itic News

IRISH TOURIST INDUSTRY CONFEDERATION

Year-end Review 2009 & Outlook 2010

Chairman's Statement

Irish tourism has been badly hit by the global recession after a period of boom growth. Arrivals in 2009 are estimated to be down by 12% to 6.5m, while Irish people took 8% fewer trips within Ireland. In common with the rest of the world, holiday and business travel have been especially hard hit by the recession.

The downturn in receipts is steeper as consumers cut back on spending. Inevitably, there have been some business failures given the magnitude of the downturn. The good news, despite some downsizing of employment, is that the industry has fared better than many other sectors of the economy and contributed €1.3 billion to the Exchequer over the past 12 months.

Demand in 2009 dropped across all markets but was particularly severe from Britain, Ireland's largest source market, with a fall of at least 15% in volume and upwards of 20% in earnings. The decline in demand from Mainland Europe and North America was much less marked. An analysis of performance by market is detailed elsewhere in this report.

2009 has delivered a significant set-back to the tourism industry. The length and depth of the global recession is without precedent in modern times. Ireland has its own set of unique problems which effectively means that recovery of domestic demand will be delayed beyond that of our principal trading partners, and is likely to be more anaemic when it does come.

The recent report of the Tourism Renewal Group correctly concluded that the priorities are to minimise the potential damage from the challenges facing tourism, and to grasp the opportunities as the global economy returns to growth. I know I speak on behalf of the entire industry when I say that ITIC looks forward to working with the Minister in implementing the recommendations of the report. 2010 will still be a difficult year for the international travel and tourism industry, despite a softening of the rate of decline in demand for travel in recent months and signs that many economies are coming out of recession. The UN World Tourism Organisation (WTO) is forecasting a modest rate of up to 3% growth in international travel in 2010. While the reversal in our fortunes has been sharply pronounced in 2009, it would be unwise to put all of the blame at the foot of the global recession.

Ireland has suffered a significant loss in competitiveness as a tourist destination in recent years, resulting in falling market share in some key source markets and negative trends in visitors' perceptions of value for money. While Ireland's rate of price inflation has become more closely aligned with the Eurozone average, the absolute level of prices remains high in comparison with many competitor destinations. Even allowing for a steep fall in hotel prices and fares to Ireland, many of the goods and services purchased by tourists have continued to rise in price. Unfortunately, recent deflationary trends are not unique to Ireland, while some lost ground has been regained, the gap remains serious and requires further remedial action. The principal factors contributing to Ireland's high cost base continue to be labour costs, the level of indirect taxation and the burden of public sector charges on businesses.

It is interesting to note that many of our European competitors have benefitted from government interventions which have reduced the cost to the tourist over the past year, including reductions in VAT, reduced or abolished travel taxes and soft loans to small businesses.

"It is particularly heartening to see the recognition accorded to tourism in the Budget and are grateful for the support from the Government, especially at a time of severe constraints on public finances."

The measures in the Government's Budget, announced earlier this month, are welcome and signal a positive intent to restoring the country's finances as well as going some way towards restoring the competitiveness of the Irish tourism industry. It

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is particularly heartening to see the recognition accorded to tourism in the Budget and are grateful for the support from the Government, especially at a time of severe constraints on public finances. International connectivity by air and ferry services is the lifeblood of Ireland's economy, and of tourism in particular. The challenging financial position of some carriers, falling demand and yields, together with further airline consolidation could lead to more loss of services. Since expanded low fare access has been a driver of tourism growth in the past, a key objective has to be to at least maintain the current level of air and sea services, which have already suffered cuts in 2009 with further reductions planned for 2010.

Ireland's B&B organisations have come together to form a new joint body. The newly established Irish Town, Farm & Country Homes will bring 1,000 Town & Country Homes members and over 200 Irish Farmhouse Holidays members together under one umbrella representing the town, farm and country elements of the B&B product. The new body will operate under the catchy brand of ***B&B Ireland – Be at the heart of it all.***

The Irish hotel product has never been in better shape, encouraged by tax-based incentives boosting the number of hotel rooms by 51% since 2001 to 60,148. The downturn in demand however has resulted in an over-supply with a severe drop in occupancy rates and profitability, with some properties going into receivership. The situation calls for a managed reduction of capacity, through measures such as full or partial closure of hotels, especially those in unviable locations, conversion of properties to other uses, and changes in the regulations governing hotel capital allowances.

The lessons from the tax driven expansion, while delivering a much improved product range and quality, is that universal tax based incentive schemes run the risk of unsustainable development. ITIC would call on the Government to ensure that any future incentives are better targeted towards addressing specific consumer needs and market failure.

