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ITIC CHAIRMAN'S STATEMENT

To borrow a cliché from sport, 2008 has been a year of two halves. The first half was surprisingly resilient, but as the fallout from the global and domestic financial turmoil took hold, the industry experienced a significant slowdown in the second half.

Overseas visitor numbers dropped by about 3% to 7.5 million, but performance varied by market. Continental Europe was down 2% to just under 2.5 million, Britain fell by over 4% to 3.6 million, while North America was down by an estimated 8.5% to just under 1 million visitors. Other markets, which account for 4% of total, grew by 10%. This is the first significant setback for the industry since 2001/2002. While disappointing, the performance must be taken in the context of the unprecedented set of economic woes which prevail in all our main markets. And particularly Britain and North America, which together account for two thirds of our visitors. Though still an estimate, it is expected that overseas revenue will have fallen in the year by close to 4%, or almost €200 million.

Nevertheless some 7.5 million overseas visitors came, together with about half a million from Northern Ireland, and spent €4.7 billion.

The domestic market continued to grow in the first half of the year, though at a slower rate than in recent years. As with overseas visitors, the second half of the year, and particularly the fourth quarter, saw further contraction in domestic holidays.



■ RICHARD BOURKE, CHAIRMAN

Overall domestic performance for the year will not be materially different to 2007 when 7.9 million trips produced €1.5 billion revenue.

Taken in total therefore the tourism industry in 2008 generated over €6 billion, a very creditable performance.

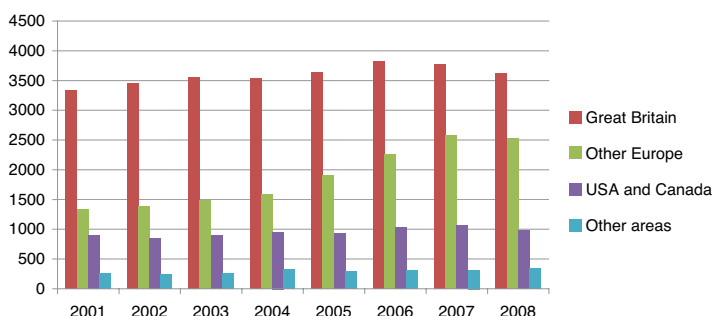
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Global Economy stalls tourism growth in 2008

The Irish tourist industry will have earned €4.7 billion from out of state visitors in 2008, giving employment to upwards of 250,000 year round jobs and contributing to the economic sustainability of many regional areas of the country. Tourism has performed better in these challenging times than many other sectors of the economy, including construction, the property sector, retail and many other service industries.

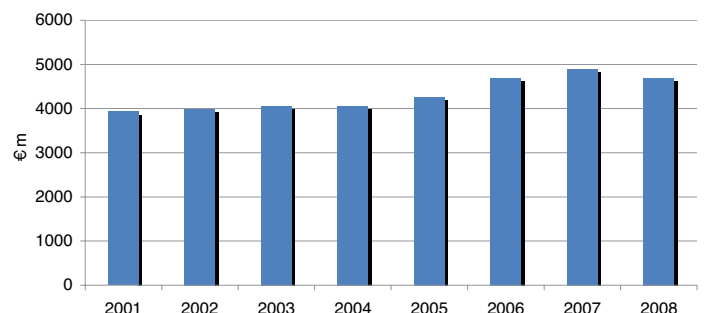
Following 6 years of continuous tourism growth to a record level of visitor arrivals and expenditure, 2008 has been a difficult year. Full year results will show a decline in overseas visitor numbers, together with a slowing down of demand for domestic travel.

■ GROWTH IN OVERSEAS VISITORS 2001-2008 (THOUSANDS)



Source: Fáilte Ireland
Estimate for 2008

■ GROWTH IN EARNINGS FROM OUT OF STATE VISITORS 2001-2008 (MILLION EURO)



