

The logo for the Irish Tourist Industry Confederation (ITIC) features the lowercase letters 'itic' in a white, sans-serif font. A small yellow circle is positioned above the letter 'i'.

IRISH TOURIST INDUSTRY CONFEDERATION



## TOURISM POLICY REVIEW

*This submission by ITIC aims to influence the formulation of a national tourism policy which will provide the foundation for a new strategic plan to underpin investment and expansion of the tourism sector.*


*A clear statement of tourism policy should set out the Government's priorities in terms of:*

- *the contribution tourism is to make to national economic and social goals,*
- *how that contribution will be measured and benchmarked, and*
- *in what manner tourism can best make its contribution.*


*Ireland needs a well formulated policy to guide all tourism development operations and management, so as to meet the Government's immediate and long term objectives for the industry. It should be based on the principles of sustainability, and be in line with international best practices to ensure the competitiveness of the national tourism industry within a regional and global scenario. It must be grounded in robust data, analysis, and goals, and it must be informed by the realities of business enterprises in delivering growth.*

*ITIC is grateful to all our Members who participated in the preparation of this submission. We are particularly grateful for the external professional assistance which helped us develop and draw together our conclusions. To the economist Jim O'Leary, who brings fresh and challenging insights to the performance and potential of the tourism sector, and Noel Sweeney of TTC who, as always, brings his wealth of international and domestic tourism experience to bear.*

*We are now urging the Government to quickly evaluate the many submissions they have received and deliver a Policy position by mid-2014, which can facilitate the next decade of growth.*



**Paul Carty - Chairman**  
Irish Tourist Industry Confederation



NOVEMBER 22ND 2013

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# 1. Introduction – Developing a policy for sustainable growth

## 1.1 The need for a comprehensive and integrated policy

The Irish Tourist Industry Confederation (ITIC) welcomes the initiative by the Minister to conduct a review of the Government's tourism policy. Indeed, it could be argued that this is the first time in the history of the state that tourism policy has been addressed in a cohesive and structured manner.

Tourism is an important indigenous sector of the economy, which together with the agri-food sector, is widely expected to be a driver of economic recovery. The Government invests heavily in direct state support through its agencies annually as well as providing a range of other supports to the sector.

ITIC acknowledges the initiatives taken by the current Government which have helped to restore competitiveness and boost demand. Specifically the reduced VAT rate for tourism services, The Gathering, zero rating of the Air Travel Tax, the jobs initiative and the changes in visa requirements have been welcome assistance to the industry and are bearing results, most markedly in the current year.

The time is opportune for a new comprehensive and integrated policy 'road map' for tourism in the context of the strategic challenges facing businesses engaged in tourism, namely:

- the economic imperative to return to sustainable growth in tourism, following the sharpest fall in tourism demand in Ireland's history;
- a vastly changed economic, social and political environment, resulting in significantly changed investment, business and trading conditions;
- a heavily invested, and underutilised, tourism infrastructure;
- a marked shift in tourism demand – sources, needs, values and behaviour – within an increasingly competitive global tourism market;
- evolving information and communication technologies transforming distribution channels;
- an age of greater transparency and accountability;
- the requirement for Government spending to be more effective and efficient; and
- the need to ensure organisational structures and delivery mechanisms are fit for purpose.

The tourism industry looks forward to a new policy framework based on a whole of government approach which will facilitate an effective partnership with business to ensure that Ireland can be positioned as internationally competitive, thereby delivering greater economic and social benefits.

## 1.2 Core policy principles

ITIC would suggest that the new tourism policy needs to be based on the following core values:

- **Robustly evidence based**
- **Integrated across the whole of Government**
- **Cognisant of all stakeholder interests and goals**
- **Transparent & consistent in its implementation**
- **Responsive to international market trends and demand**
- **'User friendly' from a stakeholder and visitor perspective**

## 1.3 A new policy driven by a changed global tourism landscape

Since 2008 the supply and demand scenarios in international tourism have changed. In Ireland the industry continues to face unprecedented challenges following the most difficult period in its history. The time is opportune for all stakeholders - Government together with the industry - to re-assess the tourism opportunities and how best to capitalise on a changed market environment in order to contribute to Ireland's economic recovery and future growth. A policy framework is urgently needed to provide a direction for strategic investment, marketing and implementation against an agreed set of goals and objectives.

Over the past five years Ireland suffered a deeper downturn followed by a recovery which has proved to be slower than most of its competitors.

Policies and strategies developed before 2008 are now, at best, in need of re-evaluation, if not redundant. Ireland risks losing out on future growth opportunities in tourism if it continues to focus on year to year short term strategies in the absence of a clearly defined longer term vision and goals. A new model for Irish tourism is urgently needed if the destination is to effectively compete in a changed world and to ensure that public and private sector investment and other interventions are co-ordinated to optimise results. Furthermore, it is timely and appropriate that a new tourism policy and strategy should be developed in parallel with the new National Aviation Policy.

While international travel and tourism is forecast to continue to grow, the rate of increase in demand is expected to be slower than in the past with growth in demand for travel from new emerging economies far outpacing the rate of increase from Western, developed source markets. The United Nations World Tourism Organisation (UNWTO) forecasts suggest an average annual growth rate of 3.3% in global international travel, with the new emerging markets increasing by 4.4% annually while growth from developed markets is expected to be 2.2% annually.

## 1.4 Developing a whole of government policy approach

Several government departments, state agencies and local authorities play a role in the development, marketing and operation of tourism and have daily impact on enterprises engaged in hospitality and tourism businesses. Therefore, a new whole of government approach is necessary to ensure sustainable development of the industry. Past experience of a lack of cohesive and integrated policies and strategies on the part of government demonstrate the less than optimum return and unnecessary fragmentation. At times in the past state interventions appeared to lack an integrated approach leading to conflicting signals and a lack of clarity for investors.

Under a new whole of government approach, the new policy should ensure:

- **all government policies, legislation and programmes are ‘tourism tested’;**
- **all future tourism programmes for investment and marketing are based on a clear unambiguous tourism policy;**
- **enhanced programme coherence and accountability across government departments, state agencies and local authorities; and**
- **an open and co-operative partnership with the tourism industry.**

ITIC is firmly of the view that the application of these principles to day-to-day decision making and operations will make a significant and beneficial difference in outcomes for the tourism industry.

## 1.5 A policy led future

The industry’s assessment of the current context and its input in respect of the component aspects of a comprehensive and integrated policy for tourism are set out in the sections which follow.

ITIC looks forward to the opportunity of working with the Minister in shaping a new policy framework for the industry and, following its publication, to partnering with the Department and the state agencies in producing a new forward looking agenda and strategic business development plan for tourism.

## 2. The visitor economy – its value and significance

### 2.1 Tourist expenditure

Total tourism spending is estimated at €5.4bn in 2012, virtually unchanged from the previous year. Of this, €2.9bn (54% of the total) was spending by overseas tourists in the Irish economy, €1.3bn (25%) was spending by domestic tourists, €0.9bn represents fare receipts by Irish international carriers, and €0.3bn spending by tourists from Northern Ireland.

**Table 201: Tourism Receipts (€m)**

	2010	2011	2012
<b>Overseas</b>	3,024	2,955	2,990
<b>Northern Ireland</b>	n/a	296	284
<b>Carrier receipts</b>	580	626	767
<b>Domestic</b>	1,561	1,416	1,345
<b>Total</b>	<b>5,771</b>	<b>5,293</b>	<b>5,387</b>

Source: Fáilte Ireland

There are at least two reasons for viewing the €5.4bn figure as an underestimate, one relating to the overseas component and the other to the domestic.

Firstly, in relation to the overseas component there is a well-grounded concern that the methodology used to collect data on tourist spending leads to under-reporting. For example, UNWTO estimates indicate that the average recorded spend per international arrival in Ireland was €420 in 2012, compared with an average of €771 for visitors to the Northern and Western European regions. This comparison is based on the spending per visit differential and does not allow for possible differences in average length of stay. Available UK data<sup>1</sup> allow a more refined comparison to be made, where the average daily spend by international visitors in 2012 was the equivalent of €100, compared with the equivalent figure for Ireland of €60. This also suggests a very substantial understatement.

This hypothesis is reinforced when one drills down into the detail. The average daily expenditure of visitors to the UK from mainland Europe, North America and the Rest of the World in 2012 was the equivalent to €92, €120 and €105 respectively, compared with the corresponding estimates for Ireland of €50, €86 and €59. It is not at all obvious why the daily rate of spending by visitors to Ireland should be so much lower. Indeed, there is at least one reason to suppose that the opposite should be the case, in that Irish price levels were 7% higher than in the UK<sup>2</sup>.

An analysis of tourism by purpose of visit does not provide a ready explanation of the difference. Per diem spending estimates for 2012 of visitors to the UK exceed the corresponding estimates for Ireland by factors ranging from 1.23 in the case of VFRs to 3.11 in the case of the miscellaneous category. Finally, the

<sup>1</sup> Office of National Statistics, UK

<sup>2</sup> Eurostat

ONS estimate of average spending per day of UK visitors to Ireland at the equivalent of €71 exceeds the corresponding CSO estimate of €64.

Combining the UK estimates by geographical source market and weighting them according to the importance of the respective markets in Irish inbound tourism produces an overall estimate of spending per day of just over €94 which is 1.56 times the corresponding CSO estimate. To the extent that this is a reasonable indication of the extent of under-reporting in the Irish data, it suggests that the true level of revenue from overseas tourism may be around €4.7bn, or €1.7bn higher than the official estimate.

**Table 202: Estimates of Spending Per Day (€)**

	UK	Ireland	Ratio
<b>North America</b>	120.28	85.83	1.40
<b>Europe</b>	91.97	49.98	1.84
<b>Rest of World</b>	105.26	58.61	1.80
<b>Britain</b>	70.91	64.18	1.10
<b>Weighted average</b>	94.33	60.47	1.56

Sources: CSO and ONS

So, without making any other adjustment, there is a reasonable basis for supposing that total expenditure by tourists within the Irish economy could be as high as €7.1bn, considerably larger than the €5.4bn official estimate.

Secondly, the estimate for domestic tourism expenditure is based on a definition of at least one night away from home, thereby excluding daytrips. This contrasts with the practice used in the construction of *Tourism Satellite Accounts* where day-trippers are included, provided they meet certain criteria relating to distance travelled etc. This broader definition brings the scope of the tourism industry closer to, but still leaves it well short of being coterminous with, that of the hospitality sector.

What difference might the inclusion of day-trippers make? Again, turning to the UK data as an indicator, expenditure by domestic excursionists amounted to Stg£51bn<sup>3</sup>, compared with expenditure by domestic overnight tourists of Stg£23.5bn, a ratio of 2.2:1. Applying the same ratio to Ireland would suggest that expenditure by domestic excursionists was almost €3bn last year. This is in addition to the €1.35bn included in the official estimates.

Therefore, taking these two major sources of apparent understatement into account, the total expenditure by tourists in Ireland may have been in excess of €10bn in 2012, that is almost twice the official estimate.

<sup>3</sup> Office of National Statistics, UK



## 2.2 The relative size of tourism

The relative size of the tourism sector may be gauged with reference to a range of economic indicators. For example, on the basis of the official estimate, tourism expenditure in 2012 amounted to the equivalent of almost 7% of total consumer spending. On the basis of the estimate adjusted to reflect under-reporting of spending by overseas visitors and augmented by the inclusion of domestic day-trippers, this proportion rises to 13%.

Tourism is an export industry. Its export earnings in 2012 (approximately €4bn according to the official estimates, comprising €3bn of overseas revenue, €0.3bn of receipts from Northern Ireland visitors and €0.8bn of carrier receipts), amounted to 4.7% of the value of all exports of services and 2.3% of the value of total exports. These proportions rise to about 6.7% and 3.3% respectively when the overseas earnings figure is adjusted for under-reporting.