Despite the negativity which abounds there are encouraging signs that the recession is bottoming out in our top 4 source markets - Britain, the United States, Germany and France – which together account for three quarters of all overseas visitors. We are hopeful that growth will resume in 2010 from Germany, France and the United States, albeit in low single digits. Britain on the other hand poses a more serious challenge. A major effort to "relaunch" Ireland in the British market as an attractive value destination is underway by the industry and Tourism Ireland. We are confident that the decline will be reversed but no one underestimates the enormity of achieving optimum performance from our largest source market.

Despite the current difficulties, the future for Irish tourism is positive. This is a resilient, labour intensive, indigenous industry that will recover from this set-back. I believe 2010 will see the start of this recovery and that further acceleration will follow in 2011 and 2012. The ambition of 10 million overseas visitors must not be lost, just postponed, by perhaps a decade.

I would like to conclude by recording the Industry's appreciation of the support and courtesy we receive from Minister Cullen and his officials at the Department of Arts, Sport and Tourism. Fáilte Ireland, Tourism Ireland and the Northern Ireland Tourist Board all play pivotal roles in supporting industry and we appreciate their dedication, creativity and hard work. Jointly we can manage our way to recovery, growth and prosperity.

Happy Christmas to all and a New Year of renewed confidence and success.

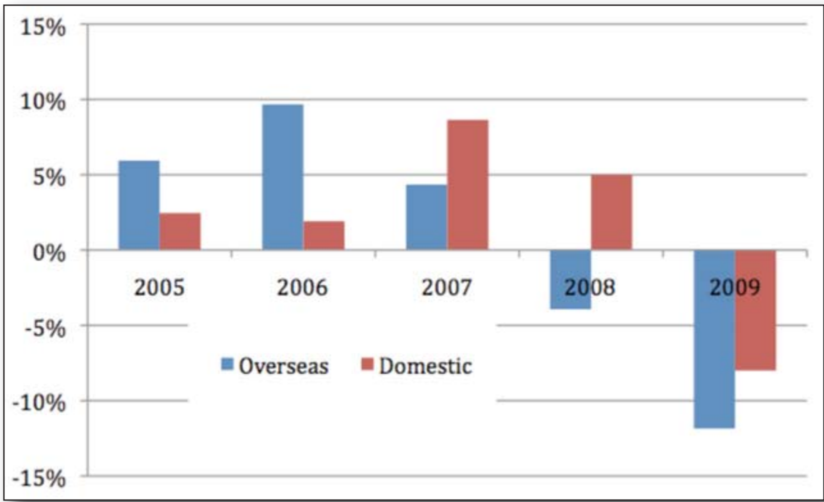
Thomas P Haughey

2009 - The Year in Review

Recession leads to a sharp downturn in tourism

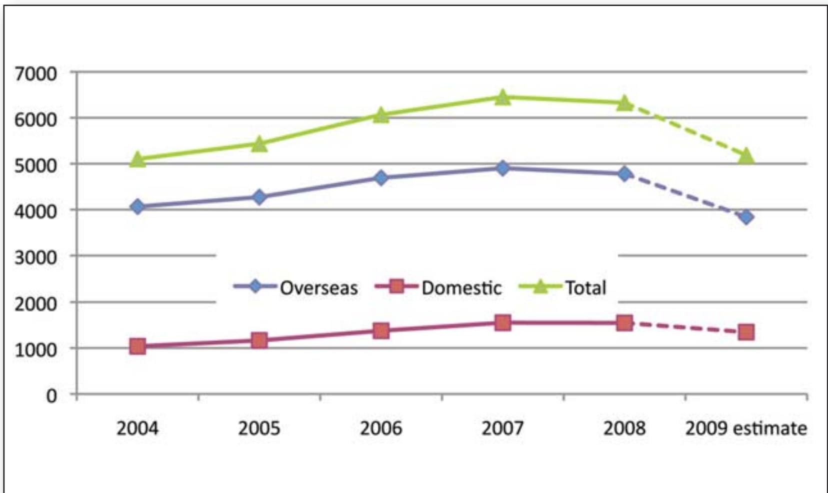
Irish tourism felt the sharp downturn of global recession in 2009. The numbers of overseas visitors to Ireland fell by an estimated 12% this year (based on performance of the first 9 months), while demand from the home market is down by an estimated 8%. The fall-off in ***holiday*** visitors to Ireland has been more severe with up to a 20% decline, while business travel has also been badly hit with a decline well into double digits. Overseas visitor numbers are down to 6.5m, or almost 900,000 fewer than in 2008.

Fig. 1: % annual change total overseas & total domestic volumes 2005-2009



Estimated expenditure by overseas visitors in the country is expected to show at least a 20% drop from 2008 levels, while spending by domestic tourists is down by at least 13%. Despite the downturn Ireland will have earned over €5 billion from tourism this year - almost €4 billion from overseas visitors, plus almost €1.3 billion spent by Irish residents on domestic travel.

