

Cost of Doing Business in Ireland

Transcript

28th November 2017

Chairman: I remind members, visitors and those in the Visitors Gallery to ensure their mobile phones are either switched off completely or left in flight mode for the duration of the meeting as they interfere with the broadcasting equipment, even when left in silent mode.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the joint committee. If they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

I welcome Mr. Vincent Jennings, chief executive officer, and Ms Ann Martyn, president, Convenience Stores and Newsagents Association; Ms Tara Buckley, director general, RGDATA; and Mr. Jimmy Redmond, National Off-Licence Association. The purpose of the meeting is to discuss the cost of doing business. I apologise in advance to them that because of the political to-ing and fro-ing of the past week many members will have to leave early as they have been summoned to attend parliamentary party meetings at 5 p.m. I suggest that as the presentations submitted by them have been circulated to members, the attendees make brief introductory remarks and that we then go straight into the question and answer session. Is that agreed? Agreed. I invite Mr. Jennings to start.

Mr. Vincent Jennings: I thank the Chairman, Deputies and Senators. The Convenience Stores and Newsagents Association, CSNA, is the representative group for 1,500 stores with nearly 1,300 members throughout the country. We were asked to enunciate in order of priority the areas of concern for our members. In our submission we have listed the areas of greatest concern as being labour, energy, insurance, banking, commercial rates, compliance and security costs and carriage charges. We have also outlined for the committee what we would like it to do.

I will leave it at that to allow for more interaction.

Ms Tara Buckley: RGDATA represents the owners of about 3,500 local shops, convenience stores and supermarkets which employ close to 100,000 people in the independent retail sector. They are very good supporters of their local communities, spending about €41 million annually on sponsorship and donations. It is a tough market and many are very concerned about the impact of Brexit. While they think it is an unknown entity at present, there is an opportunity to tackle some of the increasing business costs. We believe that making us lean, mean and ready to tackle the challenges Brexit will bring is the thing to do. Much like the members of the Convenience Stores and Newsagents Association, the members of RGDATA have the same concerns. We put particular emphasis on banking and shop insurance costs. We believe there is a significant problem for our members with insurance premia which have been increasing for a typical convenience store from less than €10,000 a few years ago to up to €100,000 today. The other concern is that our members must pay the first portion of any claim which could range from €5,000 to €10,000. Some of our members have been subject to several claims from the same family, costing them up to €100,000. This is a significant and challenging problem which is causing great distress for individuals who are trying very hard to run businesses in towns and villages all over the country where the rise in economic activity has not reached them. We have made some suggestions to the working group on

insurance costs. We will give the committee the list of our suggestions and obviously would like it to support some of the actions proposed.

Mr. Jimmy Redmond: I thank the Chairman and members for the invitation to appear before the joint committee. We share the same concerns as the previous delegates. The major concerns of 350 family owned businesses in the independent off-licence sector which provides 6.000 jobs are the increases in excise duty in the past few years which have been detrimental to our business. We also see problems arising from Brexit. We echo the concerns expressed by the other delegates about rates and so on. We are different in that we totally endorse and hope to see full implementation of the Public Health (Alcohol) Bill 2015.

Chairman: I thank the delegates for their remarks. Ms Buckley referred to banking charges. The joint committee is doing quite a body of work on the cost of doing business. We have already decided to hold a meeting in January with the banking federation and the banks as we are hearing a great deal about how difficult it is for some people to access finance and meet the associated costs. We will continue into the new year our work on the cost of doing business. In fairness, everybody is very anxious to see the Public Health (Alcohol) Bill 2015 pass through the Houses and enacted as soon as possible.

I invite Senator Kevin Humphreys to ask questions.

Senator Kevin Humphreys: On the high cost of banking, have the representative organisations been able to compare charges in Ireland with those in other European countries? I am aware of the high transaction charges so what charges are levied with respect to the lodgement of cash and elements like that? It is a big deal in the competitiveness element.

We have taken issue with insurance and costs in the motor and household sectors. The jump from €10,000 to €100,000 is enormous. Is the business to carry the first 25%?

Ms Tara Buckley: It is the first €5,000 to €10,000.

Senator Kevin Humphreys: Over what period has that increased?

Ms Tara Buckley: That particular store is McCambridge's in Galway. Maybe ten years ago its insurance would have cost less than €10,000 and the insurance now costs €110,000. That has happened in fewer than ten years.

Senator Kevin Humphreys: Would that be a common occurrence across the sector?

Ms Tara Buckley: It might not be that big an increase but when we surveyed our members, they spoke about anything from 30% to 70% increases in premiums over the past number of years.