However, tourism is a very distinctive export industry. Its strong reliance on the domestic market<sup>4</sup> sets it apart from most of Ireland's other export industries which export the vast bulk of what they produce.

Another important respect in which tourism is distinctive is its low import intensity. In contrast to industries in the pharmaceuticals or information technology sectors, for example, where export earnings are heavily offset by imports of components, raw materials and services and by outflows of royalties, license payments and repatriated profits, tourism activity generates relatively low demand for imports and, being predominantly Irish-owned and controlled, does not give rise to significant profit outflows. As a result, there are strong linkages between tourism and the rest of the domestic economy, especially the agri-food sector.

Fáilte Ireland provides estimates of how overseas visitors spend their money when in Ireland. (It seems reasonable to suppose that the pattern of spending by domestic tourists is broadly similar.) More than 60% of the tourist budget is devoted to food, drink and accommodation, categories of expenditure in respect of which import penetration is likely to be low, and a further 7% to sightseeing and entertainment where imports are negligible. The areas of expenditure where import penetration rates are relatively high are internal transport (fuel) and shopping, but combined these account for no more than a quarter of the total.

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<sup>4</sup> 25% of receipts come from domestic sources according to the official estimates, a proportion that rises to 40% when domestic day-trippers are included, even allowing for the under-reporting of overseas earnings

**Table 203: Composition of spending by overseas visitors**

	%
<b>Other food and drink</b>	35
<b>Bed and board</b>	26
<b>Shopping</b>	15
<b>Internal transport</b>	11
<b>Sightseeing and entertainment</b>	7
<b>Miscellaneous</b>	5
<b>Total</b>	<b>100</b>

Source: Fáilte Ireland

The fact that the import intensity of tourism expenditure is relatively low means that the contribution of tourism to GDP is higher than it would otherwise be. Unfortunately, no official estimates of tourism's contribution to GDP are published for Ireland. This is because the CSO, unlike its counterpart in many other countries, including the UK, does not compile *Tourism Satellite Accounts (TSA)*.

However, a report commissioned by Fáilte Ireland<sup>5</sup> indicated that the output of tourism amounted to €4.6bn or 2.5% of GDP in 2007. Total expenditure by tourists in that year was estimated at €6.5bn, implying that about 70% of expenditure converted into output after allowing for imports and other leakages. The time series from 2002 to 2007 indicates that this relationship was a stable one.

**Table 204: Relationship between Tourism GDP and Spending**

	2002	2003	2004	2005	2006	2007
<b>Tourism GDP (€m)</b>	3,336	3,525	3,596	3,860	4,297	4,557
<b>Tourism spending (€m)</b>	4,838	5,028	5,102	5,437	6,068	6,453
<b>GDP/Spending (%)</b>	0.69	0.70	0.70	0.71	0.71	0.71

Source: Indecon Economic Consultants, Report for Fáilte Ireland (2009)

There is no compelling reason to suppose that the relationship between spending and GDP in the tourism industry has materially altered over the last five years. That being the case, total spending of €5.4bn in 2012 would have converted into output of about €3.8bn or 2.3% of GDP. If we adjust the spending figure to reflect likely under-reporting of overseas earnings, the estimate of tourism GDP rises to €5bn (3% of GDP); if we make the further adjustment to include domestic day-trips it rises to €7.1bn (4.3% of GDP).

By any of these measures, the tourism industry is now significantly bigger than construction. By all but the lowest measure, tourism emerges as significantly bigger than agriculture.

<sup>5</sup> Indecon Economic Consultants, Report for Fáilte Ireland (2009)

## 2.3 Employment

Two series are commonly used as barometers of employment in the tourism industry. One is the CSO series on employment in *Accommodation and food service activities* which recorded an average reading of 120,000 or 6.5% of the total at work in 2012. This measure includes all those working in hotels, guesthouses, restaurants, cafes, fast food outlets and pubs. It is not a satisfactory measure of employment in tourism: many of those who work in the entities covered do not owe their employment entirely to tourist activity. On the other hand, many people whose employment is dependent on tourist activity (such as some of those engaged in the transport sector or in the leisure or recreation sectors) are not included in this series.

The second measure is that published by Fáilte Ireland which is, in the words of the agency, “an estimate of all jobs in the tourism and hospitality industry based on past Fáilte Ireland surveys of business (full-time, part-time, seasonal/casual and not confined to main job)”. The Fáilte Ireland estimate for 2012 is 185,000. This estimate is wider in scope than the CSO’s in that it encompasses businesses engaged in tourism beyond accommodation and food services. However, as not all these jobs are entirely dependent on tourism, the measure is less than satisfactory.

In fact a satisfactory estimate of employment generated by tourism can only be arrived at in the context of a set of *Tourism Satellite Accounts* which, as noted earlier, are not compiled for Ireland. However, given an estimate of tourism GDP as a proportion of total GDP, we can extrapolate a reasonable estimate of tourism employment using previous analyses of this relationship as a guide.

The results of two such studies are summarised in the table below. The estimate prepared by Indecon for Fáilte Ireland estimated tourism-related employment of 77,300 (3.6% of the total at work) for 2007 on the basis of tourism GDP accounting for 2.5% of total GDP. Another analysis by Kenneally and Jakee<sup>6</sup> of data for 2000 estimated tourism employment of 136,700 (8% of the total) and a tourism contribution to GDP of 5.3%. An important difference between the two sets of estimates is that the latter analysis includes domestic day-trippers while the former did not.

**Table 205: Relationship between Tourism GDP and Employment**

	Tourism GDP (% of total GDP)	Tourism Employment (% of total employment)	Ratio EMP:GDP
<b>Indecon (2007)</b>	2.5	3.6	1.44
<b>Kenneally &amp; Jakee (2000)</b>	5.3	8.0	1.51

Source: Indecon. Kenneally & Jakee

<sup>6</sup> Kenneally Martin and Keith Jakee. 2012. “Satellite accounts of the tourism industry: structure, representation and estimates for Ireland” *Tourism Economics*, 2012, 18 (5)

Tourism generates a higher proportion of national employment than it does of national output. This is because average labour productivity in the sector is significantly lower than the economy-wide average. In this connection it is notable that the ratios of employment to output for tourism implied by the two studies is very close (1.44 and 1.51). In what follows we use the average of these two estimates to extrapolate the share of tourism in total employment for 2012.

The official data on tourism expenditure for 2012 suggest that tourism GDP accounted for about 2.3% of total GDP. This in turn, together with the ratio just discussed, suggests that tourism employment accounted for about 3.4% of the total in 2012, or about 63,000 jobs. That looks like a very small number when set against either the CSO or Fáilte Ireland measures.

However, if we revise upwards the overseas spending figure to correct for likely under-reporting, the tourism share in GDP rises to 3% and the sector's share in total employment increases to just over 4.4%. This would be equivalent to about 82,000 jobs. Finally, if we make the additional adjustment in respect of domestic excursionists, the GDP share rises to 4.3% and the employment share to 6.4%. This would imply tourism employment of about 118,000 in 2012.

It is entirely coincidental that this figure is close to the CSO estimate of employment in the accommodation and food services sector, but it might be interpreted as suggesting that the deficiencies of the latter as a measure of tourism employment noted above are very roughly offsetting. In assessing tourism's future economic contribution in Chapter 5, we use the 118,000 estimate for 2012.

### 3. Tourism performance – an overview

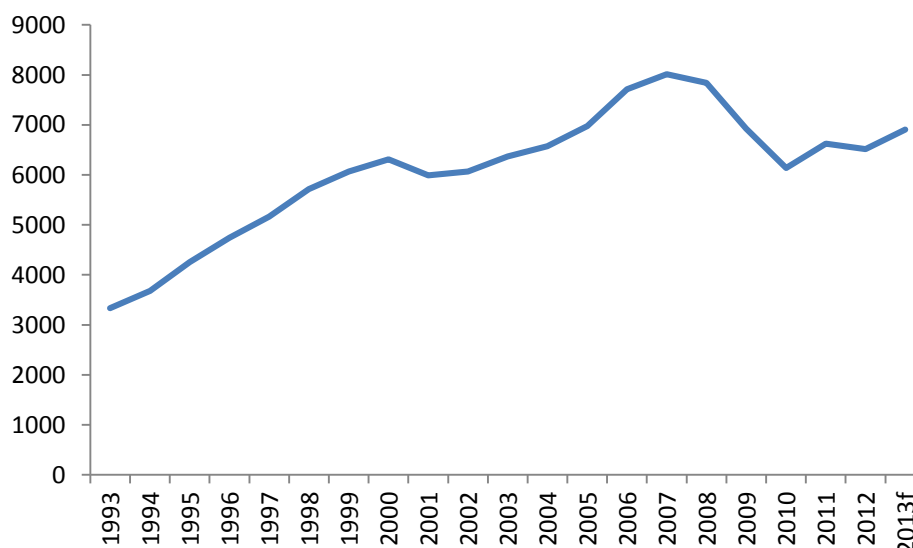
#### 3.1 Overseas tourism

##### 3.1.1 Visitor volumes

Irish tourism experienced rapid growth in overseas visitors throughout the 1990s, averaging +9.5% per annum. The foot & mouth crisis and the 9/11 terrorist attacks in 2001 resulted in a drop in demand but was followed by a period of growth of almost +6% p.a. to reach a record 8m visits by 2007.

2009 and 2010 saw a steep drop in the number of visitors followed by a modest recovery in 2011/12, which will be boosted by an expected 5% to 6% increase in arrivals in 2013. The outturn this year would represent the best result since 2010, although still over 1m below the peak.

Figure 3.1: Overseas Visitors 1993-2013<sup>(f)</sup> (000s)



Source: CSO

In economic terms overseas tourism has been in decline with the level of spend in the country down by almost 30% in real terms in 2012 compared to 2007. This reflects the downturn in volume demand, together with changes in the composition and patterns of the demand.

The recovery in visitors numbers since 2010 shows an uneven rate of upturn across markets and by purpose of visit. Holiday or leisure visitor have shown the strongest growth, followed closely by business visitors. In contrast the number of tourists visiting friends and relatives (VFR) has slipped since 2010, although this segment of the market looks set to record growth in 2013.

**Table 301: Visitor to Ireland 2008-2012**

Year	No. of visits <sup>1</sup> (000s)	Spend <sup>2</sup> (€ millions)	Avg. spend per visit (€)	Avg. length of stay (nights)
2008	7,288	3,834	526	8.1
2009	6,470	3,410	527	7.6
2010	5,700	2,976	522	7.8
2011	6,023	2,864	475	7.7
2012	6,039	2,882	477	7.4

Source: CSO

Notes: Due to methodological changes there is a slight discontinuity with pre-2009 data.

<sup>1</sup> Visits refer to staying at least overnight

<sup>2</sup> Est. spend for staying visitors excludes fares paid to Irish carriers

## Relative performance

Over the past 5 years Ireland has experienced a deeper downturn in demand and a slower recovery than aggregate tourist arrivals across Europe or compared to arrivals in Northern Europe and the UK, Ireland's geographic competitor region. Despite a relative disappointing performance in 2012, Ireland and the UK each look set to record a 5% to 6% growth in 2013, ahead of the aggregate outlook for Europe.