Fig. 2: Earnings from tourism – overseas & domestic – 2004- 2009 (€m)



As with other sectors of the economy the sharp downturn in demand has caused difficulties for many businesses engaged in tourism, with several casualties, while many more struggle to survive the impact of the recession on their trading. The softening of demand and the increased competition has resulted in deep discounting on most components of a holiday in Ireland. The lowering of prices (for example hotel rates are about 20% below this time last year) while good news for the customer, has put severe pressure on businesses and continues to represent a threat to profitability and employment in the sector.

Happily the rate of job losses in tourism has been less severe than in some other sectors of the economy. *The tourism sector continues to be a valuable source of revenue to the Exchequer, yielding an estimated €1.3 billion in the current year despite the downturn in demand.*

2009 - A most challenging year for international tourism

The downturn in international tourism, following the global financial crisis which led to the worst worldwide economic recession since the 1930s, hit in mid 2008 and deepened in 2009. The current decline in the demand for international travel has been more severe than in 2001/02 and has impacted more on the high end business travel sector than the holiday or leisure segment of the market. However, the rate of decline has slowed in recent months after a sharp drop in the first half of 2009 suggesting that demand may have hit bottom with the hope of a slow recovery over the next year or two. Internationally the indicators from airlines and hotels suggest that the volume of demand is returning to levels comparable with 12 months ago, itself a period of depressed demand. However, in value terms demand is still down as the recession has hit prices and consumers have traded down.

Demand for travel over the past 18 months has been depressed by economic conditions, rising unemployment and job uncertainty, a credit crunch and the threat of H1N1. On the other hand lower air fares, lower hotel prices and other holiday deals have helped to buoy up

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demand. However, many of the price initiatives are economically unsustainable, as evidenced by business failures. Furthermore, there are distinct signs that while recovery is underway in many western economies, consumers are still showing signs of conservative discretionary spending patterns due to continued uncertainty.

Worldwide, international tourist arrivals are estimated to have fallen by 7% between January and August this year, with Europe experiencing an 8% fall-off. On a positive note, the rate of decline has eased in the past few months. Statistics from members of the Association of European Airlines for the year's first three quarters show an overall passenger fall of 7.2%, compared to a 9% drop for the first half year, while in September the fall was only 4.5%. These results, as well as the most recent economic data, are the foundation for the UN World Tourism Organisation's (UNWTO) preliminary forecast of a 5% decline in international tourist arrivals for the full year 2009 followed by a moderate recovery in 2010, with growth of between 1% and 3%. However, just as regions of the world have experienced varying rates of decline, so too will the timing and rate of recovery differ. Intra-European travel has been harder hit than other areas of the globe and is likely to exhibit a slower rate of recovery.

Overseas Visitors to Ireland

As Ireland is dependent on the British market for approximately one in every two visitors – 3.6 million visitors in 2008 - the performance of this source market has a pivotal impact on Irish tourism. While the total number of British visitors has shown little growth in recent years, the level of traffic in the current year has been down by at least 15% to an estimated 3.1 million.

The decline in *holiday* visitors is even deeper, down at least 20% from 1.6 million to 1.3 million. While this represents almost 600,000 fewer British visitors over the first nine months of 2009, the fall in demand for travel to Ireland broadly reflects the downturn in outbound travel from Britain. While Ireland would appear to have held its share in 2009, the absolute level

With over 800 kilometres of navigable waterways, some of the least crowded in Europe, cruising offers a rich opportunity to explore some of the most beautiful parts of Ireland. Continental Europe is still the main source market, but in recent years the British and the domestic market have been increasingly important.

in the downturn of traffic from the top source market is nonetheless a very serious loss for carriers and tourism business throughout Ireland.

Mainland Europe, Ireland's next largest, and in recent years the fastest growing, source market would appear to have declined by at least 5% this year to 2.4 million visitors. The softening of the market has been most noticeable from eastern European sources, while the traditional markets of Germany and France appear to have held up well in the current year.

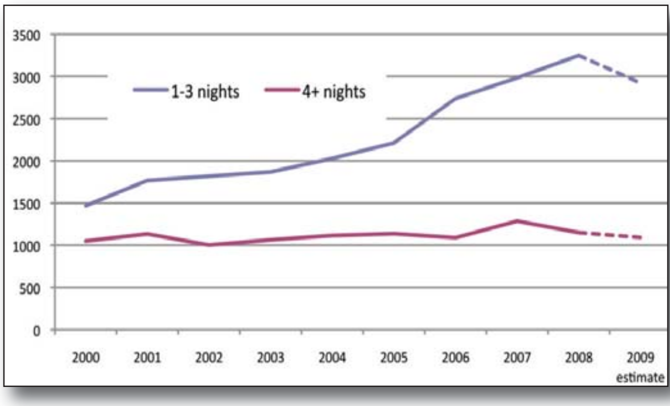
Visitor levels from North America have held up surprisingly well, with an estimated drop of about 7% in arrivals, to end the year at almost 900,000 visitors. Arrivals from the USA have shown marginal increases in recent months suggesting that the downturn in this market may have bottomed out.