Mr. Vincent Jennings: On the banking costs, we would pay between 50 cent and 60 cent per €100, or 0.5% or 0.6%. Many of the products we sell in the cash end have a low margin. The transaction might notionally earn us 19 cent but we may be paying 25 cent or 30 cent for it. If we take €50, we give the bank 25 cent although we have only earned 19 cent for the transaction. That is the Lotto transaction and things like that.

We dealt with the Central Bank and the financial ombudsman. There were people and departments looking after the consumer end of things to ensure charges applied to them had to go through a series of mechanisms to get the nod. A case had to be made. In the commercial end of things it is far less transparent. I suggest there is nobody in charge of setting the commercial rates. Many of our members are paying enormous amounts of money - perhaps €40,000 or €50,000 per year - in cash

lodgement charges. We were able to obviate that somewhat with ATMs in stores but it is still a significant problem for people. There are security elements that run with cash transactions as well. I fail to see how lodging a €200 note should attract a €1.20 charge but if I hand in 40 €5 notes all over the place in a plastic bag that people must sort out, it is the same €1.20. It does not seem to make sense. We are talking about lodgements of €10,000, €20,000 or €30,000. Paying a multiple per €100 is a really excessive cost. I am very encouraged that the committee is homing in on banking as that part for the small retailer is a big draw.

Senator Kevin Humphreys: Have international comparisons been done?

Mr. Vincent Jennings: Yes. We have looked at the way it is done. We are more of a cash-reliant society than others. France is probably on a par with us but other countries are less so. Our real concern is that the people we would seek to protect us - the financial ombudsman, Central Bank or Financial Regulator - are not saying it is their job to do so. There is a similar issue with credit cards.

Senator James Reilly: I am glad ATMs were mentioned as I know it is a way many of the bigger supermarkets handle their cash flow and get it out. Will the witnesses share any research they have done on the cost of cash lodgements in this country versus other countries? Is there any independent research that can indicate the real cost of that to a bank? In other words, is there an empirical approach that would indicate what it costs the bank to handle X, Y or Z? It must be independent as we can all play games with figures.

There is a similar issue with the plastic card. There is the correct questioning of how the costs of the card are arrived at. We will not quote any infamous bankers but where was the figure plucked from? How did it come about and where is the evidence base for it? We would be very interested in that because, as the Chairman states, we are bringing in people from the banks. The more information we have to challenge them with, the better we can take them to task for the charges being imposed on people. As pointed out in the document, we all know they have become more remote and less inclined to have face-to-face interactions with customers.

I was informed by somebody near and dear to me that there is a policy in some banks to watch out for grey heads so they can be helped. Everybody else would have to use the automatic machines. On a serious note, this is a major cost to business and we would like to be able to challenge the banks. When the committee has heard the evidence, perhaps we can make a case for an identifiable body to act as an arbiter on costs that should be levied on business by banks and financial institutions. We will have people from credit unions in as well, whose charges are different.

Mr. Vincent Jennings: The Central Bank is fully informed of the costs. The trouble was that the two main credit card companies ran rings around the Central Bank and the intention of the Minister when he put through a much better derogation in terms of interchange fees, where previously the vast majority of people were benefitting from contactless charge with a percentage rate on debit and credit cards, the companies changed the playing pitch. Effectively, it became revenue-neutral for them. We were very closely involved with the Central Bank and warned it about it. It went through and in the six months following the alteration of interchange bank rates, consumers did not benefit and customers did not benefit. The credit card companies were most certainly the beneficiaries of the changes. That was a complete change from the policy enunciated on budget day by the Minister.

Senator James Reilly: When the witness states the Central Bank was aware of the costs-----

Mr. Vincent Jennings: It was aware of both sets of costs. It put forward to the Department of Finance the required changes and rationale, as well as a timeframe. It did not bolt down the potential for somebody finding an alternative way of making money.

Senator Aidan Davitt: I was quite shocked and it is why I brought it up to get people from the banks before us in the next session in the new year. I was talking to the owner of quite a large business in my town of Mullingar, who employs 80 people. He has gone back to paying his staff in cash as a means of getting rid of it. That is dynamite stuff, as one can appreciate. With any large amount of cash, perhaps €10,000 or €20,000, he has to get Securicor to come and collect it. That is bank policy and it does not want to see him landing with much cash. I can speak of my own experience working in a small business. Guys with lodgements of between €2,000 and €6,000 or €7,000 have to feed it into machines, which is crazy even from a security perspective. It is for the birds and the banks must look at this differently or there will be problems. Somebody will be held up or there will be problems down the line relating to where the cash goes and chances that people are taking. I am sure the witnesses are coming across this.