**Fig. 3.2: Change in Tourist arrivals 2007-2013(f)**



Sources: UNWTO, Visit Britain, CSO and ITIC

**Table 302: Change in annual tourism receipts - local currency in constant terms 2009-2012**

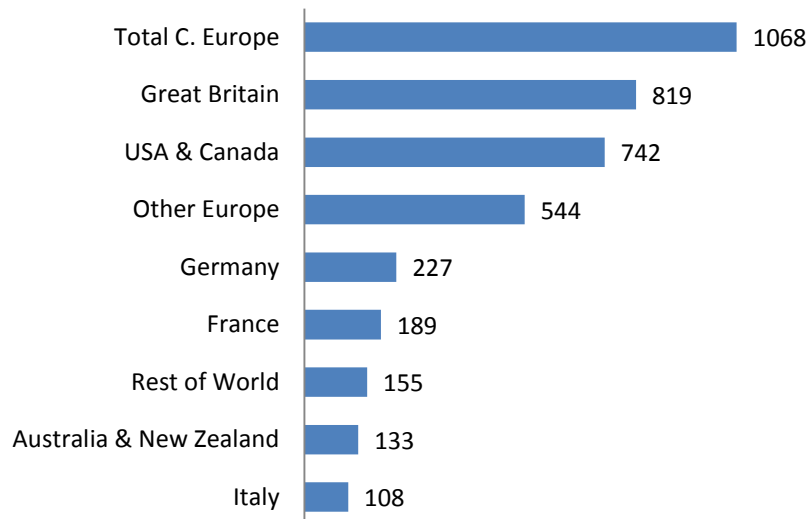
	2009/08	2010/09	2011/10	2012/11
Europe	-6.3%	0.1%	5.2%	2.3%
Northern Europe	-3.6%	3.3%	3.4%	5.2%
Ireland	-7.3%	-11.9%	-6.2%	-1.0%

Source: UNWTO, CSO and ITIC

### 3.1.2 Spend by overseas visitors<sup>7</sup>

Continental European markets are the most valuable, generating over €1 billion in visitor spending in 2012. British visitors spent €819m in the country, and North Americans spent €742m. Newer long haul markets from around the world accounted €288m in visitor receipts.

**Fig. 3.3: Expenditure by overseas visitors 2012 (€m)**



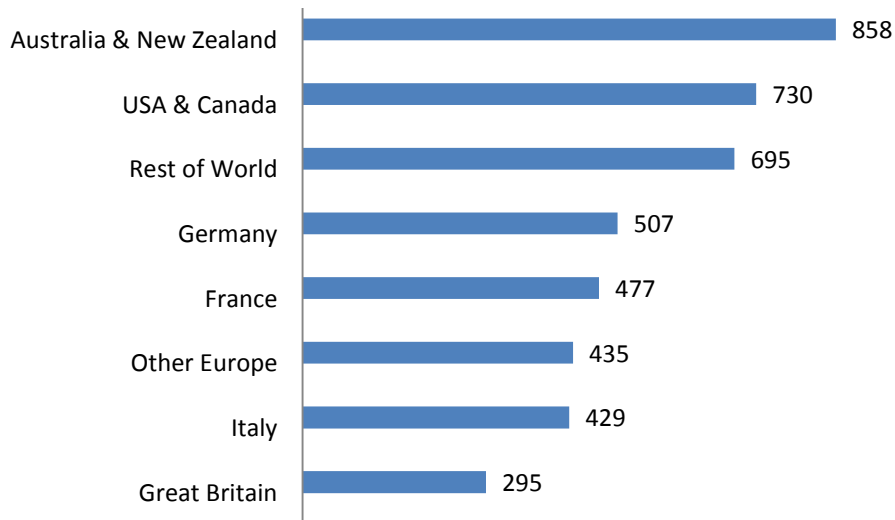
Source: CSO

On average a holiday/leisure visitor spent €534 in the country, with business and VFR visitors spending on average €447 and €323 respectively.

Visitors from long-haul markets are the highest spenders per trip, with Australians and New Zealanders topping the chart at an average of €858, followed by North Americans spending an average of €730. In the case of the former this reflects the longer average length of stay of visitors from down under, while North American visitors although staying for fewer days tend to spend more than other nationalities on hotels, transport and shopping. Visitors from mainland Europe, while staying for about the same length as North Americans, on average spend approximately a third less per trip. British visitors with shorter average stays in the country spent less per trip, an average of almost €300. However, the British visitor has the third largest per diem spend, and the volume of visitors from that market makes it the second highest earner for Irish tourism.

<sup>7</sup> The data being presented here is the official data and not data that has been adjusted to reflect likely under-reporting.

**Fig. 3.4: Average spend per visit 2012 (€)**

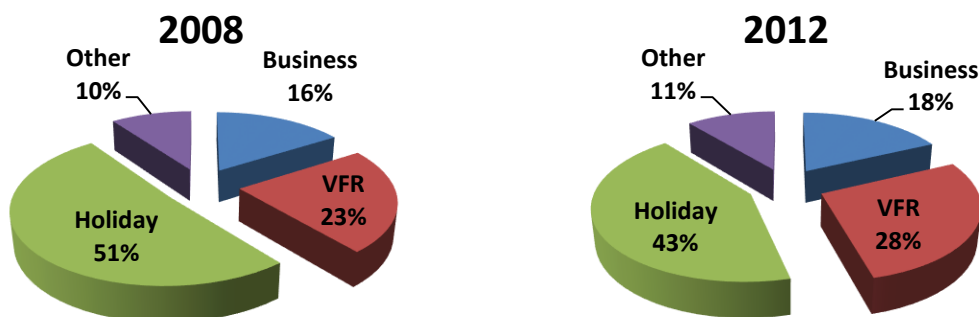


Source: Derived from CSO

### 3.1.3 Changes in composition of visitors by purpose of visit

Over the past 5 years holiday/leisure visits have not only declined in absolute number but also as a share of total visitors from just over 51% in 2008 to 43% last year, as Ireland has become relatively more dependent on VFR and business visitors during the economic downturn. However, the indications are that the holiday/leisure segment will have increased in absolute and share terms in 2013.

**Fig. 3.5: Overseas visitors by purpose of visit 2012 vs. 2008**

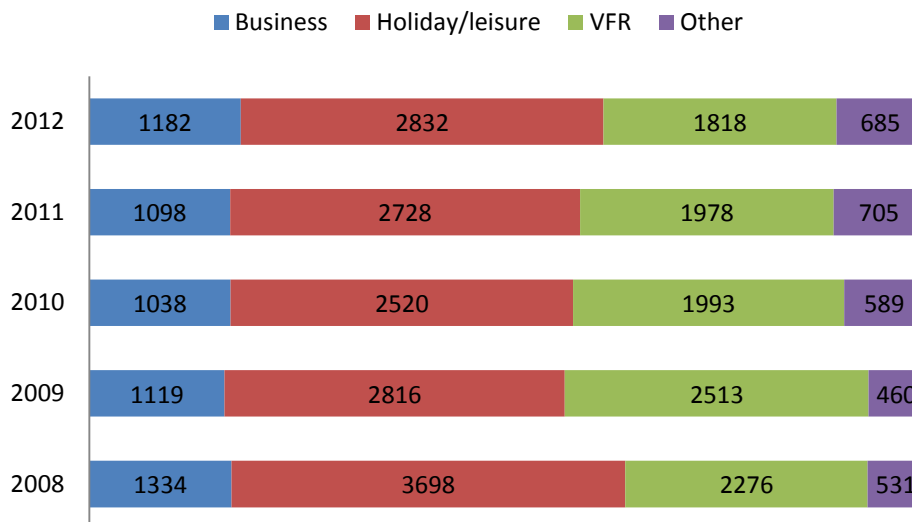


Source: CSO

In absolute terms, 2012 holiday visits were 24% below the 2008 level, while VFR and business visits were down 20% and 10% respectively.



**Fig. 3.6: Visitors to Ireland by purpose of visit (000s) 2008-2012**



Source: CSO

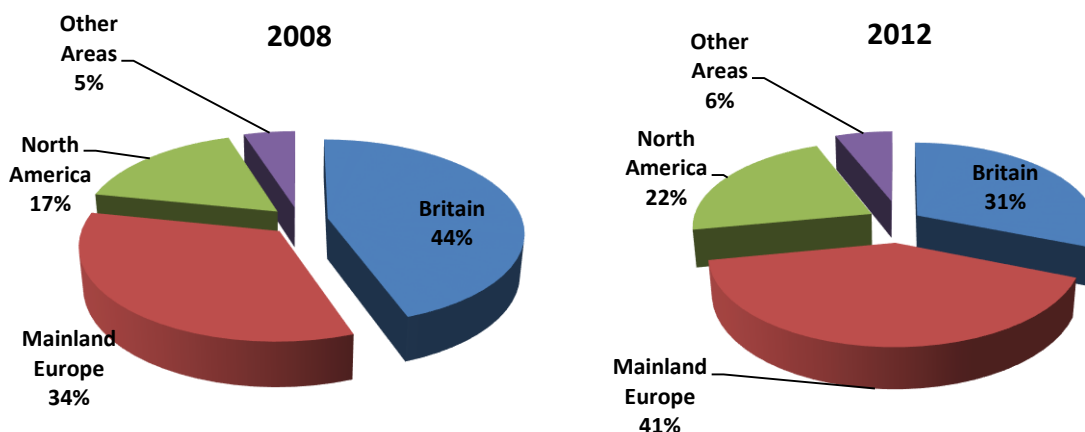
The main markets vary considerably in relative importance as sources of demand depending on the purpose of visit:

- Europe is the largest source market for holiday/leisure visits accounting for just over 40% of the total by volume, with a further 31% coming from Britain, 22% from North America and 6% for the rest of the world.
- VFR visitors are predominantly from Britain (62%), with 23% coming from mainland Europe, 8% from North America and 6% from the rest of the world.
- Business visitors are principally from Britain (50%), followed by mainland Europe (35%) and long-haul market (15%).

### 3.1.4 *Holiday/Leisure Visitors*

Over the past 5 years the source of holiday/leisure traffic has shifted with all markets beyond Britain increasing in relative importance.

Fig. 3.7: Source of leisure overseas visitors 2012 vs. 2008



Source: CSO

Holiday demand from long-haul markets has recovered to exceed 2008 levels, while mainland Europe is still marginally off the level of 5 years ago. The number of holiday visitors from Britain in 2012 was 45% below the 2008 level.

Table 303: Holiday visitors x source market 2008 & 2012

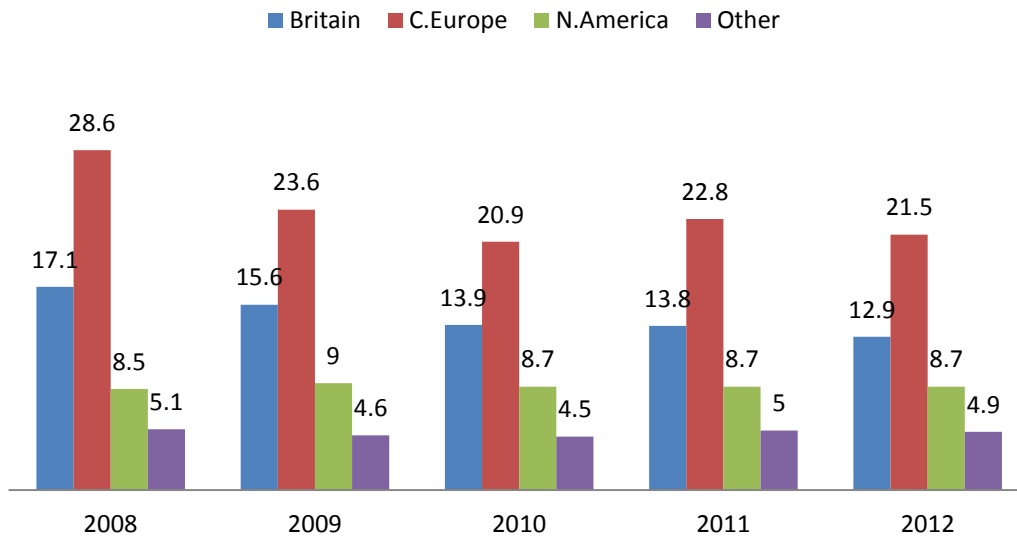
	2008	2012	% change
<b>Britain</b>	1,572,000	860,000	-45%
<b>Mainland Europe</b>	1,196,000	1,138,000	-5%
<b>North America</b>	596,000	610,000	+2%
<b>Rest of world</b>	161,000	167,000	+4%

Source: CSO

### 3.1.5 Recent trends in accommodation demand

The volume of bednights spent in the country has declined over the past 5 years, reflecting fewer visitors and shorter stays. This was just short of 48m in 2012, down almost 20% from the more than 59m in 2008. Despite some recovery in arrivals, bednights dropped back by 4% in 2012. Bednights from North America grew marginally over the 5 year period, in contrast to falling volumes from all other source markets.