Visitors from other areas of world – Ireland's new developing markets – are relatively small in number at over 300,000 per year.

The Domestic Market

Irish tourism has become increasingly dependent on the home market in recent years, as expenditure on domestic travel trips more than doubled since 2000, to reach a record €1.55 billion in each of the past two years. Almost one third of tourism expenditure in the country now comes from the home market. The rate of growth in tourism receipts from the home market over the past 4 years has outpaced the rate of increase in earnings from foreign visitors. The growth has come from the increase in the number of short breaks (1 to 3 nights), which now account for almost 3 out of every 4 home holiday trips.

Fig. 3: Length of stay - Domestic Market



The irrefutable evidence is that the reduction in consumer spending by Irish residents due to the current recession and increased taxation is seriously impacting demand for travel, with expenditure falling more sharply than the number of trips. 2008 saw a slowing of growth in the number of all domestic travel trips and holiday trips. The latest CSO data for the period January-June reports a 9.8% drop in the number of home holiday trips, with a 15% drop in expenditure compared to the same period in 2008. However, the home holiday market appears to have held up better than holiday trips abroad in the first half of 2009, as holiday trips abroad declined by 19%, with expenditure down 21% in the period.

Tracking research conducted for Fáilte Ireland confirms a decline in the incidence of taking a trip away from home in Ireland.

Tourism Businesses in Survival Mode

While the fall in visitor volumes is serious, there has been a far more critical drop in achieved rates, and therefore yield, for businesses across the sector. Deep discounting, severe cut-backs in corporate spending, and increasing competition for value savvy customers have severely hit the bottom line.

The key indicators of revenue per available room (RevPar) for hotels and revenue per available seat kilometre (ASK) for airlines each suggest that they will be off by upwards of 15% to 20% across the board on falling levels of demand. For the upper end of the market – luxury hotels, premium airline seats, and fine dining - the numbers are far worse.

The reality is that the tourism industry is in survival mode, with several business failures already reported.

The much awaited Terminal Two at Dublin Airport is nearing completion and is expected to come into operation in November 2010. While unfortunate that it will open at a time of depressed traffic volumes, T2 is a critically important piece of national infrastructure that will serve Dublin and Ireland well for several decades to come.

TRG Report

"The Irish tourism industry is now at a critical juncture. Global and domestic challenges make the sector vulnerable in the short term. On the other hand, the industry has fundamental strengths and presents valuable opportunities that can contribute to growth in the medium term. But we must take appropriate actions now, and sustain them over the next few years".

Survival, Recovery & Growth – A Strategy for Renewing Irish Tourism 2009-2013 Report of the Government's Tourism Renewal Group (September 2009)

The report addresses a number of themes including competitiveness, value for money, access, transport, and the business environment. The key conclusions and recommendations include:

- **Maintain Investment in the Brand:** Any reduction in marketing investment will inevitably lead to loss of market share which the industry and the State can ill afford.
- **Cut Access Costs:** The Group called for the abolition of the Departure Tax.
- **Access to Working Capital** is critical for tourism businesses with strong track records and viable futures.
- **State Agencies:** The Group found general satisfaction with the performance and delivery of Fáilte Ireland and Tourism Ireland.
- **Tourism's Role in Economic Renewal:** If support commensurate with its 4% share of the country's GNP is forthcoming, tourism can play a vital role in the country's economic recovery.

A prioritised framework for action for the industry over the next five years, is focused on the tourists and their experience of Ireland as customers. In recognising the uncertainties facing the industry and the choices which will need to be made in deploying increasingly limited resources, the action plan describes a path to survival, recovery and growth.

The Challenges facing Tourism

Ireland struggles to regain competitiveness

Ireland has suffered a significant loss in competitiveness as a tourist destination over recent years. This is reflected in falling market share in key source markets and a negative trend in visitors' perceptions of value for money, although there has been some improvement in this measure in more recent times.

In summer 2009 a total of 340,000 seats were on offer each week into Ireland, 10% below 2008 levels – just over 150,000 seats each on cross-channel and mainland European routes, with 33,000 seats on long-haul services.