Source: Fáilte Ireland
Estimate for 2008

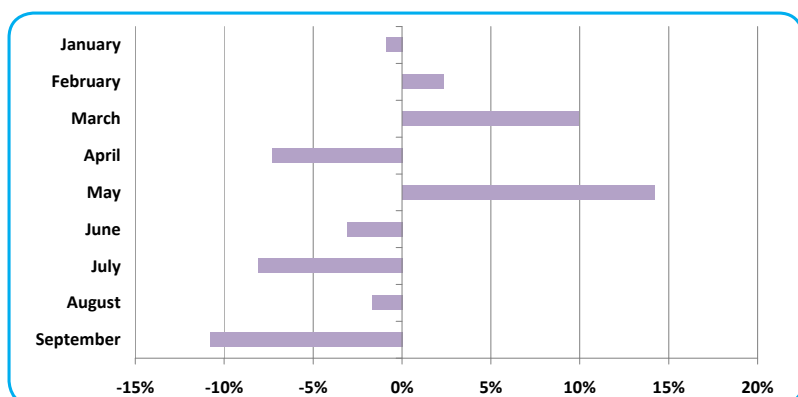
The 2008 Irish Tourism Story

Global economic factors stemming from the US credit crunch in late 2007, record high oil prices in mid 2008, the global financial crisis coupled with high market and exchange rate volatility all combined to lead to a loss of consumer and business confidence. This has been reflected in a downturn in demand for travel. The latest global forecast indicate only marginal growth in international travel over the past twelve months, with Northern European destinations running at less than 1% growth for the first 8 months of the year. Closer to home, tourism to Britain - Ireland's main competitor - is forecast to show a 2.7% drop in arrivals in 2008, similar to an estimated 3% decline in arrivals to Ireland.

The collapse of over 30 airlines worldwide is an indicator of the severity of the downturn in international travel.

The first half of the year showed demand holding up well with Ireland welcoming 3.7 million overseas visitors, a 2.5% increase on the same period in 2007. However, a progressively deteriorating demand pattern became very apparent as the year progressed. Over the key peak months of July and August demand contracted by 8% and 2% respectively, a trend that continued into September with a sharp 10.8% drop in arrivals. The indications are that demand in the final quarter of the year has been soft. It is estimated that the total arrivals for the year will be 3% behind last year at 7.5 million overseas visitors.

MONTHLY YEAR ON YEAR % CHANGE IN VISITOR ARRIVALS JANUARY-SEPTEMBER



Source: CSO

While overall visitor numbers held up well during the early part of the year, the impact of the deteriorating economic conditions on discretionary spending on travel was already apparent, with those visiting Ireland on leisure or holiday trips showing a drop in each of the first two quarters of the year. This resulted in almost 6% fewer holidaymakers than in the first half of 2007. It would appear that those travelling on business or those visiting friends and relatives held up better than the leisure sector.

Based on results for January-September period, the projected outcome for 2008 is

- Mainland Europe, as in recent years, has been the best performing source market, with arrivals expected to be down by 2% on last year.
- Britain, Ireland's largest source market, was down 3% over the first nine months, with a worrying sharp decline of 17% in September. The outcome for the full year is forecast to be a 4% drop over the previous year.
- North America, impacted by a weak dollar and high fuel surcharges, was down almost 5% over the first 9 months. This compares with a 9% drop in Americans visiting Britain. Best estimates suggest that arrivals will be down approximately 8% at year-end.
- New emerging markets, although smaller in volume, have been more buoyant with an estimated 10% year on year growth.



The Guinness Storehouse is Ireland's number 1 international visitor attraction, and in 2008 it crashed through the 1 million visitor barrier with ease, a 10% increase in visitor numbers over 2007. Since opening in 2000 Paul Carly and his team have welcomed over 6.5 million visitors to the Storehouse, a remarkable achievement. In 2007 the top ranking nationalities that visited the Storehouse were UK, USA, Italy, Spain, Ireland, Germany, Australia, France and Scandinavia.

DOMESTIC MARKET DEMAND

Demand for leisure trips by Irish residents, a high growth market in recent years, has shown signs of slowing down over recent months. The short break market, by far the most buoyant primary segment, is suffering from the economic slowdown, while the weather over the summer months did not help.

However, exceptional value being offered by the industry, particularly hotels, has helped to boost demand despite the slowing economy. Expectations are that the market will contract further over the coming months as disposable incomes decline, with this being particularly reflected in a reduction in the number of short breaks. The domestic market is estimated to have generated €1.5 billion from almost 8 million trips in 2008.

BUSINESS SECTORS:

Access Transport

Scheduled air services to/from Ireland in summer 2008 showed an increase on the previous year with capacity up 4% on mainland European routes, up 3% on cross channel services, and down 6% on the Atlantic. **A total of 375,000 seats were available each week on services into Ireland's airports.** The past summer was the first full year of 'open skies' operation which gave Ireland access from more US gateways, while both Ryanair and Aer Lingus launched new routes to/from Europe, including the further development of Shannon Airport as a Ryanair base. Most regional airports enjoyed an increased level of service.

Air services for the winter period are marginally down on last year, most noticeably the withdrawal of several services to/from Eastern Europe reflecting the reduction in migrant traffic from these countries.

Car ferry services operated on 7 routes providing **capacity for up to 31,000 tourist cars on 124 sailings per week in each direction.** The level of demand fell back as the year progressed. More recently the frequency of fast ferry sailings on the Irish Sea has been reduced.