**Fig. 3.8: Overseas visitor bednights (million)**

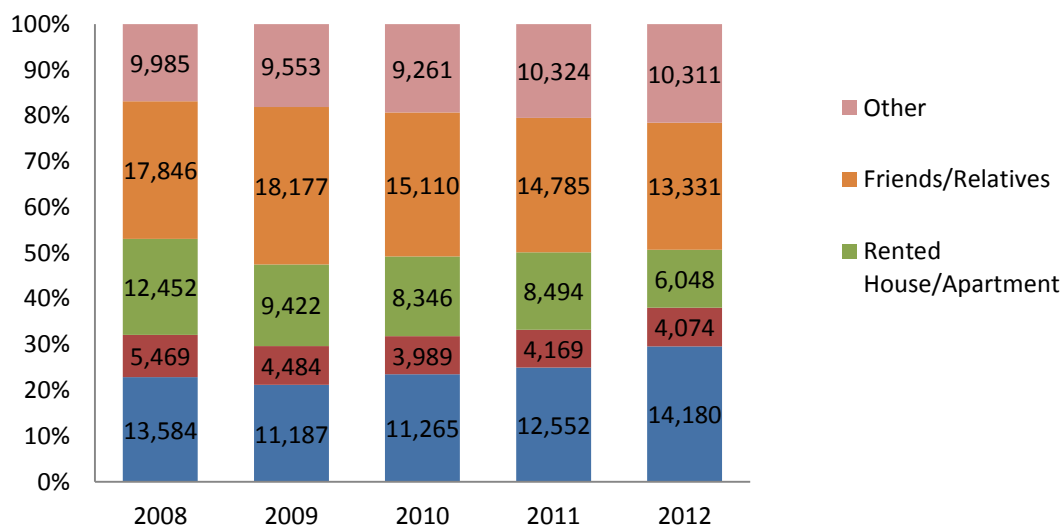


Source: CSO

Hotels have captured an increasing share of bednights, with a marked increase in popularity in 2012. The share of bednights spent in hotels has increased from 23% in 2008 to 30% in 2012. Hotels would appear to have won a larger share of holiday demand from overseas, presumably due to keenly priced positioning in the marketplace.

Within the paid accommodation sector guesthouses/B&Bs have managed to hold their share, although volume has slipped, while rented accommodation has suffered a significant loss of market share. Homes of friends and relatives continue to account for a sizeable share at approximately 30% of bednights.

**Fig. 3.9: Overseas visitor bednights by accommodation type 2008-2012 (000s)**



Source: CSO

Reflecting the shifts in demand by source markets, mainland Europe now accounts for almost two out of every five overseas bednights in hotels, with North America generating almost one in three bednights. Britain is now the source of just under one in four hotel bednights.

**Table 304: Source of hotel bednight demand 2008 & 2012**

	2008	2012
<b>Britain</b>	35%	24%
<b>Mainland Europe</b>	37%	39%
<b>North America</b>	23%	28%
<b>Rest of world</b>	5%	8%

Source: CSO

Based on other data sources the growth in popularity of hotels has been more marked in Dublin, based on a mix of business and holiday/leisure demand, compared with most other parts of the country. Regrettably the CSO data does not provide data on the distribution of bednights by region or a breakdown of demand within each accommodation category on a market by market basis disaggregated by purpose of visit.

## 3.2 Domestic tourism

### 3.2.1 *A vitally important sector of tourism demand*

The domestic holiday market grew dramatically with the growth in the number of short breaks taken in Ireland by Irish residents over the period from 2000 to 2008. Three out of every four home holiday trips are now short breaks, generating significant business for Irish hotels and restaurants. Many tourism businesses throughout the country rely heavily on the Irish market. The domestic market is especially important to businesses outside of the peak season generating year round demand and ensuring continuous employment and viability which could not be sustained by the overseas market alone. Irish hotels rely on the Irish market for approximately two thirds of annual room sales.

Over the period 2000-2008 the number of home holiday trips grew by 74% and expenditure more than doubled. However, the economic downturn over the past 5 years has significantly dampened demand for home holidays, although the downturn has not been as sharp as the drop off in overseas demand. The performance over the recent past would suggest that leisure breaks are firmly embedded in peoples' lifestyle. While the frequency of short breaks taken each year may have fallen, it has been partly compensated for by some substitution of leisure breaks taken at home rather than out of the country.

### 3.2.2 Recent performance

Expenditure on domestic trips has fallen from €1.56bn in 2010 to an estimated €1.34 billion in 2012. Of this total, holiday or leisure trips accounted for just under €785 million. Irish residents took just over 7 million domestic trips in 2012. Just under half of all domestic trips (48%) were for holiday, generating €785m in spending. Those visiting friends or relatives accounted for just over a third (33.8%) for all trips, spending €270m. The average length of trip was 2.9 nights, resulting in a total of 20.1 million bednights. An estimated 2.8m trips stayed in hotels, while those staying with family and friends accounted for almost 2.5 million trips.

**Table 305: Estimated expenditure by Irish residents on domestic travel 2010-2012 (€ million)<sup>8</sup>**

	2010	2011	2012
<b>Domestic Expenditure</b>	<b>1,560.5</b>	<b>1,415.9</b>	<b>1,345.4</b>
<b>Holiday</b>	971.9	864.9	784.8
<b>Business</b>	85.9	76.9	75.7
<b>Visiting friends/relatives</b>	270.5	265.9	269.6
<b>Education and training</b>	40.5	26.5	35.5
<b>Sporting events</b>	54.1	51.0	49.2
<b>Work/looking for work</b>	19.5	23.4	28.7
<b>Other<sup>1</sup></b>	118.1	107.2	101.9

Source: CSO

<sup>1</sup>Other includes health and medical, religious, shopping trips

The latest available data show that almost 1.7 million domestic trips taken in Quarter 2 2013, was up 0.5% when compared to the same period in 2012. Each trip had an average duration of 2.6 nights, resulting in a total of 4.3 million bednights. Almost half of all domestic trips (47.3%) were classified as holidays, while 36.5% were to visit friends or relatives. 700,000 domestic trips used hotel accommodation with 0.6m staying with family and friends.

Total expenditure on domestic trips in Quarter 2 2013 amounted to €298.5 million. Holiday or leisure trips accounted for €171.5 million, 57% of the total, while those visiting friends or relatives spent almost €66 million in the second quarter of 2013.

**Table 306: Domestic trips (000) 2010 - 2012 by purpose of travel**

	2010	2011	2012	2012 v 2011
<b>Holiday trips</b>	3,978	3,696	3,374	-9%
<i>long (4+ nights)</i>	1,151	1,040	780	-25%
<i>short (1-3 nights)</i>	2,828	2,656	2,594	-2%
<b>Visiting friends/relatives</b>	1,997	2,231	2,374	+6%
<b>Business</b>	370	350	322	-8%
<b>Other trips</b>	955	891	960	+8%
<b>Total</b>	<b>7,300</b>	<b>7,169</b>	<b>7,030</b>	<b>-2%</b>

Source: CSO

<sup>8</sup> The data being analysed here is the official data and not data that has been adjusted to reflect likely under-reporting.

### 3.2.3 Regions visited for holiday

The South West continues to be the most popular holiday destination for Irish residents, attracting 22% of trips in 2012 and catering to 27% of domestic holiday bednights. The South East (18% of holiday trips and bednights) was the next most popular destination followed by the West (16% of holiday trips and 17% of bednights).

Table 307: Regional distribution of domestic holiday bed nights 2010-2012 (% share)

	2010	2011	2012
<b>Dublin</b>	7	7	12
<b>East &amp; Midlands</b>	6	8	8
<b>South East</b>	18	20	18
<b>South West</b>	32	29	27
<b>Shannon</b>	8	10	10
<b>West</b>	19	16	17
<b>North West</b>	10	8	7

Source: Fáilte Ireland estimates

Despite an apparent increase in the share of leisure trips heading to Dublin, the domestic market continues to underpin tourism in each region of the country, with several regions more dependent on domestic rather than overseas demand.

The Dublin area is the largest geographic source market for domestic trips thereby ensuring continued demand for leisure to regions outside the capital.

### 3.3 Implications for policy

The experiences of the recent past performances – overseas and domestic demand – point to a number of policy considerations. These include:

- **Changing overseas visitor profiles and behaviour** is impacting the length of stay, experiences sought, services required and locations visited.
- **The economic environment in Ireland** and consumer confidence is having a seriously negative impact on domestic travel demand, a critically important component of overall demand for many tourism businesses.
- **St. Patrick's festival:** As events are increasingly driving tourism demand, especially in the domestic market, consideration might be given to establishing a fixed weekend holiday in March.

## 4. Ireland's competitiveness

### 4.1 Background

*"Tourism competitiveness for a destination is about the ability of the place to optimise its attractiveness for residents and non-residents, to deliver quality, innovative, and attractive (e.g. providing good value for money) tourism services to consumers and to gain market shares on the domestic and global market places, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way".*  
[OECD]

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Destinations have recognised the importance of competitiveness as an issue for tourism policy makers and entrepreneurs. The experience of Ireland's deepest tourism recession in its history over the past 5 years has amply demonstrated that the impact of the downturn in the global economy on tourism demand was exacerbated in the case of Ireland by a loss of competitiveness during the noughties. It further points up the ultimate impact of national economic policy responses on the competitiveness of a tourism destination in the marketplace. The latter has been demonstrated by the positive impact of economic policy decisions over the past three years. This has contributed to a reversal of the loss of competitiveness and in turn helped a turnaround in tourism demand over the past year.

Key indicators of competitiveness in tourism destinations include not only the measurement of tourism performance and impacts, but also the assessment of a destination to deliver quality and competitive tourism experiences. Critical to successful competitiveness is the appropriateness of policy responses.

### 4.2 Price competitiveness

#### 4.2.1 Trends in costs and prices, 1999-2007

Between 1999 and 2007, Ireland suffered a significant loss of competitiveness, as cumulative inflation rate (as measured by the EU HICP) rose by almost 32%, nearly 13 percentage points greater than the average of other Eurozone countries.

From the point of view of the tourism industry, this bald comparison considerably understates the scale of Ireland's competitiveness problem, as it takes no account of non-eurozone source markets, in particular Britain and North America which combined account for over 50% of overseas tourism receipts, nor does it adequately reflect the rising costs of the items on which tourists spend their money.