The key aspect of Ireland's global competitiveness as a tourism destination is the price of Irish holiday components relative to those of its principal international competitors' products. The absolute level of prices in Ireland, despite low fares, sharp falls in the price of hotel accommodation and deflation over the past year, remain high in comparison with prices in competitor destinations. In common with Ireland, many other destinations are also experiencing deflation at this time. Furthermore, our nearest competitor – Britain – has the added appeal of a weak currency which is adding to the attractiveness of the destination, especially for Eurozone travellers. Labour costs, indirect taxation levels and public sector charges, continue to be the prime drivers of the high cost base of the Irish tourism product. For 2010 the expectation of continued softness of sterling and the US dollar against the euro will continue to exacerbate the high price and poor value perceptions of holidaying in Ireland.

Failure to address the competitive issues will risk further loss of market share and delay recovery as Ireland's source markets emerge from recession, but with consumers having a heightened sense of prices and perceived value. The measures introduced by the Government in the Budget should assist in at least halting the decline of Ireland's competitive position.

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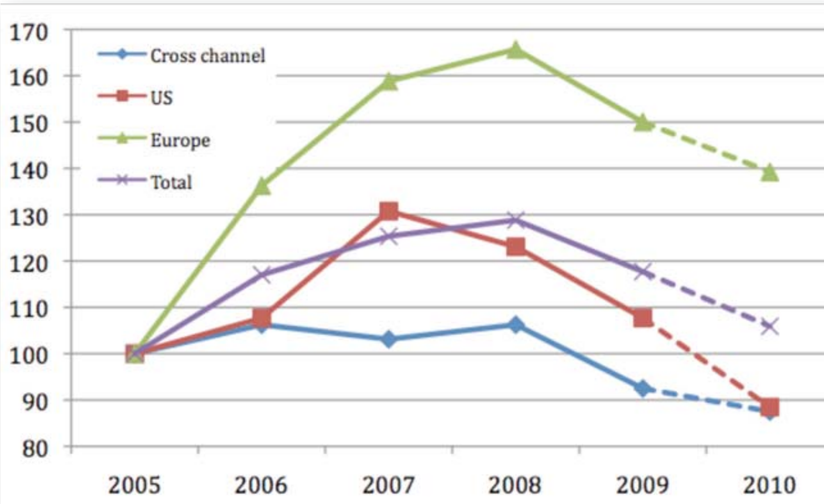
Achieving growth as access capacity falls

From the mid-1990s Ireland enjoyed a competitive advantage with fast expanding low fare air services which boosted demand from a growing number of source markets. However, that competitive advantage no longer applies as most other destinations now also enjoy low fare access. The level of service to Ireland is now contracting as Aer Lingus and Ryanair reallocate capacity to other markets at a time of reduced demand for inbound and outbound traffic on Irish routes. For example, Dublin has suffered a net loss of 14 routes between summer 2008 and summer 2009.

"The strategies pursued by Ryanair, together with the return of Aer Lingus to viability, will be important determinants of Irish tourism's recovery, as together the two carriers provide over 80% of Ireland's airlift."

Aggregate summer capacity on scheduled air services to Ireland in 2009 was 10% below the previous year, while capacity is projected to contract further by between 5% and 10%. Next summer's capacity on cross-channel and European routes will be at least 15% below its peak 2008 level, while the most severe cutbacks will be on the north Atlantic, with 2010 capacity currently projected at 30% below its peak in 2007. The reduction in services and gateways from the US presents a particular challenge to maintain Ireland's share of this important high spending market. The strategies pursued by Ryanair, together with the return of Aer Lingus to viability, will be important determinants of Irish tourism's recovery, as together the two carriers provide over 80% of Ireland's airlift. While all airlines are operating in tough market conditions, the national carrier – Aer Lingus – is addressing cost disadvantages which have caused mounting losses and haemorrhaging of cash at the airline. In addition, global airline mergers and deeper alliances are also likely to impact on access to/from Ireland.

Fig. 4: Indexed Summer Schedule Air Capacity 2005-2010 (2005=100; 2010 = projection)



One part of international travel and tourism that has continued to perform reasonably well despite the recession is the cruise liner industry. Dublin Port had another successful year, and already is forecasting over 80 cruise ship visits in 2010, which is expected to generate well in excess of €50 million for the local economy.

Delivering on the promise of an authentic Ireland experience

The primary experience – Irish people, the natural environment and cultural heritage – has been adversely affected by the intensive development of the Celtic Tiger years at a time when the values of a well managed environment and authentic cultural experiences are high on the discerning traveller's agenda.

Increased emphasis on environmental management of the natural resources will enhance Ireland's appeal and deliver an experience which visitors increasingly come to expect. The announcement in the Budget of a threefold increase to €22 million investment in upgrading visitor attractions is especially welcome.