Hotels

The range of hotel accommodation continued to expand and improve in quality in 2008 reaching a new peak in the supply cycle.

The pattern of demand mirrored the overall national tourism picture with demand in the first half of the year more buoyant than in the latter half. While many properties succeeded in maintaining bednight volumes, occupancy levels slipped by 6 to 7 percentage points in part due to expanded capacity. The average achieved rate has been in decline due to very keen price competition. Average yields are reported to be down by up to 5% reflecting lower prices and increased costs, based on an estimated 10% drop in revenue.

Dublin and Shannon regions saw significant changes in demand patterns – with reduced demand for city breaks and events in Dublin particularly from Britain, while fewer Americans arriving/departing Shannon Airport had a noticeable impact on hotel demand in the region.

B&B's

Reports suggest a decline of up to 10% in demand volumes, with mainland Europeans continuing to underpin the sector, as demand from Americans and British visitors declined.

The sector is becoming increasingly dependent on pre-booked business, with casual walk-up in decline. While the genuine home-stay Irish experience has still high market appeal, holding market share against competition from mid-priced hotels, it is largely dependent on themed holidays or niche market demand.

Self Catering Holidays

The sector reports a mixed season depending on location and markets served. Europeans continue to be the top source market, appearing to have held up well. The Home Holiday market – the next most important source market – is reported to have been reasonably buoyant, but it was undoubtedly affected by the poor weather, while the British market slipped further.

Restaurants

The economic downturn has been most noticeable within the restaurant sector, with very obvious reduction in demand from both the corporate and leisure sectors coupled with a pattern of trading down. Restaurants in holiday resort areas also felt the effects of poor weather over the summer months.

The sector has also had to face significant cost and regulatory challenges which will undoubtedly see a contraction of the number of businesses. The higher labour costs associated with Sunday working is resulting in changes in the trading patterns of many establishments.

Car Rental

The car rental fleet continued to contract in 2008, reflecting softening demand both in the volume and average length of rentals, from leisure and business visitors principally from the US and Britain.

'Open skies' has had a significant impact on the level of business at Shannon Airport.

Of major concern for the sector, and also for the wider industry, is the proposal in the Finance Bill to phase out the vehicle registration refund scheme for the car rental industry. The VRT Relief scheme was established in 1993 with the objective of enabling car rental companies to provide sufficient numbers of vehicles to meet the tourist demand, particularly at peak periods, and provide vehicles to tourist at more affordable rates.

If this proposal is implemented it may well mean visitors facing a shortage of rental vehicles, higher car rental rates and significantly fewer new cars on the fleet.

Coach Touring

While demand for coach tour series and from ad hoc groups from mainland Europe held up, coach tour series from the US showed marked signs of a weakening demand as the year progressed.

The short to medium term outlook for the important US market is a cause for concern, as forward bookings remain weak.

Visitor Attractions

The number of admissions appears to have held up for most day visitor attractions, with some reporting increased visitor numbers. However, a noticeable feature has been a decline in average on-site expenditure. The downturn in US coach tours has also affected some attractions prominent on the coach tour circuit.



2008 marked another good year for the cruise liner industry at Dublin Port with over 70 liners visiting. The liners carried in excess of 60,000 passengers and 25,000 crew members. It is estimated that these visitors generated up to €50 million for the local economy.

FACING INTO 2009 – The Challenges and the Opportunities

While the immediate prospects for international travel and tourism are probably as challenging as anything seen since the early 1980's, the ability of the industry to contribute to the Irish economy is very positive. Even allowing for no growth in the short term the sector earned just over €6 billion in 2008, providing up to €3 billion in direct and indirect taxes to the exchequer, while supporting over 250,000 full time jobs.

Ireland's tourism industry is well positioned to deliver significant economic and social benefits even in the face of the global economic recession. The product base is in excellent shape, thanks to very substantial investments in recent years, together with highly competitive fares on a widespread range of air and ferry services, a skilled workforce and a very substantive marketing programme funded by the government and businesses. The combination of these positive factors positions Ireland to effectively compete and hopefully make some market share gains.

The economic downturn, extreme market volatility and a decline in both consumer and business confidence are expected to continue taking their toll on demand for tourism. However, unlike the last major downturn in travel post 9/11, the desire to travel amongst consumers is still very strong. The downturn can be expected to impact the pattern of travel for the foreseeable future. Projected changes are expected to include:

- A more noticeable downturn in the length of stay and expenditure than in overall visitor volumes, with value for money a key consumer consideration.