Between 1999 and 2007, the Irish inflation rate was well in excess of those recorded in the UK and US where cumulative increases in consumer prices were 13% and 24% respectively. Moreover, the resultant inflation differentials were significantly exacerbated by currency movements. From 1999 to 2007 the dollar lost almost 30% in value against the euro while sterling's value fell by 4% (each calculated on an

annual average basis). Measured in dollar terms therefore, Irish consumer prices increased by almost 70% between 1999 and 2007 (compared with a US inflation rate of 24%). Measured in sterling terms the increase in Irish consumer prices over the period was 37% (compared with the UK inflation rate of 13%). Over this period, the rate of price increase in respect of individual categories on which tourist spend their money was greater in Ireland than for either the eurozone or the UK, except in the case of alcoholic drink where the eurozone increase was greater. In respect of hotels and restaurants and the recreation and culture category, the margins by which the Irish increase exceeded those of the eurozone and the UK are especially marked.

**Table 401: Rate of price increases, December 1999 to December 2007<sup>9</sup>.**

(% cumulative)	Ireland*	Eurozone	UK
<b>Transport</b>	27.0 (46.1)	26.5	24.0
<b>Recreation &amp; culture</b>	24.0 (42.6)	3.4	-2.3
<b>Hotels &amp; restaurants</b>	46.5 (68.5)	27.9	30.4
<b>Alcohol</b>	30.4 (50.0)	35.8	16.2

Source: Eurostat

Note: \*The figures in brackets translate the price increases into sterling terms

Between 1999 and 2007, Irish hotels and restaurants faced much higher increases in costs than similar establishments elsewhere in the eurozone or in the UK<sup>10</sup>. This is especially marked in the case of the cost of utilities, but Irish labour costs also rose more rapidly than in the UK and, especially, the eurozone, while food prices rose almost five times more quickly in Ireland than in the UK. Given the importance of hotels and restaurants in the tourist budget, this unambiguously shows how input cost inflation was driving the rate of price increase in this important tourism sector.

**Table 402: Hotels & restaurants – changes in prices, 1999-2007**

(% cumulative)	Ireland	Eurozone	UK
<b>Hotels &amp; restaurants</b>	46.5	27.9	30.4
<b>Food</b>	22.7	22.7	4.6
<b>Utilities</b>	61.4	29.2	17.7
<b>Labour costs</b>	49.5	22.7	44.5

Source: CSO

<sup>9</sup> Comparable data for these categories are available only for EU member states.

<sup>10</sup> The rates of increase in food and utilities prices are calculated with reference to the corresponding components of the HICP. As such they reflect rates of inflation at the retail level rather than the rates of inflation experienced by commercial entities. However, the HICP data are the only data readily available on a cross-country basis. Besides, while they may not provide an entirely accurate measure of the rate of price increase experienced by commercial entities, they are likely to adequately capture the orders of magnitude involved.



#### 4.2.2 Trends in costs and prices, 2007-2012

Trends in tourism-related costs and prices have been very different over the past five years, with the trends of the preceding period considerably reversed. At the aggregate level, the Irish HICP was just 2.9% higher in 2012 than in 2007 (the index fell by a cumulative 3.2% in 2009-2010), whereas a cumulative inflation rate of 18% was recorded by the UK and a cumulative rate of 11% was registered in the eurozone and the US over this period. So, at this aggregate level, Ireland has recouped much of the competitiveness it had lost in the earlier period vis-a-vis the eurozone.

Over the period price increases in Ireland have been much more muted than elsewhere in the eurozone or in the UK. Remarkably, and helped by the reduction in the VAT rate from 13.5% to 9%, hotel and restaurant prices in Ireland were unchanged in December 2012 from their level of five years earlier, in contrast to the cumulative increases of 10% and 4% recorded over the same period in the eurozone and the UK respectively. Remarkably too, prices in the recreation and culture category in Ireland have fallen since 2007, though they have actually fallen by more in the UK. Sizeable increases in alcohol prices recorded in the eurozone and in the UK, outstripped the rate of increase in Ireland.

However, when Irish price increases are adjusted for the change in the sterling exchange rate, which declined by almost 13% against the euro over the period, it emerges that Irish prices (in sterling terms) across the four categories of goods and services increased significantly more rapidly than corresponding UK prices. Thus, what progress Ireland made over this period in slowing price increases relative to the UK in local currency terms was more than offset by unfavourable exchange rate movements.

**Table 403: Price increases, 2007-2012 (December to December)**

(% cumulative)	Ireland*	Eurozone	UK
<b>Transport</b>	6.7 (20.3)	13.9	9.9
<b>Recreation &amp; culture</b>	2.9 (9.4)	2.0	-8.5
<b>Hotels &amp; restaurants</b>	0.0 (12.7)	10.1	4.3
<b>Alcohol</b>	9.6 (23.5)	20.8	18.2

Source: Eurostat

Note: \* The figures in brackets translate the price increases into sterling terms

The pattern of price change in respect of hotels and restaurants would suggest that the ability to maintain prices at 2007 levels in 2012 had been facilitated by declines in food prices in the early part of the period, labour costs, together with cost absorption by businesses. The latter contributed in no small way to lower pricing or lower optimal profit thresholds, conditions very much in contrast to those that have obtained elsewhere in the eurozone or in the UK.

**Table 404: Hotels & restaurants – changes in prices and costs, 2007-2012**

(% cumulative)	Ireland	Eurozone	UK
<b>Hotels &amp; restaurants</b>	0.0	10.1	4.3
<b>Food</b>	-2.5	10.0	13.7
<b>Utilities</b>	4.8	16.3	15.0
<b>Labour costs</b>	-4.4	10.3	14.0

Source: CSO

#### 4.2.3 The current situation

Taking the period 1999-2012 as a whole, the rate of overall price increase in Ireland, as measured by the All Items HICP (35%), was close to the average for the eurozone (32%), and not dissimilar to those recorded by the UK (33%) and the US (38%). Thus, the significant increase in the Irish price level in relative terms that occurred between 1999 and 2007 was largely reversed in the following five years.

Looking at the categories of goods and services that dominate the spending by tourists, the picture is more mixed. In respect of the critically important hotels and restaurants category however, the pattern is broadly similar to that of the overall HICP: the zero change in Irish prices since 2007 has meant that most of the earlier and substantial increase relative to the eurozone has been unwound. The same cannot be said of prices in the recreation and culture category however, although some progress has been made here in reversing the previous trend. In general, Irish prices of tourism-related goods and services compare much more favourably with corresponding eurozone prices than five years ago.

The position *vis-a-vis* the UK is quite different. Here, the respective domestic rates of inflation since 2007 have been such that Ireland has more than reversed the substantial rise in relative prices that had occurred over the previous eight years in respect of most of the relevant categories of goods and services, but especially so in respect of hotels and restaurants. However, the decline of sterling has meant that what would otherwise have been an improvement in competitiveness has not materialised. Instead, in sterling terms, Irish prices have increased by more than their UK equivalents since 2007, exacerbating the deterioration of competitiveness that had already taken place at that point.

**Table 405: Eurostat Price Level Indices, 2007-2012**

	2007	2008	2012
<b>EU</b>	100.0	100.0	100.0
<b>Eurozone</b>	101.5	103.4	103.3
<b>Ireland</b>	124.2	129.8	115.2
<b>Finland</b>	119.8	120.9	124.1
<b>Luxembourg</b>	114.9	117.3	122.0
<b>France</b>	108.2	110.9	109.3
<b>Belgium</b>	107.6	110.5	109.6
<b>Austria</b>	102.7	105.3	105.9
<b>Netherlands</b>	102.2	104.2	108.2
<b>Germany</b>	101.9	103.7	102.0
<b>UK</b>	114.1	103.1	107.9
<b>Italy</b>	102.6	102.6	104.7
<b>Spain</b>	93.0	95.2	95.6
<b>Greece</b>	89.9	91.8	93.1
<b>Portugal</b>	85.8	88.0	86.8

Source: Eurostat

The battle to restore competitiveness has not yet been won. Despite the improvements of recent years, the overall price level in Ireland is much higher than the average for the eurozone or the EU as a whole. Irish price level was easily the highest in the eurozone in 2007 and 2008 and while relative inflation rates have somewhat changed the position, Ireland is still the third highest priced country in the eurozone, behind Finland and Luxembourg, and still 12% above the eurozone average. Of particular relevance from a tourism point of view is how the price level in Ireland (115.2) compares with France (109.3), Germany (102.0) and the UK (107.9).

### 4.3 Implications for policy

Price is not the only element of competitiveness (see below) but it is a very important element not least because of its measurability. What is clear from the review above is that the price competitiveness of the tourism industry is greatly influenced by factors outside the industry's control, factors that are rooted in government policy or in the broader macroeconomic environment.

Thus, the deterioration in the industry's price competitiveness in the period to 2007 was attributable in significant measure to what was happening in the broader economy and the inflationary environment created by an overheating construction industry. For a labour intensive sector, the rapid rates of wage inflation that characterised this period were particularly damaging. Likewise, the currency movements that took place were especially unhelpful to a sector whose cost base is primarily domestic and which, as a result, doesn't have much of a natural hedge in terms of significant imports of services or raw materials.

In the same vein, the improvement in the tourism sector's price competitiveness since 2007 owes much to the general economic environment, particularly evident in the fall in labour costs, and to government policy initiatives, most notably the reduction in the VAT rate from 13.5% to 9%.

Therefore a policy for tourism growth needs to address a number of cost inputs which are outside of the direct control of the sector but which are largely determined by Government. Specific cost inputs which impact on competitiveness include:

- **Labour regulation and resultant costs**, the level of taxation on employees and costs to employers continue to place tourism, a labour intensive industry, at a cost disadvantage compared to similar businesses in competitor European countries.
- **Local Authority rates and service charges** are a significant cost burden on the majority of businesses. The level of increase in rates has in most areas exceeded inflation in recent years, coupled with an expanding range of revenue generating measures being introduced by local government. In addition, the scale of local authority charges on seasonal tourism businesses is disproportionately severe in relation to their income generating potential.
- **Utility charges for SMEs** continue to be amongst the highest in Europe. In terms of electricity costs for SMEs, Ireland remains the fifth most expensive location in the euro area, with water costs in Ireland the 6<sup>th</sup> most expensive amongst the 15 countries benchmarked. Ireland ranks mid-table in terms of the fastest download speeds available to business, However, the cost of internet packages is the second highest amongst the countries benchmarked and higher speeds are available at a cheaper cost in a number of other European countries<sup>11</sup>.
- **Cost of compliance:** While recognising the recent reductions in compliance requirements, further reductions in time and cost associated with compliance could be achieved by streamlining processes and reducing regulatory obligations without diminishing public health and safety, endangering employee protections, or lessening consumer safeguards.
- **e-Government** and the expansion of online interface would further simplify administration thereby lowering costs, transparency and objectivity as well as ensuring a better 'whole-of-Government' interface with business in regard to regulation and compliance.

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<sup>11</sup> Forfas

## 4.4 Broader measures of competitiveness

There is more to competitiveness than costs and prices. The World Economic Forum's biennial Travel and Tourism Competitiveness Index ranks 140 countries on a composite of 79 indicators, distributed across 14 'pillars' of competitiveness. These pillars include regulatory framework, business environment and infrastructure, together with human, cultural and natural resources.

The 2013 analysis finds that Ireland's competitive position improved to 19<sup>th</sup> overall, compared to its 21<sup>st</sup> ranking in 2011, having fallen from 18<sup>th</sup> in 2009. In the European table, Ireland is currently ranked in 12<sup>th</sup> position.

The noted strengths driving Ireland's competitive advantage include:

- Regulatory framework (ranked 7<sup>th</sup>), including rules and regulations (4<sup>th</sup>); environmental sustainability (9<sup>th</sup>) and safety and security (12<sup>th</sup>).
- Tourism infrastructure (12<sup>th</sup>)
- Human resources (11<sup>th</sup>); and
- Cultural resources (29<sup>th</sup>).