People are an integral part of the tourism experience. For the visitor, service quality is a key competitive factor in delivering a fulfilling and value-for-money experience. Investment in improving management competence and employee expertise remains critical to improving Ireland's competitiveness. With many businesses under pressure, the person to person service may have slipped as staffing levels are reduced with staff and management taking on extra work.

At a time of Government cut-backs, and as many businesses within the sector struggle to survive, neglect of continued investment in the retention and further development of the industry's human resources would be short- >>>>

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sighted and further erode Ireland's competitiveness. The quantum, range and quality of the tourism product, particularly within the hotel sector, are at an all-time high enabling Ireland to compete more effectively in the global marketplace. However, as many businesses struggle to survive, the challenge facing the industry is twofold, firstly to ensure sustainability of quality and service, and secondly to create more 'attractors' or 'reasons to visit' to entice an increasingly segmented market for leisure and discretionary business travel.

Another startling addition to the Dublin city skyline in 2010 will be the new Aviva Stadium which opens in August. With a capacity of 50,000 the all seated stadium will provide a dramatic sporting and entertainment facility in the heart of Dublin.

During recessionary times it is difficult for businesses to maintain spending on staff, maintenance, renovations and innovation. However, continued investment is essential to maintain the service and physical quality of the product. Many properties and attractions will in the near future face the challenge of financing renovations against a background of little or no retained profits. While universal tax based incentives have seen massive developments in hotels and self-catering in recent years, the lesson is also clear that indiscriminate incentives inevitably lead to a mismatch between supply and market needs. The industry may need selective supports in the future to ensure that the quality of the existing products does not deteriorate from lack of investment.

Making the marketing breakthrough in a highly competitive marketplace

Marketing is a vital driver of tourism growth, since it seeks to capture a share of international and domestic holiday demand. The challenge is greater in this cycle of Irish tourism which has gone from boom to recessionary downturn and is now facing an uncertain recovery. Perhaps the greatest challenge facing Irish tourism is how to recover share of the British market – Ireland's top source of tourism. The number of British ***holiday*** visitors to Ireland has been hovering around 1.7 million per annum over the past 10 years, before falling by 10% in 2008 and by a further estimated 20% in 2009. Ireland, by several measures, has been losing share of the British market for leisure travel over most the past decade. Demand for Ireland from Britain has fundamentally changed. Ireland is now attracting more leisure travellers for short breaks, primarily to Dublin although recent demand for the city appears to have slowed, while losing out on longer stay and touring visitors. Amongst the challenges which Ireland faces in Britain is a marked deterioration in the value for money rating amongst visitors. The weakness of sterling, a situation unlikely to be reversed in the short term, only serves to further exacerbate the negative perception. The fortunes of Irish tourism are largely linked to the performance of the British market which is the source of 45% of all ***holiday*** visitors to the country.

In the important market of mainland Europe the challenges include winning market share in the top producing countries for intra-European travel. Tourism Ireland's recently announced new campaign focused on gaining a larger share of the German market is especially welcome. In recent years Ireland has gained share of the high spending US source market for travel to Europe, largely on the back of expanded access services and heavy promotion of the destination. Traffic levels from mid-2009 onwards suggest a recovery in travel by Americans. The challenge for Ireland will be to hold its share of the market against a very sizeable reduction in direct air services. In the domestic market the task ahead will be to persuade Irish residents to continue taking holiday trips within Ireland despite falling disposable incomes and continued economic uncertainty. A priority for the immediate future will be a strategy of promoting 'reasons to take a leisure break' and highlighting the value for money available, particularly to retain the important over 50s customer cohort.

Carrying more than 850,000 overseas visitors to Ireland, ferry services continue to be an important provider for Irish tourism. It would appear that ferries have held up better than air services in 2009, with an estimated 2% more cars carried on Irish Sea routes, although most of the bounce would appear to have come from Irish and French originating traffic. While demand from Britain to Ireland – by far the largest customer segment – was down by an estimated 10%, there have some recent positive signs suggesting demand may have stabilised.

NCC Report

"Future economic growth and job creation will not be driven by the construction and retail sectors as in the past. Generating export-led growth is the only sustainable strategy to secure long term growth and prosperity".