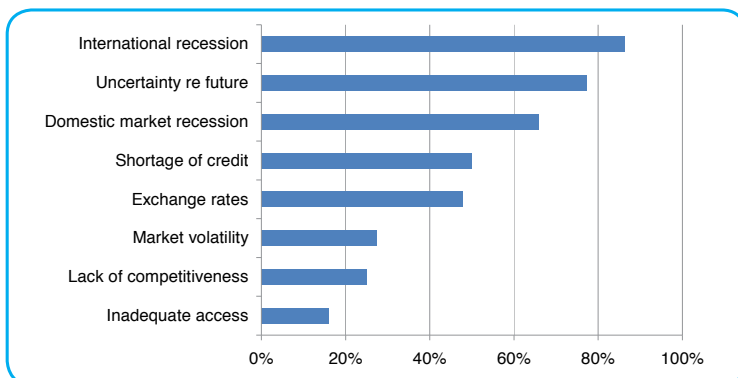


Pictured at the recent launch of Tourism Ireland's Marketing Plan for 2009 are (L to R): Eamonn McKeon, ITIC Chief Executive; Martin Cullen TD, Minister for Arts, Sport and Tourism; Hugh Friel, Chairman of Tourism Ireland and Matthew Ryan, President of the Irish Hotels Federation.

- People are likely to choose destinations closer to home, including domestic travel, rather than long haul travel.
- Business or corporate travel is expected to be more adversely impacted than the leisure segment.
- Some market segments could be more resilient than others, for example those visiting friends and relatives, repeat visitors, as well as some special interest visitors.

A recent poll of some of the top businesses engaged in Irish tourism shows that the greatest challenges facing the sector in the year ahead are the impacts of the international recession, including the downturn in the Irish economy, followed by the uncertainty which is eroding consumer confidence. Other key factors influencing demand are shortage of credit, and currency exchange rates.

■ FACTORS IMPACTING TOURISM DEMAND IN 2009



Source: ITIC/TTC Industry Survey (December 2008)

MARKET PROSPECTS

Looking at Ireland's main overseas source markets would suggest that:

- **Mainland Europe** is viewed as the market with better short-term prospects, particularly from eurozone countries, thanks to highly competitive and convenient air services to Ireland. Prospects for main and secondary holidays to Ireland, including group travel, are expected to show only lit-



Cultural Tourism is big business. Fáilte Ireland research reveals that in 2007, 51% of all overseas visitors declared that culture and heritage was a significant feature of their visit to Ireland. Speaking at a recent conference on "Cultural Tourism – an asset, an opportunity", Redmond O'Donoghue, Chairman of Fáilte Ireland, pointed out that cultural tourism is a lucrative business possessing great potential to spread economic gains across all regions of Ireland.

Pictured at the conference, which was held in Dublin Castle, ITIC Chairman Dick Bourke and Redmond O'Donoghue.

tle change based on advance indications from trade intermediaries in the marketplace. With reducing number of immigrants in Ireland, VFR from selected markets could decline.

- **Prospects from Britain** are less positive with two out of every three businesses anticipating a downturn in volume, due mainly to the weakness of sterling and lower disposable incomes. Some segments of the short break market are seen as particularly vulnerable, with consumers cutting back on the number of leisure trips, while VFR is expected to be more buoyant.
- **The US market** will be the most challenging, being hardest hit by the recession coupled with a 10% reduction in direct air services to Ireland. The coach touring, golfing and business sectors of the market are expected to be most affected.

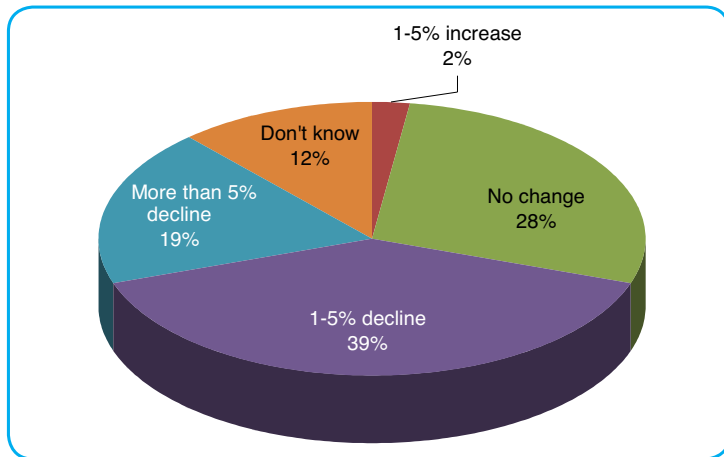
- The outlook for the **domestic market** – the fastest growth market in recent years – is mixed. While the recession is expected to reduce expenditure on foreign and domestic travel, the degree to which it will impact short domestic breaks is unclear at this time. Factors such as weather, airfares and the appeal of sterling destinations will clearly influence travel patterns. However, in view of the critical importance of the domestic market to most

businesses in tourism, the industry is strongly of the view that a stimulus package to boost the domestic economy should be introduced by Government.