The noted weaknesses placing Ireland at a disadvantage were reported to include:

- Price competitiveness (115<sup>th</sup>)
- Overall human, cultural and natural resources ranked 40<sup>th</sup>, with the limited number of world heritage sites adversely affecting the ranking.

Of interest to the discussion on policy Ireland is ranked:

- 28<sup>th</sup> in respect of 'transparency of 'Government policy making';
- 51<sup>st</sup> on 'comprehensiveness of travel and tourism data'; and
- 17<sup>th</sup> on 'timeliness of data'.

**Table 406: Travel & Tourism Competitiveness Index for top European countries**

Rank	2013	2011
1	Switzerland	Switzerland
2	Germany	Germany
3	Austria	France
4	Spain	Austria
5	UK	Sweden
6	France	UK
7	Sweden	Spain
8	Netherlands	Iceland
9	Iceland	Netherlands
10	Finland	Luxembourg
11	Belgium	Denmark
12	IRELAND	Finland
13	Portugal	Portugal
14	Denmark	Norway
15	Norway	IRELAND

Source: *Travel and Tourism Competitiveness Index*, The World Economic Forum (2013 and 2011)

### Implications for policy

Apart from addressing price competitive issues, already addressed in section 4.3 above, a number of other factors impacting competitiveness require attention. These include:

- **Upgrading of cultural and natural attractors**, including the expansion of World Heritage sites, with the aim of further improving visitor appeal and satisfaction.
- **Greater transparency** in respect of government policy.
- **Improved data** - quality and timeliness - to assist in decision making and performance assessment.

## 5. The horizon – growth opportunities

### 5.1 Tourism's future economic contribution

#### 5.1.1 A realistic growth ambition

##### 10m visitors by 2020

The growth scenario envisioned is one where the initiatives recommended in this submission are implemented, whereby the number of overseas visitors would grow at an average annual rate of 5.5% over the period 2012 to 2020. This rate of growth is achievable, given the right policies. The projected average rate of annual growth would lie between that achieved between 2000 and 2007 (3.5%) and between 1993 and 2000 (9.5%). The outcome would more than reverse the loss of market share sustained since the mid-noughties, and would result in total overseas visits reaching the symbolic 10 million level by 2020.

##### 8% real term growth in overseas visitor revenue

It is envisaged that the trend of falling expenditure per visit over the last decade could be reversed. This could be achieved by attracting a higher yielding mix of visitors and increased spending per visit. The former will be determined by the ability to attract a higher proportion of holiday or leisure visitors with an increasing share of this traffic coming from North America and other long haul markets. Securing an increase in visitor expenditure per trip will depend on attracting more holiday visitors from higher yielding target markets attracted by new and enhanced product offerings to stay longer. On the basis of a projected average increase in spending per visit in real terms of 2.5% per annum, coupled with a projected increase in volume of 5.5%, the net result would be an estimated 8% per annum real term increase in visitor expenditure.

##### Growth in employment

The output and employment implications of the growth scenario obviously depend in part on the performance of domestic tourism. The projections that follow are based on the conservative assumption that domestic tourism expenditure will grow at an annual average rate of 2% in real terms in the 2012-2020 period<sup>12</sup>.

**Table 501: Growth scenarios to 2020**

	Annual average growth (%)	Cumulative growth to 2020 (%)
<b>Overseas tourism revenue</b>	8.0	86
<b>Domestic tourism revenue</b>	2.0	17
<b>Total tourism spending</b>	5.5	52
<b>Tourism employment</b>	4.3	40

Source: ITIC

<sup>12</sup> This is in line with the growth rate of overall consumer spending projected by the ESRI in the Recovery Scenario developed in its latest Medium Term Review.

The combination of 8% growth in overseas business and 2% growth in domestic business produces total tourism spending growth of almost 5.5% per annum to 2020. With productivity projected to grow at 1% per annum<sup>13</sup>, the result is 4.3% annual growth in employment. This increases the numbers at work in the tourism industry to 166,000 in 2020, an increase of almost 50,000 jobs on the estimated 2012 level.

### 5.1.2 The risk of inertia – ‘do nothing’ scenario

One of the lessons of commercial history is that growth is not guaranteed even when the size of the market is increasing. What is true for individual enterprises is also true for a country’s tourism industry - market share can be lost as well as gained.

The market in which Irish tourism competes is expected to grow in the years ahead. UNWTO projections, for example, envisage an annual average rate of increase of 2.2% in international tourism arrivals in Northern and Western Europe in the period to 2020. However, if we define a baseline scenario as one in which there is no policy change (meaning *inter alia* no enhancement in product offering, no new marketing strategy and no further improvement in price competitiveness), it would almost certainly entail failure to match even this modest growth rate in terms of overseas visits.

Faced with inevitable innovation amongst our competitors and saddled with enduring price competitiveness issues notwithstanding the progress of the last five years, on a no policy change basis, Irish tourism would likely lose market share, as it has done since the 2007 peak. In the baseline scenario therefore, we project zero growth in overseas tourist numbers from 2012 through 2020.

Furthermore, as average spending per overseas visit has fallen at an annual average rate of 2.5% in real terms over the past decade, it can be assumed that without policy intervention that this trend would continue.

With zero growth in numbers, the implication of the assumption on spending per visit is that aggregate spending by overseas visitors would fall at an annual average rate of 2.5% over the period to 2020.

As far as domestic tourism is concerned, we assume 2% growth per annum, as in the growth scenario.

The combination of a 2.5% decline in overseas business and 2% annual growth in domestic business would mean that aggregate real tourism spending and, by extension, total tourism output would stagnate between now and 2020. Allowing for likely productivity growth (using the ESRI’s assumption of average annual growth in productivity of 1% for the period out to 2020), employment in tourism would actually fall by about 1% per annum over the period. As a result, employment generated by tourism would be 10,000 lower in 2020 than in 2012.

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<sup>13</sup> In line with the ESRI forecast for productivity growth in the services sector in its Medium Term Review



**Table 502: Alternative scenarios 2012 to 2020**

	Baseline Do nothing scenario	New policy Growth scenario
<b>Annual growth (% pa, 2012-2020)</b>		
<b>Overseas tourism revenue</b>	-2.5	8.0
<b>Domestic tourism revenue</b>	2.0	2.0
<b>Total tourism spending</b>	0.0	5.5
<b>Tourism employment</b>	-1.0	4.3
<b>Tourism employment</b>	108,000	166,000
<b>Employment change</b>	-10,000	48,000

Source: ITIC

### 5.1.3 Exchequer Benefits

The total tax take from tourism in 2012 was €1.3bn. This estimate from Fáilte Ireland is derived using official estimates of tourism expenditure. To the extent that the latter understates the true position, the tax estimate does too. On the basis of spending estimates that are adjusted to allow for under-recording of expenditure by overseas visitors and to include domestic excursionists, it is estimated that the tax take from tourism in 2012 was about €2.4bn or 6.5% of the total.

In the growth scenario it is estimated that tourism activity would be generating tax revenue of around €3.6bn by 2020, an increase of some 50% (in real terms) on the 2012 level. By contrast in the 'do nothing' scenario, tax receipts from tourism are projected to be little changed in 2020 from 2012. Of course, in each of the intervening years, the growth scenario generates more revenue for the Exchequer. Applying an appropriate discount rate and summing over the period indicates that the net present value of the two Exchequer income streams is of the order of €4bn.

## 5.2 The potential markets for growth

Based on a target to grow tourism over the period to 2020 in both aggregate volume and real term earnings by an average annual 5.5% and 8% respectively, the markets targeted for incremental growth must be those with the greater propensity to yield results in terms of volume and high value.

In volume terms Britain remains Ireland's largest source market for aggregate visitor volumes and is the second highest source of earnings after mainland Europe. However, mainland Europe is the source market yielding the greatest numbers of 'promotable' visitors – those coming for leisure, conferences and language tuition. Promotable traffic is the market segment susceptible to influence by destination marketing campaigns.

Long haul markets of North America and beyond, including travellers from the new emerging economies, are significantly higher daily spenders when visiting Ireland. The market from North America is expected to pass the 1 million mark in terms of aggregate visitors in 2013, while the other longer haul markets are growing fast from a much smaller volume base.

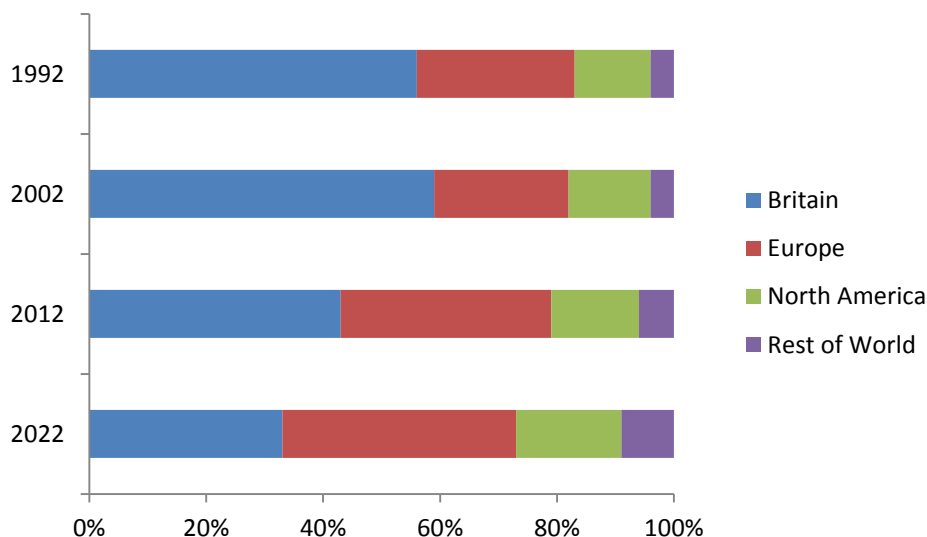
The conundrum for Irish tourism is how best to optimise the return on marketing investment across a spectrum of source markets which have not only varying volume to value and behaviour characteristics, but also have different product experience and service requirements. In addition, the marketing cost in terms of conversion to incremental increased sales varies significantly, depending on the stage of development of the market and promotional costs. Other factors at play in each source market include competition and ease of access. The challenge is how best to allocate finite resources for destination marketing to yield the best return.

The recently published reviews of the main source markets by Tourism Ireland clearly highlight the importance of effective market segmentation, to target those segments of each market with the greatest propensity to visit Ireland. The reports, based on a redefinition of segments to be targeted, set out goals for a modest recovery in the British market, with above average growth from the United States by winning market share of the transatlantic travel market, and points to the potential for more growth from the two top mainland European markets of Germany and France. The new developing markets for Ireland, including Australia and New Zealand, China and other Asian markets, the Middle East and Brazil all hold potential, but much of the potential is likely to be longer term as Ireland is not a top European tourism magnet for first time long haul travellers from these new source markets.

Ireland's market share position in the established outbound travel markets across Europe and North America is relatively small and hence offers an opportunity for growth. Being a small player in most of these markets presents the possibility of winning market share – a task much easier for a small share player than for a market leader. Other Irish export sectors have amply demonstrated the ability of a small niche player positioning to win impressive increased sales through market share gains. The Irish tourist industry, working with the tourism agencies, have the opportunity to gain market share thereby boosting arrivals and earnings at a rate well beyond the average outbound travel growth rates in individual source markets.

Winning market share to produce the growth rates being proposed over the next six years will require some re-allocation of resources and an up-skilling of marketing techniques including digital marketing competencies across the industry. Allocation of marketing budgets must in future focus on the best incremental rate of return, i.e. which markets will yield the best revenue return on each additional euro invested in destination marketing? A critical influence on the decision will be product readiness and market fit of the experience being offered and availability of competitively priced access from each market. In respect of the latter, while much has been made of the fast growing volumes of outbound tourist from new emerging markets, in particular China, Ireland has considerable challenges in the short term in gaining any appreciable volumes from these markets. Therefore, while it is prudent to maintain a foothold in the new emerging markets for the prospect of future growth, it is unlikely that any major shift of resources in the short term would yield the return which is more immediately available to Ireland in many of the source markets in Europe and North America.