Driving Export Growth: Statement on Sectoral Competitiveness, The National Competitiveness Council (December 2009)

The NCC study reviews eight sectors, including tourism, each with significant opportunities for future growth and highlights the sector specific challenges which need to be addressed. The report identifies a number of critical issues and recommendations for renewed growth in Irish tourism, namely:

- New Product Development: A focus on continuous development of new tourism products.
- Cost & Value for Money: Deliver better value for money by addressing the high cost of inputs.
- Excess Hotel Capacity: Consider allowing change of use for the excess number of hotel rooms, created by tax incentives.
- Access to Working Capital is one of the biggest challenges currently facing the sector's 18,000 SMEs.
- Infrastructure: Good and well planned infrastructure is critical for Ireland's attractiveness.
- Tourism Budgets: Government funding to be better co-ordinated and prioritised across departments and agencies.
- Tourism Agencies: The possible merger of some tourism agencies to deliver stronger and more cohesive branding
- Taxation: Consumption taxes directly affect tourism exports in a way that is unique and contribute to the cost of tourism products

Outlook for 2010 & Beyond - Key Recovery Actions

Short term outlook

In contrast to previous recoveries from downturns in demand for travel, the rebound this time is expected to be gradual over a period of several years. A strong rebound in 2010 is unlikely as consumers continue to struggle with economic uncertainties and conserve credit. For example, Europeans would appear to be less willing to make a firm decision regarding their travel intentions in 2010 than they were a year ago. Findings from IPK International's World Travel Trends Report (Dec. 2009) show that more than two thirds (68%) of those polled in October said they would travel at least as often as they did in 2009, down from 80% at the same time last year.

Most forecasts for travel and tourism suggest an overall modest rate of global growth in 2010, with the most optimistic suggesting an increase of up to 3%. This would suggest it will take several years for recovery to pre-2008 levels of demand.

Any discussion around the 'new normal' for Irish tourism must hinge on the shape and timing of the economic recovery in each of our source markets and to what extent, if any, the recession may have fundamentally changed consumer spending and behaviour patterns. It is unlikely that we will see a return to the buoyant demand growth rates of the past decade or the record levels of investment in the tourism plant.

The fall-out from the current downturn in tourism challenges many of the traditional assumptions about demand trends and business models. The changed demand and supply environment post 2008/09 suggests that strategic decisions have become more complex, while the rapid pace of change is forcing shorter planning cycles and making growth trends harder to predict. A downside risk in the current environment is a short term focus distracting from longer term strategic objectives for the sector. The experience of many businesses in tourism over the past two years is also forcing a fundamental questioning of the historic investment and operating business models within the sector.

Despite these challenges, experience shows that the tourism industry is uniquely capable of adapting to economic upswings and quickly adding jobs. Tourism will continue to make an important contribution to Ireland's economic wellbeing. Indeed, tourism's relative importance can be expected to increase as economic growth becomes more dependent on export-led sectors.

Finally it's here. The Convention Centre Dublin opens for business in September 2010. Already the CCD has secured over 200,000 delegation days, and is clearly positioned to become the leading premium mid-sized convention centre in Europe. Recognised as the first carbon neutral international convention centre, the venue includes a 2,000 seat auditorium, 4,500 sq metres of exhibition space, and banqueting facilities for up to 3,000.

Key Recovery Actions

- **Maintain marketing investment:** The challenging times require that investment in marketing the destination and the component products be at least maintained if Ireland is to win traffic in a soft market environment against increasing competition.
- **Greater focus on 'best prospects':** Marketing campaigns and budgets need to be more focused, efficient and measurable in generating demand, including the use of a broad mix of promotional tools to reach targeted segments.
- **Promote tactical advantages:** In difficult market conditions greater flexibility is required to drive the business in a fast changing consumer environment.
- **Work together:** An opportunity exists to further deepen the already good working relationship between the tourism agencies – Fáilte Ireland and Tourism Ireland – and tourism businesses in order to achieve better results.
- **More selective supports:** Future supports for the industry should be better defined and specifically targeted to address tourism market failure issues and minimise the risks of distortion for businesses.
- **Go Green:** An opportunity exists for Ireland to better position itself as an environmentally attractive destination, provided the necessary infrastructure and management systems are put in place.

Yet another startling new addition to the Dublin product is the Grand Canal Theatre. Seating 2,100 this iconic building was designed by world renowned architect Daniel Libeskind. It will be Ireland's leading touring theatre for musicals, ballet, family shows, drama, concerts, and opera. It has the largest theatre stage in Ireland, and opens the door to large theatrical productions which were previously unable to visit here.

Economic Outlook for main Overseas Source Markets

Eurozone

After five quarters, the Eurozone moved out of recession in the third quarter of 2009. Economic activity is benefiting from the monetary and fiscal stimulus measures and support for the banking sector that have been put in place, while improved global economic activity and trade are lifting exports. Germany and France are at the forefront of Eurozone recovery, followed by Italy and the Netherlands, while in contrast Spain remains deep in recession.

However despite the economic upturn, consumer spending saw little or no growth across the Eurozone in the third quarter, with a fall reported in Germany and no change in France. While economic sentiment rose for a seventh successive month in October to reach a 13-month high, concerns remain over the strength of consumer spending, despite low consumer price inflation/deflation boosting consumers' purchasing power.