I recently spoke with a vintner and the insurance matters were only really made clear at that stage yesterday. He was paying €3,000 for insurance and this went to €7,000 last year. He had one claim over ten years of €23,000, with a €3,000 excess that he paid. This year the company wanted €19,500. He only had one claim in ten years. Some of these insurance figures are being pulled out of the sky. He got a quote somewhere else. He is now paying approximately €8,000. It is hard to believe. There seems to be no accountability with regard to insurance costs. There has been a great deal of discussion about motor insurance. We need to have a similar debate about insurance costs for business. The way businesses are being treated by the banks is of relevance in that context. The banks have a lack of staff and have absolutely no respect for business users.

Mr. Vincent Jennings: We could not run our businesses in the way the retail banks run their businesses.

Senator Aidan Davitt: I know the witnesses have touched on this issue. I have heard many stories. I can give people the names of those involved if they wish. I do not want to put them into the public domain. When I spoke to some of these guys at the weekend, it really opened my eyes. I knew representatives of small retailers were coming before the committee today, so I made a few inquiries among people running similar businesses.

Ms Ann Martyn: I will address the whole question of banking from my perspective as a small retailer in a very small rural town. I have a small supermarket in Mountrath, County Laois. We almost have to make an appointment to get into the only operational bank in the town. The bank will not accept coins outside certain hours on certain days. We cannot lodge money at the counter. We have to put it into a machine.

Senator Aidan Davitt: The machine often spits it back.

Ms Ann Martyn: Absolutely. When I brought a cheque for €120 to the bank yesterday, it came up on the screen as €7,000. I thought it was great because I could go on my holidays. It was up to me to regulate that. The move to contactless payments, which Mr. Jennings has mentioned, means we are not generating cash. Cash is still needed for ATMs, however. It is a constant juggle. The bank is of no use to us. When the girl who usually does our lodgements was on holidays, I went to the bank to do it for the first time in approximately six months. My business is not big, but relatively speaking it is one of the bigger businesses in our small town. I do not know who the bank manager is. If I need to get a loan or something like that, they will send me to Tullamore. There is no sense that the bank is

there to support us in our day-to-day banking or in the bigger things we need to do. It is faceless. Consumers sometimes ask us to take coins they have saved - their kids have emptied their money boxes, or whatever - because the banks will not let them in. They will not take coins from people. I choose not to go to the bank when I need coins because it costs a fortune-----

Mr. Vincent Jennings: It is 0.2%.

Ms Ann Martyn: -----and I would have to drag the coins up and down. When I first went into business at home, a porter from the bank would bring the coins down for me. The lack of security or policing in my town is a big issue when one is going to the bank. I know I am being watched by certain elements in our small town. Security is one of many issues raised by the bank being so inaccessible to me. I am not always there, so I have to put a member of staff in peril by asking him or her to move cash. It is no longer an asset to our business to have a bank in the town. It is good that the committee is going to examine how banks can help us to run our small businesses and help to keep small businesses open in small towns.

Chairman: It is interesting that there has been an emphasis on banking today. At our first meeting, there was a huge emphasis on commercial rates. We spent most of the meeting discussing that issue. When I owned a small shop for 17 years, I was a proud member of RGDATA. I compliment RGDATA, NOFLA and the CSNA. It is nice for small independent shops that are not part of a chain like Centra or Spar to have the support of such organisations. When one gets the circulars, one is informed about the various scams that are going on and one is kept up to date on what is happening. It is nice for an independent shopkeeper to be part of an umbrella group. I compliment the organisations on the work they are doing from this point of view.

Deputy Niall Collins: Do the members of the associations feel they get value from the local authority charges they pay, principally commercial rates and commercial water charges? The balancing act that is the annual budgeting process of local authorities is a bugbear of mine. I refer to the manner in which the commercial stakeholders in a local authority area get fitted up so that the budget can be balanced. What are the members of the representative groups saying? What has been the associations' experience when they have spoken to county and city managers, who now have the illustrious title of "chief executive officers"?

Mr. Jimmy Redmond: In my own personal case, the rates doubled. I accept the point that I am still in business. Even though I appealed it, I had to meet the cost of funding the increase in one go. I am not really sure what I get for it. My road is not swept. I pay a private bin charge, a private glass collection charge and a private water charge. I do not see any benefit from the commercial rates I pay. The letter that arrives to tell me my rates are due is not particularly nice. It usually comes with a statement in red clarifying that the rates are due in June or July. There is no contact. I cannot see anything that I get from the rates. I cannot see where this money goes. It is another cost to me. I do not see this as a benefit anymore. It is something I have to pay. It is around my neck. A percentage of my weekly turnover goes to fund this charge and another percentage is used to pay for the collection of glass and waste and for water utilities. All of these services used to be provided from a single fee. Our members find that the subject of rates is not a particularly nice one to think about or talk about. The rates imposed in certain areas are more punitive than the rates imposed in the area where my business is. The level of rates I pay was doubled in one fell swoop. When I looked for some of my rates to be clawed back, all I got back was €900.