THE BUSINESS DIMENSION

Three out of every five businesses surveyed were expecting a further reduction in the average price achieved for their product or service. Price resistance in the marketplace did not allow for any price increase, despite increases in costs.

PRICING EXPECTATIONS FOR 2009



Source: ITIC/TTC Industry Survey (December 2008)

Labour, local authority rates and charges, utilities and the cost of credit are amongst the increased cost inputs being reported by businesses. In addition, the cost of compliance with labour, health, safety and other regulations is also putting increased burdens on many businesses in the sector.

A particular challenge for businesses is maintaining quality staffing levels at a time of falling demand and receipts. In most hospitality businesses there is a minimum staffing threshold required to ensure service quality is maintained. Therefore, it is worrying that almost three out of every five businesses surveyed anticipate a further reduction in staffing over the coming year, unless business improves, with almost one in five letting more than 5% of their staff go.

THE MOOD OF THE INDUSTRY

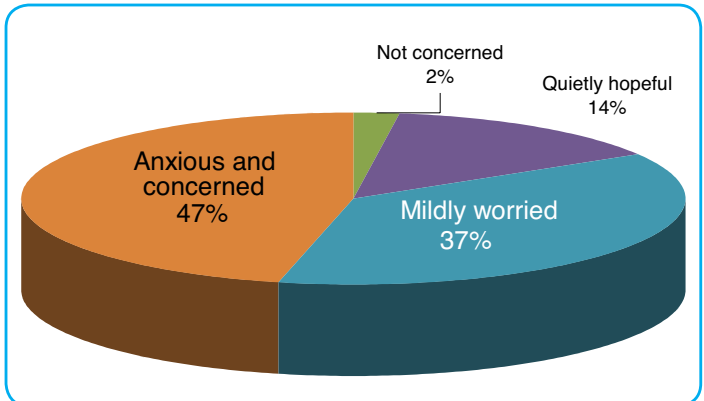
Because of the challenges facing the sector, the industry is calling for increased marketing to ensure that Ireland not only survives the current downturn, but also captures an increasing market share by exploiting opportunities that exist. To halt any further decline Ireland has to attract 7.5 million visitors next year, which in a difficult marketing environment will require an increased and more focused marketing effort in each of the principal source markets.

There is unanimous agreement across the industry that the challenging times call for even greater co-operation between business and the Tourism Agencies to ensure that Ireland can effectively exploit all market opportunities.

To counter the pressure on margins, most businesses are addressing how best to control costs without negatively affecting the quality of the service delivered or the funds available for marketing and promotion. Several industry sector organisations, including the Irish Hotels Federation, are actively providing advice to businesses on how best to improve efficiency and sustain employment.

The survey would suggest that almost half are 'anxious and concerned' about the short-term future demand, a further 37% are 'mildly worried', and 14% are 'quietly hopeful'.

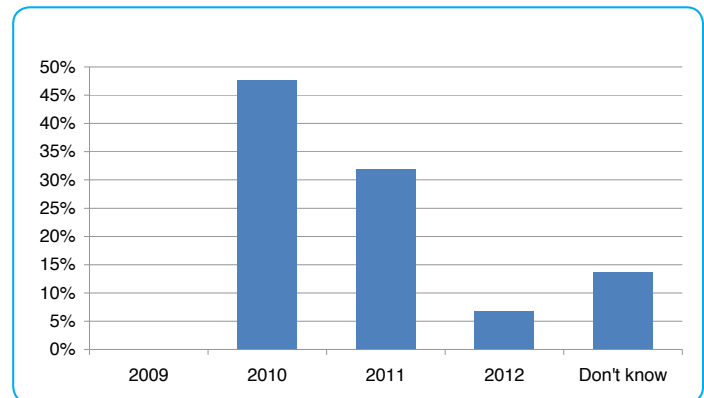
TOURISM INDUSTRY'S OUTLOOK ON 2009



Source: ITIC/TTC Industry Survey (December 2008)

Tourism businesses expect the current recession will continue to depress demand into at least 2010, with almost 40% not anticipating any upturn before 2011 at the earliest.