Fig. 5.1: Composition of overseas visitors to Ireland by source market



Source: ITIC

### 5.3 Implications for policy

- **Value and volume:** The medium term goals should be to optimise the balance between volume and value by concentrating resources in maximising return on investment and delivering the greatest economic benefits.
- **Destination marketing:** State investment in destination marketing is critical to success in an increasingly competitive global marketplace. Spending public monies on destination marketing is justified on the basis of market failure and can be shown to yield impressive returns.
- **Allocation of marketing resources:** Key to success will be the effective allocation of marketing resources to optimise the return on investment. A clear prioritisation is required to ensure that the resources are allocated against a set of goals in order to win market share in contestable market segments in the short to medium term, while investing in potential longer term growth from new emerging markets. The primary goal in allocating resources should be value driven.
- **Measuring effectiveness:** Performance data as currently available is inadequate to provide a robust basis for measuring effectiveness, particularly in assessing value rather than volume. (see Chapter 9).

## 6. The tourism experience

### 6.1 Investment in delivering the experience

Product differentiation, innovation, and investment are key factors in maintaining a competitive positioning for Ireland in the international marketplace. Experience elsewhere would point to these factors as delivering unique visitor experiences, driving market share gains, and increased added value of tourism. It also develops high value segments to sustain profitable businesses and deliver broader economic benefits.

To remain competitive internationally, product development and investment in tourism assets and products needs to be actively encouraged. Ireland's products must keep pace with changing tastes and global competition. Competitor destinations are investing in memorable new attractions. There is an ongoing need for long-term focused investments in product renewal and innovation. Failure to renew and innovate will result in a decline in demand and a falling price point.

The appeals of Ireland are firmly based on natural assets, cultural heritage and people. Research clearly demonstrates that the largest target market potential for Ireland are those visitors broadly seeking an authentic cultural experience. Increasingly the market is seeking authentic experiences.

The shift in share of demand to Dublin at the expense of the rest of the country, including the iconic western seaboard, needs to be addressed. The Wild Atlantic Way is a significant development which will capture the imagination and provide a compelling reason to visit. Ireland needs more compelling attractors to ensure that visitor demand will continue to grow and traffic is attracted to areas outside of the main tourism hubs.

Despite the importance of tourism ***Our Sustainable Future - a Framework for Sustainable Development for Ireland<sup>14</sup>*** contains only a few references to tourism. This is despite the initiatives pioneered by Fáilte Ireland and other stakeholders. For example, Ireland has been at the forefront in the development of sustainable tourism indicators which have been produced by a research team from the Dublin Institute of Technology with support from the Environmental Protection Agency. This tool now provides a practical and pragmatic suite of indicators for monitoring sustainable development and mitigating impacts on tourism destinations.

Tourism, in common with other sectors of the economy, faces the challenge of how best to achieve a more mutually supportive interface between environmental protection and economic development, while also ensuring that the approaches to tourism development are socially sustainable.

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<sup>14</sup> Department of the Environment, June 2012

### 6.1.1 *Natural attractors*

Ireland's scenic beauty and natural resources are a significant component of appeal and top of mind image of the destination. The state invests considerable sums in maintaining these natural advantages. Improved accessibility, facilities and interpretation provide a reason to visit and a competitive edge.

- **Greater coherence in policy decisions** and co-ordination of existing supports for the natural heritage from the state through government departments, local authorities and tourism agencies is essential.

### 6.1.2 *Cultural infrastructure*

State investment in developing and maintaining a range of cultural attractors benefits tourism in expanding the appeals of the destination, as well as deepening and broadening the visitor experience.

The state investment in the maintenance and management of cultural heritage assets entrusted to it, forms an important component of tourism infrastructure, which could be further leveraged to generate new tourists as well as enhancing the visitor experience.

The strategy of investing in upgrading the interpretative experience at the country's major day visitor attractions is welcome and is worthy of continuance.

- **Improved access to state owned tourism facilities** operated by the state would enhance the tourism experience.
- **Expansion of Irish locations** in UNESCO World Heritage sites.

### 6.1.3 *Activities*

A characteristic of the developed source markets is an increasing level of participation in leisure activities, including walking, cycling, golf, fishing, etc. For many this can be the prime motivator to visit Ireland while for others it is a recreational activity option while on holiday here.

Investment by the state in walking and cycling trails, such as the Western Greenway and the series of long distance and looped walks are excellent infrastructure for attracting new visitors. In addition the investment by public authorities in infrastructure and amenities for other activities such as fishing and the marine has considerably expanded the tourism potential. It would appear that the supply of golf courses to meet tourism demand is adequate for the foreseeable future.

- **Niche market experiences**, based on robust market research and return on investment criteria, should be encouraged and supported to broaden the range of appeals and experiences on offer to attract new visitor segments.

#### 6.1.4 Event tourism

Attendance at events is a growing determinant of travel. This has been amply demonstrated in the success of The Gathering and other events, such as the American Football game, in recent years.

Many destinations are pursuing event driven policies and strategies as the driver of growth in tourism.

The success to date of major events would suggest that event tourism should form a larger component of any future strategy supported by appropriate policy interventions.

- **Marquis events:** The staging of major events capable of attracting large numbers of new visitors, and a strategy of designation of year-long major events, such as The Gathering, should be supported by policy

#### 6.1.5 Marine Tourism

Marine resources form a valuable component of the appeals and experiences of tourism in Ireland. As an island destination the maintenance and development of the marine resources contribute to the enhancement of the Ireland brand identity and reputation abroad. Marine leisure and heritage are not only valuable components of the Ireland experience but can also be a major contributor to the sustainable regeneration of coastal communities and their environments.

- **Marine and coastal policy:** ITIC fully supports the specific identification by Government of marine and coastal tourism as a development priority to provide Ireland with a distinctive competitive advantage. The development of the marine resource for tourism is at times hindered by the absence of integrated coastal zone management plans to balance the needs and aspirations of tourism and other stakeholders. In addition, the current fragmented, and at times confusing, licensing and planning regime needs to be addressed.
- **Good water environmental standards** are essential to maintain a clean green image of Ireland. Measures to promote clean beaches and top water quality, such as Blue Flag status, should be supported, as well as protecting the environmental quality of the marine and inland waterway.
- **Inland cruising:** An effective image maker attracting a valuable niche market can make a greater contribution to tourism in rural areas. Policy needs to address infrastructure deficiencies together with business viability issues.
- **Offshore energy:** The regulation and management of offshore alternative energy and oil exploration must take into consideration the potentially negative impacts on scenic quality and aspects of the tourism experience.

A particular challenge is the ongoing financial ability of relevant agencies to sustain existing coastal and lakeside facilities, including beaches, car parks, toilets, signage and interpretation.

### 6.1.6 Dublin as a key attractor

Dublin has increasingly become the destination of choice for growing numbers of visitors to Ireland, as well as steadily growing its share of domestic leisure demand.

Dublin is fast becoming the principal and, in many cases, the sole destination for increasing numbers of visitors to the country. Dublin now accounts for almost 45% of the country's foreign tourism receipts. The tourism potential for Dublin is being limited by inadequate marketing investment of the city at a time when popularity of urban tourism continues to grow, access services are increasing, and the city region's tourism infrastructure has the potential to accommodate more tourism. ITIC's recent report '*Capitalising on Dublin's Potential*'<sup>15</sup> clearly identified the market opportunities which exist for the capital. These are now driving the agenda of the Grow Dublin Taskforce which is in the process of rebranding Dublin, together with an action plan for implementation. Marketing investment proportionate to Dublin's relative importance and increasing potential is required if the capital and the country are not to lose out on opportunities and risk a loss of share in some key source markets.

- **Prioritising Dublin as a tourist destination:** Market trends and recent experience point to an as yet unrealised potential of the capital as tourist destination, which requires continued investment in product and marketing.

### 6.1.7 Business tourism

Discretionary business tourism – conferences and incentive travel – continues to be a valuable and growing segment of demand for Ireland. The discretionary business visitor has been shown to spend well above the average tourist, consuming high end products and with demand spread throughout the year. The particular marketing focus on this sector in recent years has paid dividends and the opening of the purpose built Convention Centre Dublin (CCD) has considerably improved the product offering and attracted new segments of this highly competitive international market. Research indicates that Ireland has the potential to further grow this important segment of tourism demand.

- **Ireland's competitiveness:** Government policy should ensure that Ireland is not competitively disadvantaged in attracting this valuable business traffic. Specific competitive issues include the reclaiming of VAT on legitimate business expenses for those attending conferences and incentive travel trips, and visa facilitation for high earners attending conferences - facilities that are available in other destinations.
- **2<sup>nd</sup> convention centre for Dublin:** In the light of the success of CCD, consideration should be given to the development of a second purpose designed conference facility in Dublin to provide

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<sup>15</sup> ITIC, June 2012

conference organisers with competitive options and to position the capital as a top convention destination.

### 6.1.8 Shopping

Shopping is one of the most popular activities for overseas visitors to Ireland, accounting for an estimated 15% of visitor expenditure in the country. It is estimated that overseas visitors spent upwards of €450 million on shopping in Ireland in 2012. Tourists tend to shop for distinctive Irish crafts and merchandise, clothes and accessories together with souvenirs. The propensity of tourists to shop while visiting Ireland varies by market, with Americans and travellers from some of the emerging economies, most notably China and Brazil, are amongst the top spenders on shopping. Visitors from outside the European Union are able to reclaim VAT on goods they purchase to take home with them provided that they comply with the certain conditions.

- **Irish made merchandise:** In view of the high incidence of shopping by visitors and its value, the policy should encourage the optimisation of potential sales for quality Irish made merchandise to maximise the economic benefit of the activity.

## 6.2 Visitor accommodation

### 6.2.1 Hotels

The recent recovery in demand has resulted in higher achieved occupancy and higher average achieved rates for hotels in the main tourism hubs. This has been most marked in Dublin, Killarney/Kerry and the Galway area.

While the hotel debt overhang remains, there has been considerable movement in the sale of assets in the main hub areas, although significant excess supply still remains in areas where the development was not demand driven.

With the increase in occupancy and the upward trend in demand, particularly for central Dublin City, there is now a requirement to ensure investment in new stock for delivery in 2 to 4 years time. Expansion of hotel stock in popular tourism areas given demand trends and economic conditions can be expected to be better matched to projected demand rather than driven by tax incentives.

However, the sector continues to face considerable challenges, including the absence of a properly functioning banking system with access to credit for viable businesses. The lack of credit for repairs, refurbishment and upgrading of plant is a particular difficulty for hotels. The downside of a continued lack of re-investment will inevitably lead to fall in demand and in asset values.



- **A fully functioning banking sector:** Government policy needs to ensure a vibrant banking sector which can engage with viable hotel businesses to facilitate demand led expansion.
- **Role of interventions/concessions:** Any future interventions/concessions for the sector should be linked to a robust analysis in respect of location, projected demand, and economic viability.

### 6.2.2 *The B&B sector*

The homestay accommodation sector, which for many years has been offering a distinctive holiday experience to overseas visitors, is in serious decline. The sector's market share has collapsed from 30% just over 10 years ago to approximately 15% today. The number of premises offering B&B accommodation has contracted due in part to economic and market trends, but also exacerbated by an aging operator profile. The sector has made an invaluable contribution to the image and experience of Ireland and now faces significant challenges if it is to survive.