Deputy Maurice Quinlivan: I have a question on the rates issue, which has been raised by Deputy Niall Collins. We are looking at changing the system in this country. Can the witnesses recommend a system that would work better for businesses while protecting local authorities, which need to know what they are getting into? The revaluation process, which we have been discussing, has caused massive concern for a number of businesses. Massive rate increases affected a number of businesses in County Limerick in 2014 or 2015. In some instances, there were increases of over 100%. What would be the best way to reform the system? What type of rates system should we bring in? What particular services should be delivered by local authorities in return for rates?

Mr. Vincent Jennings: We cannot turn the clock back. It is unlikely that the days when we paid local authorities for water and refuse collection will return. The Deputy has asked what we would like, but it is not up to us to devise a system. We can point out the inherent unfairness of the operation of the current system and the previous system. The valuation system is based on rental values, having been designed to bring about a revenue-neutral situation, but it has enormous losers as well as winners. We would like this committee to consider looking for statistics with regard to the five main pillars of commercial rates - retail, commercial parks, hotels, hospitality and offices - to ascertain which of the approximately 16 local authority areas in which valuations have been done have subsequently seen increases and which of them have seen reductions. It is absolutely the case that hotel businesses which were probably paying a small fortune in rates previously are now the beneficiaries of the new system. As the new system is revenue-neutral, and the local authorities have not been willing to give up a penny, they have had to find other money. We have found that the retail sector, in particular, has been disproportionately targeted. Rates are based on a rental value, but there is no real rental business. Every one of us knows that between 20% and 33% of the spaces on our high streets are empty. In many areas, rates are based on the Celtic tiger era. When the Fingal area was first reviewed at the time when people were crashing, the rate that was agreed was based on 2003 figures. There did not seem to be any ability to say that something was wrong. The Valuation Office had to do it in a certain way because of what the legislation said. We need to have legislation that is able to move with the times and respond when there are problems. One of the biggest difficulties with the system was that it did not give individuals the ability to say in a truthful fashion that it was beyond their ability to make the payments demanded of them. Many people who have no difficulty with paying rates are simply not making enough money to enable them to do so, perhaps because the towns they are based in have been bypassed. Those are the issues that need to be addressed and legislation needs to be sufficiently fluid to allow for the changed circumstances of people and society.

Ms Tara Buckley: If one were to sit in a room with a group of retailers who have similar sized stores in different towns around Ireland and hear the different rates they pay, one would realise why it is so difficult to get a group together who will come up with a formula to change the system. Over the years we were promised that there would be a more shared burden of costs across the community when property tax was introduced. It galls many retailers to see councils voting to reduce property tax by 15% while commercial rates are still increasing. They would like to see the two tied together.

A bit like Mr. Redmond, we think that the system should not be such that a business owner who is probably struggling to keep the show on the road could be given a 50%, 60% or 70% increase in one year. That is really difficult for business to handle. Those are two of the issues we would like to see addressed in the new legislation.

Ms Ann Martyn: I wish to refer to what Mr. Jennings said and the number of small businesses that close in small towns. My husband is involved in properties. Since the Celtic tiger, fledgling indigenous businesses such as a dry cleaners or a small hairdressing salon would open up in the town. They

trade for eight, nine or ten months and build up their trade when suddenly they get the rates bill. They had been trying to pay the rent and keep the business open and they think that they will not be able to pay this bill too. However, they will struggle on and they might pay it for the first year. The business is not there though. It would be a good idea to incorporate in any new plan a breathing space for new fledgling businesses. What happens then is the business closes and the unit becomes available. Someone says they would like to open up a small business selling, for instance, children's toys, clothes, shoes, etc. They do the business plan and see the rates and wonder what was last there and why it closed. I know this personally. People come to me and tell me that they cannot pay the rates because they also have to pay their electricity bills, labour costs, etc. There has to be some sort of scope. We will only get small businesses back into small towns if we make them viable. The rental value of properties was mentioned. In my street, 75% of the units are empty but my shop was given a big increase in its valuation. We need to consider the possibility of having a breathing space for small new fledgling businesses.