EXPECTATION AS TO WHEN AN UPTURN IN TRAVEL WILL TAKE PLACE



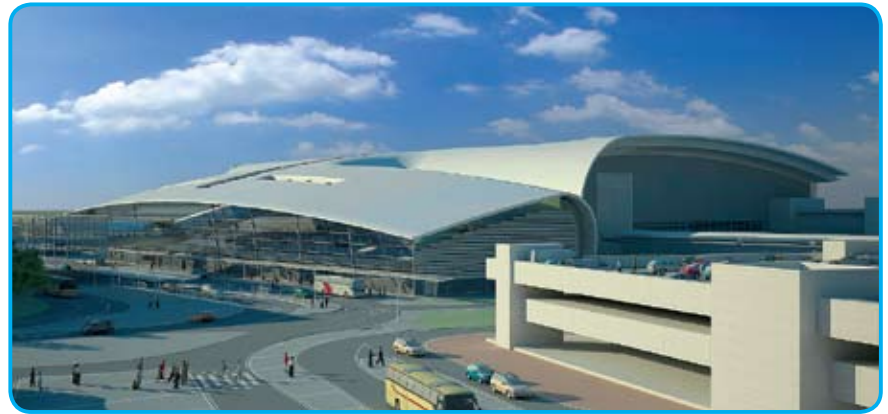
Source: ITIC/TTC Industry Survey (December 2008)

CONCLUSIONS

Tourism as a high value added sector can continue to deliver sizeable economic benefits to the Irish economy through foreign earnings, exchequer receipts, sustaining employment and regional development at a time when other sectors of the economy are in decline.

At a time of economic difficulties in Ireland, tourism is one of the few sectors capable of sustaining employment and fostering regional development, as well as continuing to deliver €3 billion to the Exchequer by way of taxation.

The tourism industry is a mature sector of the economy and in the past has proved to be more resilient than many other sectors. While the industry is exposed to external economic cycles, the demand dynamic differs from other consumer spending patterns and therefore the potential exists even in an economic downturn to deliver results. The quality of Ireland's product is at an all time high, which together with a unique market positioning in many segments is well placed to capitalise on opportunities, if it can continue to deliver value for money. The survey by ITIC clearly shows an industry that is responding to the current economic environment by addressing its cost base and adjusting its price and value proposition to market conditions. The industry is responding to exceptional circumstances with targeted effort in the marketplace working closely with Tourism Ireland and Fáilte Ireland.



Terminal Two at Dublin Airport

Terrific progress is evident on the construction of T2 at Dublin Airport. Over 1,100 workers are presently engaged on this massive project which is currently taking shape, and this number will rise to over 2,000 by completion. The new terminal will be open for business in the late spring/early summer of 2010.

RECOMMENDATIONS

ITIC calls on the Government to:

- Introduce a stimulus package to kick start the economy, boost consumer confidence and stimulate demand. Such a package would be particularly beneficial to middle income earners who are being especially hard hit with higher taxation and reduced services. This market segment is critically important to the survival of businesses in the hospitality and travel sectors.
- Reduce the rate of VAT for a period of 12 months to improve Ireland's competitiveness and stimulate domestic and overseas demand. The introduction of the travel tax in 2009 and the extension of VAT to tour operator services in 2010 are measures which are seriously counter-productive at this time.
- Maintain the NPD infrastructure investment programme, or at least avoid crude cuts in capital expenditure where the impact is disproportionate to the tourism sector. Investment in road, transport and broadband infrastructure is especially crucial to sustaining tourism in many rural areas.

ITIC calls on Tourism Ireland & Fáilte Ireland to:

- Extend the scope for businesses to access market opportunities through an expansion of joint promotional activities, focusing on trade intermediaries while continuing to develop competency in on-line distribution channels.
- Encourage and foster innovation within the industry as well as continuing to meet the training and manpower development needs of the sector.

ITIC CHAIRMAN'S STATEMENT continued

The outlook is gloomy for the coming year and it may be 2010 before we begin to see the upside of this severe economic trough. But, the tourism product is in superb condition and there won't be any return to the bad times in the 1970s and 80s. That being said we are calling on Government to help kick-start the economy through the introduction of a stimulus package that would include a short-term VAT reduction to enhance the industry's competitive position and boost demand. The marketing spend too has to be increased so that Ireland not only survives this downturn, but wins a bigger slice of what will be a smaller overall travel market in the next couple of years.

Tourism is still big business supporting over 250,000 jobs and contributing nearly €3 billion per annum in tax revenues to the Exchequer through expenditure on tourism related goods and services, income tax earned from tourism related jobs, and so on. It provides a more balanced spread of economic activity across regions, including in areas where there are few alternative economic and employment opportunities.