Some commentators suggest that the Eurozone's recovery could well lose some momentum for a while in 2010, due to the withdrawal of some stimulus measures, before growth starts to gradually pick up again. Moreover, the strong euro, high and still rising unemployment, and persistent tight credit conditions amid still significant financial sector problems are also seen as weighing down on Eurozone growth prospects.

UK

The UK economy has so far failed to return to growth with preliminary estimates showing that GDP contracted 0.4% in the 3rd quarter and remains the last of the G20 nations to emerge from recession. The expectation is for a return to growth in the fourth quarter 2009, with modest recovery throughout 2010.

Very low mortgage interest payments and moderate inflation are boosting the purchasing power of many people, thereby giving them scope to step up their discretionary spending. Nevertheless, the suspicion remains that even if there is a significant pickup in spending over the Christmas period, it may only be temporary due to the serious headwinds still facing consumers. These notably include high and still rising unemployment (albeit at a recently reduced rate), low and still slowing earnings growth, heightened debt levels, and the VAT increase. Furthermore, many consumers are still keen to limit their expenditure and to improve their personal finances. The Bank of England has identified this as a factor that could significantly limit the recovery, as consumers will also be wary that further out they are very likely to face higher taxation.

USA

Strong October & November data on retail sales and consumer confidence, added to other recent data, indicate that recovery of the US economy is well underway. Several economists have revised upwards their forecast of Q4 GDP growth to over 4%. The US economy is projected to show moderate but firm growth throughout 2010 after a strong recovery in the second half of 2009, as the effect of the Administration's monetary and fiscal stimulus programmes comes to an end. However, the aftermath of the President's "Jobs Summit" points in the direction of additional federal policy measures to support hiring and innovation together with possible tax credits for small businesses and additional incentives for energy-efficiency improvements to housing, which may further boost consumer confidence.

Overall, consumers are focused on value shopping, conserving credit, and while there is upward movement in consumer sentiment it still remains at a relatively low level, suggesting that the recovery in consumer markets may be gradual. A positive stimulus for travel from the US market would be the strengthening of the US dollar should the Federal Reserve decide to increase interest rates, provided there is no serious price spike in oil prices.

Domestic Market vital to Tourism Recovery

The domestic holiday market, worth **€1.5 billion annually,** has more than doubled since 2000 with a dramatic growth in the number of short breaks taken in Ireland by Irish residents. Three out of every four home holiday trips are now short breaks, while the growth in domestic market demand has generated over 90% of new business for Irish hotels.

Over the period 2000-2008 the number of home holiday trips grew by 74% and expenditure more than doubled. While the economic downturn over the past 18 months has softened demand for home holidays, the market has proved more resilient than overseas markets to Ireland with Irish people cutting more foreign travel than domestic travel.

A report from TTC – Tourism & Transport Consult International on behalf of ITIC, supported by Fáilte Ireland and the Irish Hotels Federation, sets out 4 possible scenarios for domestic market performance over the coming 3 years:

- a relatively quick recovery;
- a battered but resilient scenario;
- a sharp dip and delayed recovery;
- a long freeze.

ITIC believes that the most realistic scenario is a ***'battered but resilient outcome'.*** This would see a 10% drop in volume in 2009 followed by a further decline of up to 10% in 2010 before stabilising in 2011, with a modest 5% increase in 2012. This would suggest volume in 2012 at close to 2006 levels.

No matter what your business or your location, this report is essential reading for planning a successful route back to growth and renewed prosperity.

Review & Outlook for Ireland's Domestic Travel Market
(December 2009)

The domestic market has more than doubled since 2000, generating 8 million trips and €1.5 billion annually. Despite an inevitable decline in 2009, the recently produced Review of Ireland's Domestic Market predicts that following a flat 2010, growth will resume in 2011 and beyond. Pictured at the report launch are from left to right: John Power, CX of the Irish Hotels Federation, Tom Haughey, Chairman of ITIC, Eamonn McKeon, CX of ITIC & John Concannon, Director of Market Development in Fáilte Ireland.

The DERTOUR Reiseakademie is Germany's most prestigious travel trade training event and it was a real coup that it was secured for Killarney in November. Hosting the event generates very significant interest in the destination, and with Tourism Ireland specifically targeting Germany as a market of great potential, this event can be expected to be the catalyst that sees Ireland reach its true potential in this market. Despite the presence of a couple of local black sheep, the event was declared by DERTOUR to have been one of their most successful Reiseakademis ever.

(L-R): Ray O'Leary of the Department of Arts, Sport & Tourism, Conor O'Connell of Gleann Fia Country House, Simon Gregory of Tourism Ireland, Eamonn McKeon, CX of ITIC and Hugh Friel, Chairman of Tourism Ireland fall into some bad company at a farewell banquet in the Malton Hotel.

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