Mr. Vincent Jennings: This point relates not so much to Mr. Redmond's business because his problem with pop-up shops is probably a bit different but we suffer from pop-up shops. These shops are becoming more sophisticated. They come in at Hallowe'en time and Christmas time and absolutely suck all of the business out of that occasion. We are there 52 weeks a year and are paying our rates, yet we get no facility from the local authority. We make contact with it but these proprietors are not listed and walk away after a six-week period, leaving rates bills behind them. However, they will have taken an enormous amount of money. There needs to be a clear path for ratepayers to have direct access to the local authority to make them aware of this and for action to be taken. We cannot deal with our customers in a high brow fashion, and we feel that we are customers of the local authority but we are not getting a hearing.

Chairman: It needs to be stated that some local authorities are better than others. I am from Waterford. When I was on the council a few years ago there were incentives by Waterford City Council to try to encourage new businesses. It was quite constrained but there were some rates holidays for specific areas. For the first year, there might have been a 12-month holiday, the second, six months and then something for the third year. Some local authorities have tried to do that. It is interesting to note that there is so much conversation about rates under the cost of doing business. A person can look at his or her electricity bill and try to shop around for a slightly better rate or manage electricity use in the store or a person can try to negotiate a better price with whoever is collecting the rubbish. However, with the rates, the bill comes in and that is it. That is the issue I hear from people. People can try to reduce other costs but they feel that they are trying to pay the rates bill but are not really getting anything back for it. We have been hearing that through and through. When I was in business, I felt the same.

Mr. Jimmy Redmond: Mr. Jennings is right in that we do not have an issue in terms of actual pop-up shops but we do have illicit trade. However, our biggest pop-up shop competitor would be the below cost selling from the multiples which is sucking potential customers away from me and other businesses like mine. They then do a VAT reclaim off the Exchequer. We have a pop-up scenario but it is in a different format. All of that impacts on our profitability, turnover and ability to meet our ongoing costs.

Deputy Tom Neville: I thank the witnesses for attending and apologise for being late. I have read some of the briefing documents that were circulated during the week. A bugbear of mine since I was elected is the cost of insurance for businesses. Whether it is motor insurance or otherwise, it has

been absolutely astronomical, particularly for businesses. Business owners are in fear of the insurance bill and increases of 20% or 30%. Usually, when forecasting costs in a business, the forecast is based on inflation but increases in insurance have been nowhere near the inflation rate. As the witnesses stated, it is not possible to plan ahead because business owners are waiting for the shock to come through and are wondering if it will end up closing their doors. It has a knock-on effect on the business, particularly small business owners who have to grapple with the accounts, HR and staff as well as the actual core business function.

I was a sole trader working in sales consultancy. Many plumbers or carpenters want just to do plumbing, etc. It is not that they do not want to deal with the business-side of it but they are not au fait with it. They are good at what it is they do. I know we are examining the cost of business generally but we should examine what would help smaller businesses in particular. This would help rural areas of Ireland. We currently have an unemployment rate of 5.8% or 5.9%. What would incentivise them to come back to work? We should examine having some sort of back-up service to help them with compliance, accounts and HR.

Based on today's presentations, I think that we also need to examine the cost of hiring staff. This does not refer to the minimum wage. I want to see the minimum wage increased. This relates to compliance and the complexities of hiring staff and the costs involved. To get to full employment, we need to examine that issue. I know from trades people, whether a builder or a carpenter, that they are flat out working seven days a week. However, to take that next jump to hire someone is too big a step for them, so they pull back and turn away business. A big issue arising from the recovery is to get those sole traders' businesses to pop up so that they can hire two or three more people. The conduit between that and hiring staff needs to be examined by the committee. That is based on some of what I have read here today.

I have a question similar to that of Deputy Quinlivan. We see all the costs of doing business between accommodation, insurance, rates, etc. If we were to prioritise, where are the quick wins? The witnesses are at the coal face and have done their research. From their experience, where are the quick wins? Would it be in tackling rates or insurance costs? I know we want to tackle it all but if we were to tier them, has there been any analysis on where the quick wins are?

Mr. Jimmy Redmond: In my own trade rates are one issue but excise is even more important. There have been two major jumps. That, for me, is a major cost because on budget night I have to find that excise to buy my next case of wine.

It is not in my profit forecast for this year but suddenly it has gone up in the budget €1 or 50 cent a bottle. The following day to buy the same bottle of wine I have to find that increase. That comes out of my bottom line. It is not found with a magic wand. I cannot go to the bank for it. For me rates and excise are important.

Chairman: There was no excise increase this year.

Mr. Jimmy Redmond: No but there have been two big ones since 2013 and that is very expensive because it is not fed in, it literally happens at midnight.