It is clear that the industry has entered a very difficult period, which will be painful and possibly prolonged. Elsewhere in this report we outline the most recent industry views, taken in the second week of December. A significant majority expect to see business levels decline further in 2009, with almost 60% predicting a significant decrease in Irish tourism performance, and almost half describing their outlook as "anxious and concerned". Looking further ahead, almost half (45%) see some recovery coming in 2010, although almost one third are of the view that it will be 2011, with under 10% believing it may be 2012.

There is no doubt the next two or three years will present the most difficult trading environment the industry has faced in recent times. Travel and tourism are largely driven by discretionary expenditure, and in times of low consumer confidence the industry tends not to prosper. The global recession started in the world's largest economy, the U.S., and for signs of uplift it is to the U.S. economy we must look. The signs are not encouraging. Despite months of rescue efforts and hundreds of billions of dollars in Government spending, the American economy has worsened at a rate faster than anyone predicted. The recession is now underway for a year and is certain to be the longest since the end of World War II, and possibly the most severe. In the last year the U.S. Government has assumed almost \$8 trillion in direct and indirect financial obligations, which is almost equal to half the nation's entire economy.

A further stimulus package worth almost \$1 trillion is set to be introduced very early in 2009 and many economists feel reasonably confident that its impact should begin to take effect by the third quarter of the year. International economies, including Ireland, should see recovery follow, though it is likely to be well into 2010 before that becomes readily apparent. There is clearly no room for sanguinity, but equally there is a determination by industry to adapt to these troublesome market changes while planning to be in a position to exploit the recovery which will inevitably follow this down-cycle.

There will be no return to the bad old days. In those days of the 70s and the 80s there were five serious impediments to tourism growth:

- spiralling inflation which averaged almost 15% per annum from 1975 to 1984;
- interest rates almost constantly in double digits;
- a jaded tourism product in urgent need of investment;
- an appalling public infrastructure including roads, telephones and public transport; and
- high cost, low frequency limited international connectivity, particularly air connectivity.

None of these fundamental barriers exist today.



Good air access is the lifeblood of the Irish economy, and particularly of tourism. Competitive air access was the dominant factor which grew visitor numbers from 5 million to 8 million in the period 1997 to 2007. While some airline consolidation is inevitable, Ireland's future tourism prospects will be best served by a healthy level of competition among carriers serving the destination.

Given our island location, access is and will remain the lifeblood of the economy, and particularly of tourism. Ireland has a proud record of having been to the fore in aviation development not least in the area of low cost carriers. Irish tourism has been a major beneficiary of this development, with visitor numbers growing from 5 million in 1997 to 8 million in 2007, and attendant revenue growing from €2 billion to €4 billion. Competition was the dominant factor in that growth, and looking to the future it is obvious that competition will be a key factor in re-establishing growth. The downturn in travel has brought consolidation in many businesses, and inevitably more will follow. **However, Ireland's tourism recovery will be best served by a healthy level of competition among air carriers serving the destination.**

On the domestic front, while it is evident that we could not have escaped the fallout from international events, it is also clear that over exposure to both commercial and residential property has compounded the liquidity problems of financial institutions and led to a massive fall in exchequer revenues. The economy will shrink this year and next, unemployment will exceed 10%, and the budget deficit will exceed 7% of GDP in 2009. This is not a scenario which suggests buoyancy in domestic tourism, and it is probable that several if not all of these negative factors will continue into 2010.

It has taken several decades to build Irish tourism into the great industry which it has become, one of Ireland's largest service sectors, and it is now critically important that the correct decisions are made in order to maintain the value and potential of the sector. Despite the many challenges vast numbers will still travel next year, over 11 million will come from North America to Europe, over 70 million German visits abroad will be made, and over 60 million from Britain. There is much business to be won, and a good start has been made

by the Government's favourable response to the industry plea that overseas marketing investment be maintained throughout this difficult period. We must keep our offering uppermost in the minds of potential future visitors. If we do, then recovery will come more quickly. If we do not, then recovery will be delayed and a much higher level of resources will be required to win back lost market share.

Working capital is a basic requirement of all businesses, and particularly tourism based enterprises where seasonality is still a factor affecting many. While accepting the need for financial institutions to rebuild their balance sheets, Government must make it a condition of recapitalisation in which the State participates, that credit be freed up for viable small businesses. If the current difficulties in this area continue, it will shortly lead to many business failures with consequential and unnecessary job losses.

