who today (08.06.20) are also asking for clarification from Government on what it estimates the overall losses to the SME sector to be as a result of Covid-19.

A sample survey conducted by SME Recovery Ireland among 199 small and medium sized businesses revealed that the 142 small businesses employing between 1-50 people that remained closed until 18th May could have incurred average losses of €117,000. The survey also revealed that small businesses that remained open until 18th May reported a 70 per cent revenue decrease.

Commenting, Chair of SME Recovery Ireland, John Moran said: “While these figures represent a small sample size, they give an indication as to how big the capital losses could be in the SME sector and that it is likely much larger than currently believed. The losses will not disappear but will prevent a recovery until they are treated properly. We learned at the outset of the last crisis that it is very dangerous to underestimate the scale of a problem, as we cannot come up with the right medicine to solve the problem unless the seriousness of the damage is known. Prescribing the wrong medicine will do even more harm. That is why we urgently require clarity from Government on what it estimates the total losses for the sector will be.

“The stark reality small and medium sized businesses face is that they have now gone through several months where bills are mounting and either no income or drastically reduced income is coming in. Although they are reopening with restricted trading, those losses have not disappeared and will act as a brake on the recovery or worse prevent the firm reopening in the first place causing permanent damage to jobs and communities. We know that small and medium sized businesses on average carry two to three months shut down costs in their reserves and this money has now been eroded and for many extra liabilities incurred.

The survey was conducted to inform SME Recovery Ireland which had previously calculated the need for a proposed €9bn Compensation Scheme for small and medium businesses as set out in its National Small Business Recovery Plan. SME Recovery Ireland is also looking for an additional €6bn in liquidity supports as part of the Plan, giving small businesses access to essential cashflow to get back on their feet.

Mr Moran added, “The government’s business support package in its current form is not working. The drawdown on many schemes is woefully low despite major cash flow issues in the sector. Simply put, the measures are the wrong medicine for the disease. Most businesses need equity and recapitalisation to fill holes caused by losses not more expensive debt. For that reason, we are also asking the Government to reallocate much of the unused €6.5bn business support package to fund the measures set out in our National Small Business Recovery Plan. We want to see such a commitment adapted as part of a new Programme for Government this week.

“Getting equity and more accessible and inexpensive liquidity to small businesses through schemes like those put in place in Denmark, France, Germany and other European countries should be an immediate priority, to ensure our small businesses have the cashflow to survive, to get them through the next 12 months and to compete on a level playing field with businesses in other EU countries.

“There is a real risk that if we don’t wake up and protect the SME sector now it will become the nursing home sector of the economy. The untreated terminal cash flow difficulties of firms will spread contagion throughout the sector, meaning businesses and jobs will die. We will only realise the damage when it is too late.”

The National Small Business Recovery Plan put forward by SME Recovery Ireland sets out:

* The critical contribution small and medium businesses make to the social and economic fabric of Ireland’s local communities, towns, and neighbourhoods.
* A required €15bn bailout for small businesses including a €9bn compensation scheme and €6bn of liquidity supports.
* The supports required to ensure there is consumer demand for small businesses when they are recapitalised and reopen.

The hair and beauty industry represents a significant portion of the SME sector and will remain shut until 20th July under current guidelines. Commenting, owner of Sam’s Barbers, Sam Donnelly said: “As a business owner with seven stores across Dublin, employing over 40 people, it is vital that we can clear costs accrued while shut and that we are financially positioned to restart where we were when we closed in March. Since closing voluntarily to protect our staff and customers, normal operating costs have continued to accumulate, including over €25,000 just to cover utility bills. Easy access to a compensation scheme like what SME Recovery Ireland are proposing to cover these costs is crucial if we are to survive.

“Ultimately if the SME sector does not get the recapitalisation and financial supports it requires, it could encourage a black-market economy in some industries like ours, meaning further losses to the exchequer. It is in the interest of the Government that the SME sector is recapitalised and working if we are to come out of this crisis. We saw how quickly and easily the Covid-19 wage subsidy scheme was established – it’s now time to give SMEs more certainly and quickly establish a scheme to access liquidity to ensure we can reopen our doors.”

For full details of SME Recovery Ireland’s National Small Business Recovery Plan, visit: [www.smerecovery.ie](http://www.smerecovery.ie).

**ENDS**

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**Notes to editors:**

* Chair of SME Recovery Ireland, John Moran and Sam Donnelly, owner of Sam’s Barbers are available for interview upon request.
* SME Recovery Ireland’s National Small Business Recovery Plan is available to download [here](https://www.smerecovery.ie/documents/National%20Small%20Business%20Recovery%20Plan.pdf).
* Follow SME Recovery Ireland on social media:
  + Twitter: [@SMERecoveryIrl](https://twitter.com/SMERecoveryIrl)

**About SME Recovery Ireland**

SME Recovery Ireland is an umbrella platform established by business representative groups and small business owners to develop and advocate for a recovery plan for the small business sector for implementation as part of the Government’s Covid-19 National Recovery Plan. The National Small Business Recovery Plan published by SME Recovery Ireland is a dynamic plan that allows us to continue to identify policies and interventions that will help a broad population of SME’s. The plan focuses on key generally applicable principles and corresponding key policy interventions that are required to stabilise and recapitalise the small business sector so that employment and economic activity can be restored. More detailed sector specific matters will continue to be identified and advocated for by sectoral representative groups.