Chairman: I understand that but there is stock in hand.

Mr. Jimmy Redmond: If I have stock in hand my customer does not expect me to put it up overnight.

Chairman: Most consumers do, especially when it comes to cigarettes.

Mr. Jimmy Redmond: Cigarettes are different. I cannot comment because I am not a tobacconist. I carry probably 12 lines of cigarettes. I am a specialist in off-licence sales. Most of my cigarette sales would come from the Spar next door being full and slow. My cigarette sales are small. I cannot put the price of my alcohol up overnight. I would be shot. I have a community-based shop. I know my customers. They are not people who walk in once and never come back. They come in a couple of times a week. I have to look after them and be seen to look after them, as we all do because we are all community based.

Ms Tara Buckley: We have been campaigning about insurance costs because they are so significant for our members and they are running out of control. They are completely unsustainable. A couple of shops have already closed because of this. Most of these stores cannot shop around for insurance. They have only one place to go and their premiums increase every year. They have to pay excesses as well. We have made many suggestions to the working group on insurance costs. It has promised a second report on employers' liability and occupiers' liability. That list is in our statement and we hope this committee will support us in this. We told the working group that radical action is required and we have to make some hard choices. There is no business owner who does not believe that they need insurance for catastrophic incidents and if something happens and they are at fault, they want the person affected to be compensated. Unfortunately, we pay huge sums of money on minor trips and slips, bruises, and soft tissue injuries without any challenge. It seems to us that there are exaggerated and sometimes false claims. Money appears to be handed out too easily. It is causing serious heartache for business owners in respect of costs and implications for their business.

Mr. Vincent Jennings: The Deputy's question about whether there are any quick fixes is very honest. The answer is no. There are things the Legislature and Government should do, and should not do. It is our money as employers that is paying wages. It is not the Government's money. Commitments should not be made in programmes for Government on a set increase for the national minimum wage by a certain date, when the Low Pay Commission, LPC, is charged with making only evidence-based recommendations. The LPC should not be charged with increasing the rate. It should be considering the evidence and, if there is sufficient evidence to merit and warrant those increases, it will so recommend. There have been times, and it is happening now, when the increases exceed those of inflation. That is what really upsets the employers. We are not mean people. We may be thrifty. We are told that our chance of recouping the entire moneys in additional wages will happen because of the increase we will get in our stock but that will not happen. We are now committed to pay from 1 January well above the rate of inflation in excess of the evidence and it seems, and this was reiterated recently, that the minimum wage will be rising and we will oversee that. Stop making comments about our money and allow the evidence to flow.

The Low Pay Commission in the United Kingdom has been operating for 18 years. There has never once been a minority report attached to it. It has always made recommendations in line with the expectation of inflation. It has always been unanimous. In this country we have had three reports with four minority reports attached. That goes to show there are serious difficulties in bedding down the LPC.

Chairman: Ms Martyn would you like to make a comment? On a scale of 1 to 5 what is the most difficult thing?

Ms Ann Martyn: I am not terribly sure that I could put them in order of preference. They all hurt me. To follow up on what Mr. Jennings said, the thing that affects my business most is labour costs,

particularly with the minimum wage. I come from a small rural town where we have always supported students, young people in part-time jobs, so that they can go to college. The minimum wage and the pay related social insurance, PRSI, charges make having two students in for Saturday and Sunday very expensive for me. We are working with very tight margins. People think I am loaded because they see all the money in the till but that belongs to the Government, the county council, the insurance company. A bit more relief for small-time employers in respect of PRSI payments, which we had before, would help to keep indigenous industries and small businesses in small rural towns, as Deputy Neville said. That is a challenge even in the business I am in. If we could address the labour costs I would be happy.

Deputy Tom Neville: Is there an instance in the witnesses' experience of the minimum wage where some businesses would be paying above the minimum wage?

Ms Tara Buckley: We have surveyed our members and in general they are paying their part-time staff approximately €10 an hour. That is the average and they are paying their full-time staff anything between €13 and €25. We are not minimum wage employers.

Mr. Vincent Jennings: It is the buffer zone where people want to maintain that differential all the time. It has that difficulty. If people get 30 cent on the minimum wage the person higher up the scale also wants to maintain that differential.

Ms Ann Martyn: It would not be possible to have someone who started work at the age of 18 on the minimum wage, stays for three years and is still getting the minimum wage when he is 21 when the guy coming in behind him at 18 is only getting it with the-----

Deputy Tom Neville: Social drivers.