Reform of public sector costs and efficiency is long overdue, and must be urgently and relentlessly pursued in 2009 and beyond. Many well intentioned, some desirable, initiatives were introduced in the last decade which were manageable in a strong growth environment, but which are utterly unsustainable in the economic climate in which we will operate for the next 5 years or so. Having the second highest minimum wage of the EU 15 is not appropriate in the present environment. We are not seeking its revision downwards, but we believe it to be essential that flexibility is built into national agreements which ensures that vulnerable industries are not bound by legally binding inflexible provisions as imposed by the Joint Labour Committees (JLC).

The existence of the statutory JLC system is a barrier to such flexibility and modernisation. In particular, the provision requiring the payment of double time for work performed on a Sunday is now rendering the provision of services on the most important day of the week, economically unviable for restaurants and hotels.

Under the JLC system, the wage cost of the most junior permanent employee in respect of work carried out on a Sunday (including employer PRSI) is €20.13 per hour, rising to €21.01 per hour in mid July 2009. This onerous burden arising from the legally binding and inflexible provisions of an archaic JLC system has to be addressed in the context of any meaningful pay agreement which recognises the economic environment in which businesses operate.

The next couple of years may not offer many opportunities for growth, but one such area can undoubtedly be the restoration of competitive advantage. The industry will be to the fore in driving the value proposition which Irish tourism has to offer. **But Government must play its part, and avoid the imposition of fiscal or regulatory measures which adversely affect costs. As an example, the airport departure tax is a regrettable and wholly avoidable own goal.** Ireland's deteriorating cost competitiveness of recent years was to some extent compensated for by buoyant national and international markets and by the efforts of our industry. That cushion no longer exists, so it is now imperative that gains are made to restore advantage.

The industry has welcomed the appointment by Minister Martin Cullen of a review group to examine the New Horizons for Irish Tourism programme. It is important that Government and the industry have an appropriate strategy to manage through this down-cycle in order to hasten recovery.

Tourism Ireland is not predicting growth for any of our overseas markets next year and expects overall visitors to decline by up to 5% on this year's outcome. We concur with that projection at



Convention Centre Dublin

Great progress is evident on the construction of the Convention Centre Dublin as can be seen from this very recent photograph. The image on the right projects how the Centre will look in September 2010 when it hosts its first conference.

this time, but would be of a view that to achieve this will require some economic recovery in the first half of the year, which would lift consumer confidence. Failing that, 2009 could see overseas visitor arrivals dip by close to double digits.

The domestic market in 2009 will be challenging and is likely to contract further, but it will still remain the main source market for much of the tourism product. In this context, consumer confidence and spending power will be very important for the market in 2009. On the plus side, lower interest rates, lower energy costs and decelerating inflation will provide a boost, but consumers will remain concerned about job security and tighter fiscal policy. ***It is incumbent on policy makers to take measures to restore consumer sentiment and help boost the overall economy.***

In this context any measures that improve the overall competitiveness of the economy would be desirable, but we believe that a boost to consumer spending through a temporary cut in the VAT rate would also be most welcome and would have an immediate effect. This would be designed as a temporary measure that would add to borrowing in the short-term but would quickly give a boost to consumer related tax revenues and also employment in tourism and the retail sector.

For the overall economy in 2009, the path of the labour market will be absolutely crucial and we believe that the proposed cut in VAT would help preserve jobs that are currently under serious threat.

The Social Partners should revisit the recently concluded pay agreement which is now clearly unwarranted, and should be abandoned in light of the current economic background. ***Any wage increase would seriously exacerbate the very negative competitiveness background and cost a lot more jobs, which would take much more out of consumer spending than the wage increase would put in.*** Furthermore the agreement was reached in anticipation of 3 to 4% annual inflation, but it is now clear that there will be a period of deflation.

I would like to conclude by recording the industry's deep appreciation of the support and courtesy we receive at all times from the Minister and his Departmental officials. The Tourism Agencies continue to play a pivotal role in the welfare of our sector and we appreciate their creativity and hard work. And finally, while the going is tough right now, this is a resilient industry which is ready for the challenges ahead, and it will survive and prosper throughout Ireland in the future. A bend in the road is not the end of the road unless you fail to make the turn.

Happy Christmas to all and a New Year of peace and success.

Richard Bourke.



John King, Heritage and Tourism Director, Shannon Development with Matthew Ryan, President of Irish Hotels Federation and Eamonn McKeon, CEO, IITC pictured at the launch by IITC and Shannon Development of a new tourism report calling for additional tourism supports for the Shannon Gateway at a meeting which took place at the Adare Manor Hotel and Golf Resort, Co. Limerick.

itjc

The Irish Tourist Industry
Confederation.
17 Longford Terrace,
Monkstown, Co. Dublin.

Tel: **284 4222**
Fax: **280 4218**

Email: itjc@eircom.ie
Website: www.itjc.ie



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