Ms Ann Martyn: If an employer has ten people and wants to keep them all on that is where it will hurt. I would end up saying "I will not bother getting an extra part-timer because I will have to put the buffer in for the rest of them".

Deputy Tom Neville: Has any of the witnesses ever spoken to staff about profit-sharing or commission so that as the business becomes more profitable there is a kick-back for staff? They may be on the minimum wage. Is there ever any discussion or debate around that? I have seen this in other jurisdictions and when a customer walks into a shop the staff are on top of them trying to sell something because they have a commission.

Ms Tara Buckley: I think that happens in mobile phone shops.

Deputy Tom Neville: As the business does better the staff are rewarded. There is a connection between salary and profitability. Has that ever been debated here?

Mr. Vincent Jennings: It would apply to certain businesses, not ours.

Deputy Tom Neville: Has there ever been a debate on it?

Mr. Vincent Jennings: We would have a difficulty with that because we also sell controlled substances. The idea of upselling lottery tickets or alcohol or tobacco products would certainly be anathema to us and society at large.

Deputy Tom Neville: The kernel of the question was not so much upselling but offering a kick-back when the profitability of a business grows.

Mr. Vincent Jennings: There is another scenario in which we could talk about profitability growing.

Deputy Tom Neville: Has a debate taken place on this issue?

Ms Ann Martyn: Our organisation represents people who are barely making a living.

Deputy Tom Neville: I am sure some businesses are doing much better. In fairness, it is not the case that all businesses are barely making a living.

Ms Ann Martyn: All the costs must be taken into consideration.

Deputy Tom Neville: I am trying to broaden the discussion. Some businesses are doing well but this will depend on where they are in the business cycle, for example, when they started, if they are mature, a cash cow and so forth. I assume there is different-----

Mr. Vincent Jennings: The country has some wonderful entrepreneurs and they are not excluded from our sector. However, our members have disproportionately high costs and none of them will ever become a new Dunnes Stores or Tesco. They have high costs and it is our job, whether they are small, medium or large, to look after the companies in our sector. The eight or nine issues we have listed are the areas on which the committee should increase its overall knowledge. We have made recommendations on who members should speak to to become more knowledgeable. While I am pleased the joint committee intends to examine the banking sector, there are other areas it could also consider.

Deputy Tom Neville: Based on the information provided today, it would be useful to obtain a report from the relevant committee on the issue of insurance. We should ask for an update on what has been submitted.

Chairman: As the Deputy joined us a little late, he may not be aware that we decided to invite representatives of the banks to appear before the committee as we heard a great deal about banking.

Does membership of RGDATA or the Convenience Stores and Newsagents Association confer any advantages on a smaller retail outlet such as a Londis store in terms of purchasing power? I know Centra stores buy direct from Musgraves and have, therefore, a little more buying power because they are in the SuperValu umbrella group. Do RGDATA and the CSNA offer similar benefits or must independent retailers buy from a cash and carry company?

Ms Tara Buckley: We represent many people who have joined buying groups, which means they have shops affiliated to Musgraves, BWG Foods or Stonehouse. A small number of members are standalone independents, many of which have made arrangements with various independent cash and carry companies or may have opted for a United Kingdom based cash and carry company. We provide offers to our members by trying to negotiate good deals for them. However, we do not get involved in the buying of goods in their shops as that is not our role. We are their representative association rather than an association for making purchases.

Chairman: I did not realise that RGDATA represented such companies.

Mr. Vincent Jennings: The CSNA has 27 different deals. While some of these are for products, more are for services such as insurance, rateable valuations and other services for which one can organise collectively.

I am pleased the Chairman teed me up on one of the issues in the report. This association and other associations should be allowed to negotiate with suppliers. Competition law currently prevents us

from doing so. I am not knocking trade unions but they have negotiating rights which we do not have. Our members are continually dealing with ever larger companies which tell them what terms and conditions will apply if they want to sell newspapers or another product. We must do what these companies say and pay for goods in the way they say. They crack the whip and will cut off a retailer or refuse to provide a product if the retailer does not act in the manner prescribed. If, as is the case in Australia, the associations were allowed to secure negotiating licences, we would be able to represent our members, although I accept we should not be allowed to organise boycotts and so on.

Senator Reilly will be aware of the difficulties that ensued in terms of Chinese walls and so on when the medical profession tried to organise collectively. It is a significant problem that the small guy cannot be represented and must deal with a monolith. It may not be the State but it will be large supplier. Some kind of level playing pitch is needed because the small guy is always crushed.

Senator Aidan Davitt: Mr. Jennings indicated that the cost of wages was a major impediment to doing business. If he had the option, would he reduce the minimum wage? I am curious about that.

Mr. Vincent Jennings: No, absolutely not. We are where we are.

Senator James Reilly: On the same issue, the Government will not make any apology for ensuring a minimum wage is in place that gives people a decent living. I am also an employer. There is no doubt that very few employers pay the minimum wage and most pay above the minimum wage. The area of relativity is a major problem in many sectors. However, one can see how this can be turned on its head in some sectors, in other words, the idea of equal work for equal pay applies. This is not a simple problem to solve. It is a complex issue and I fully subscribe to the idea that if someone is working for a company for a long time, he or she will be more valuable to the business than someone who has been working for one year. This difference needs to be reflected, although it is not a simple matter. I could not let the comment on the minimum wage go unchallenged.

On the Competition and Consumer Protection Commission, I fail to see the reason for preventing smaller operators from coming together to purchase when there is a choice of different suppliers. I have no doubt wiser heads and legal minds in the commission will have a different view. In principle, however, I do not see why the smaller retailers cannot play on the same pitch. The witnesses referred to Musgraves, which has substantial buying power when it is negotiating a deal to buy X product. Individual operators cannot possibly compete and must, therefore, compete in a different way.

The joint committee wants to support small and medium enterprises and the shops in villages and towns. As this is a public meeting, I am happy to place on record my view that people must be realistic. While they may be able to buy goods more cheaply in a multiple in a large town ten miles away, if they want to be able to nip down to a local shop for bread, butter, milk or a newspaper, they must support it and be prepared to accept that such shops cannot buy in the same bulk as the large multiple ten or 15 miles away. If these shops are not supported, they will no longer be available. That needs to be stated. I have always tried to buy certain goods in smaller shops, even though they cost more, because I know the shop will not be there for much longer if we do not do so.

Chairman: I agree wholeheartedly with Senator Reilly. Small shops have a social value. We sold our family business. I remember there was a particular lady who could buy everything in one go but she used to come in seven days per week because I was the only person she spoke to every day. As with

the post offices, one can never underestimate the social value of the small shop. Members are very much on the side of small retailers.

Ms Ann Martyn: When I am training my staff I always ask them to smile pleasantly and say "hello" to customers because they may be the only person the customer will speak to on a given day. After a certain period, they will find out who are the customers who come in every day. We are training young people to have a word with customers and talk about the weather and so on. I always tell them to bear in mind that an old person may not speak to another person on a given day. We must keep rural shops and post offices open.

Mr. Jimmy Redmond: To respond to Senator Reilly's comment on multiples being cheaper and having to travel out of town to them, I do not have a problem with that. I am a small shopkeeper, as are my members and those of the other associations represented, and we are all community based. The problem we have is with low cost selling and the ability to claim back VAT because as this creates an unfair advantage of which our customers and members of the public are often not aware. From our side, yes, we would love the groceries order to return. I would love a ban on selling at below invoice cost. It would help our trade greatly. It would also help the mixed traders who operate in euro.

Senator James Reilly: I am very happy and pleased that Mr. Redmond is so supportive of the Public Health (Alcohol) Bill. A minimum unit cost is a major part of it. The fact that so much attention has been paid to one small element is disappointing when there are such huge gains to be had in respect of ensuring that young people under the age of 18 are not exposed to alcohol. We know that if they are exposed, they will develop problems later in life at a much greater rate than those who were not. Equally, it will allow members of Mr. Redmond's organisation to sell their products in a way that offers a more personalised service. Having said all that, this is about business and supporting small and medium-sized enterprises.

I accept Mr. Redmond's point on competition. I have asked that we bring the Irish Farmers Association before the committee. Mr. Redmond will be wondering what in the name of God I am on about. Farmers, and particularly those involved in horticulture who produce vegetables, are being nailed every single year by the multiples. Their margins are being cut and cut. We are now at the point where something like 35 farmers are responsible for nearly 70% of our vegetable production. Some of them may employ a couple of hundred people, but there is a real fine expertise in vegetable production and if it is lost, and if the 40 ft lorries stop coming across the Border from the UK, we will rue that day. One thing of which we should be proud and for which we should aim is self-sufficiency. Goddamn it - I hope the Chair will pardon my language - if we cannot have it in food, where will we ever have it?

I think we are all *ad idem* here in supporting small and medium enterprise. We also accept the need for multiples, but we need fair play. We understand the power they have over smaller operators and we want to see a level playing pitch. That goes for the big banks as well.

Chairman: I thank the Senator. I thank the witnesses for coming here today to engage with the committee. Before we suspend, I invite Senator James Reilly to take the Chair, as we already agreed, because I must vacate it.