- **Survival strategy:** There is an urgent need to design and implement a survival strategy that can arrest the decline and possible extinction of the B&B as a tourism product.
- **Unapproved B&Bs** continue to represent an issue for the sector giving rise to unfair competition and potential to damage the image of the sector which requires a policy response.

### 6.2.3 *Caravan & Camping*

The sector caters to a segment of the market which has been identified as having the potential for further growth, with innovations such as glamping. The viability issues impacting the sector include seasonality and local authority regulations in respect of planning and environmental considerations. The sector continues to view oversight of operational standards and overall quality rating which take account of changing consumer trends and behaviour as important marketing tools. A series of recommendations from a review of the sector, recently carried out by Fáilte Ireland, has yet to be implemented.

- **Regional distribution of tourists:** The sector has the potential to play a greater role in achieving the goals of regional distribution of tourist flows and the focus on catering to more outdoor activity holidays.
- **The role of local authorities** in facilitating businesses in this sector, including addressing the issue of illegal sites, is critical to ensuring a good quality experience.

## 6.3 Catering

While food, as a necessity, has always been a component of tourism, experiencing local foods and beverages which express creativity and embody cultural and individual destination identity has become a sought after travel experience in recent years. The sensory attributes of food enable consumers to feel a deeper level of experiencing a destination and its distinctive culture. Restaurants, pubs, cafes, festivals, cookbooks, grocery stores, farm shops and markets, cooking classes and demonstrations all provide a tangible experience in many instances linked to the unique cultural heritage of a destination. Food with a focus on local produce, including traceability, strategically complements the increasing interest in sustainability and a growing environmental consciousness amongst consumers. Several destinations around the world are now synonymous with food and beverage tourism.

Ireland has the opportunity to position food as a driver of gaining market share and increasing visitors, both international and domestic, together with increasing revenues, employment and other national policy objectives such as regional distribution. The retention of the reduced rate of VAT is a considerable benefit to assisting Ireland to become more competitive.

- **Agri-food and tourism:** At a policy level a deepening of the association and collaboration between the agri-food and tourism sectors, Ireland's largest indigenous sectors, is capable of delivering significant economic benefits.
- **Integrated oversight:** The competitiveness of the food service sector would be improved by a smarter and more integrated approach on the part of the state authorities and agencies in the implementation of an oversight of food safety and other regulatory requirements.
- **Excise Duty:** A reduction in the current rate of Excise Duty would encourage more spending by tourists.
- **Obesity:** Government policy on obesity should focus on awareness programmes, rather than on taxation of particular foods and beverages.

## 6.4 Quality assurance

International best practice would suggest that state involvement in quality assurance programmes by way of legislation and regulation is more characteristic of developing destinations. In practice the need for state intervention by way of specific tourism approvals systems diminishes as destinations and their industry matures.

Comprehensive standards to safeguard the consumer and employees are now in place through EU and national regulations governing health, safety, specific products and services and consumer rights.

- **Consumer peer group review:** Travellers' decisions are increasingly being guided by peer group reviews and distributors' quality classification. This raises question of necessity of the continued role of the state in approval and grading systems within the tourism sector.

## 6.5 Industry supports

The past decade has forced the industry to change its business models to survive and while unfortunately there have been many business failures, the difficult trading environment continues to present challenges for the sector.

Fáilte Ireland has in recent years re-engineered its programmes of supports for the sector to meet the changing needs of businesses, a move welcomed by the industry.

As a maturing industry in a fast changing trading environment the support needs of the sector continue to evolve. This is especially true for SME's and micro-enterprises, the majority of enterprises engaged in tourism and hospitality. Areas of support identified include finance and funding; IT and e-marketing competence; and market entry strategies.

It would appear that tourism businesses are in some instances disadvantaged compared to other export sectors in the range and level of support available. The range of supports provided to other export sectors, through Enterprise Ireland, are not available to tourism businesses. Examples would include support for IT development; start-up investment; market entry programmes; product R&D; test marketing; and most recently, access to the €125m fund for SMEs under the government's capital development scheme.

- **Support for tourism as an export sector** with significant growth potential. The sector would benefit from a re-assessment and prioritisation of the allocation of resources for support services provided by the state. The benefit of including tourism in mainstream supports for export sectors of the economy should be evaluated. The sector should have access to supports for R&D and IT development as is the case with FDI and export sectors.

## 6.6 Implications for policy

In addition to specific issues cited above which require a policy response, the following overriding considerations are listed to ensure that Ireland can continue to effectively compete in the international marketplace by delivering visitor focused experiences.

- **Long term focused and market driven investment** defined by policy would encourage and facilitate product development and new tourism experiences. The primary focus needs to be on unique and enriching experiences closely allied to our natural and cultural heritage.
- **Sustainability:** Policy must take cognisance of sustainability as a fundamental keystone of the development of Irish tourism. This recognition should promote the adoption of indicator led approaches to tourism development, thereby ensuring that future planning for Irish tourism at a regional and local destination level is undertaken in a truly sustainable manner.
- **Tourism investment** should not be disadvantaged compared to incentives and supports available to FDI and other sectors. Investment incentives should be selectively targeted to ensure best 'market fit' and sustainability. Universal incentives have been proven to lead to distortion in the market.
- **Access to credit** continues to be an urgent need of the sector, for capital investment and seasonal cash flow. Consideration should be given to the creation of a venture capital style investment fund for innovative businesses in the tourism sector.
- **Government regulatory policy**, in areas of taxation, planning and regulation, if not tourism tested, can act as a disincentive to investment and product development.
- **The island of Ireland:** As the island of Ireland is marketed as a single destination, the policy issues surrounding investment in tourism in each jurisdiction need to be co-ordinated to provide for an integrated development strategy which delivers a complementarity of experiences based on common regulation and standards.

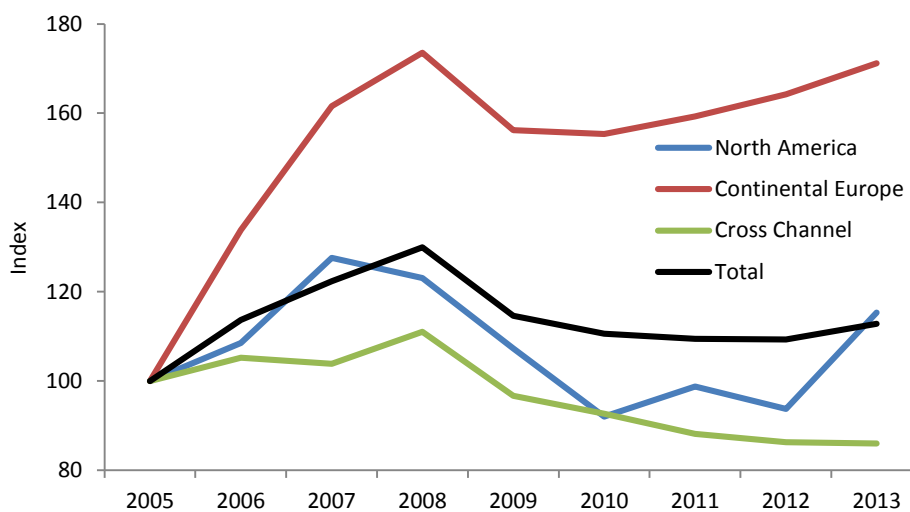
## 7. Visitor infrastructure & facilitation

### 7.1 Air services & airports

#### 7.1.1 Air services - current context

Air services are a critical enabler of inbound tourism to Ireland. Over 80% of visitors, and over 90% of holiday visitors, now arrive by air. During the summer Ireland is connected with over 200 city pairs on more than 4,000 flights per week.

**Fig. 701: Summer scheduled air service capacity by main route groups 2005 – 2013 (Index 2005=100)**



Source: TTC air access database

The development of air services, including regulatory liberalisation, over the past three decades has have been the driver of considerable increases in tourism to Ireland. Visitors to Ireland have benefitted from reductions in travel time, increased availability and frequency of services, improved scheduling, and better overall convenience. In addition, regulatory liberalisation has led not only to improvements in connectivity but also a drop in airfares. New routes and increased frequency of competitively priced air services have opened up new geographic source markets as well creating demand from sub-segments of the market. 'Open Skies' on the North Atlantic, has enabled Ireland to capture an increased share of travel from the US to Europe on the back of increased air services. Most recently the launch of services to the Middle East has been instrumental in changing long-haul travel patterns as well as opening up new potential markets. Continued competition in the airline sector is important in generating the dynamic to grow and develop new services. Overall airline global alliances and code share partnerships are of increasing importance in providing connectivity, particularly from long-haul markets.

Continued development of a strongly performing access air services network to/from Ireland is necessary to sustain and grow a profitable tourism sector. Ireland with a relatively small and finite home based demand for travel crucially depends on inbound demand from business and leisure travellers to sustain the network of air services to/from the country. A significant component of airline and airport receipts is attributable to inbound visitors. Irish airlines and airports currently derive an estimated €700+ million income each year from inbound visitors.

The zero rating of the Air Travel Tax in the recent Budget, with effect from April 2014, is universally welcomed by the tourism industry. The decision has already resulted in the launch of new routes and additional services for summer 2014. The removal of the tax will help to further improve the competitiveness of Irish tourism.

### *7.1.2 Policy issues and proposals*

While the European Union has competence in relation to air transport and has been responsible for a significant body of legislation and regulation in recent years governing the provision of air services within the European Union and external trading arrangements with third countries, there are a number of policy issues within the competence of the Government. These include:

- **Aer Lingus:** A key policy issue is the State's shareholding in Aer Lingus and the future ownership of the airline. As the provider of the broadest range of connectivity Aer Lingus plays a vital role in Irish tourism.
- **Competition:** As an island destination ensuring the continuation of at least two large Irish based airlines providing a broad range of services is essential for the future of tourism. The loss of a home based carrier of size would be detrimental to the interests of tourism and would significantly reduce the connectivity with a contraction in the range of direct services and/or lead to uncompetitive pricing.
- **Sustainable route development:** Ireland needs to have clarity of policy on sustainable route development and, within the limits of EU directives, a co-ordinated approach to incentives and supports. Considerable funding and incentives are currently expended by a range of stakeholders - state owned airports, tourism agencies, local authorities and other state agencies and funding bodies - for route development. A more joined-up approach by the state sector in strategically targeting and supporting new route development and/or airline market entry is required based on more robust economic benefit analysis.

### *7.1.3 Airports – current context*

From a tourism perspective Dublin Airport is the dominant gateway providing the greatest range of air services and catering to the largest number of inbound tourists, irrespective of destination within the country. The increasing concentration of capacity and demand at Dublin Airport is a logical strategic development and is expected to continue to provide the broadest range of viable year round connectivity to the greatest number of markets. Cork Airport is a valuable gateway for short haul inbound tourists to the country's most popular tourism destination of Cork and Kerry, while Shannon Airport continues to be an important gateway for transatlantic traffic and has further opportunities to develop short haul services. The recent announcements of new routes and expanded frequencies will help recovery of tourism to the western seaboard.

The absence of policy led to the development of a more than optimum number of regional airports in Ireland relative to the size of the market for inbound and outbound air travel. The recent reduction in the number of regional airports, while a loss to the local business and resident communities, is unlikely to have had any material impact on inbound tourism. The regional airports at Kerry and Knock continue to provide convenient access for tourism to the western seaboard, with the latter airport currently providing the larger range of services and airline choice. The decision by Government to discontinue financial support for regional airports is welcome and ITIC subscribes to the view that future of regional airports need to be based on operational viability and an ability to invest.

### *7.1.4 Implications for policy*

The role of the State in providing essential aviation infrastructure is recognised and is justified on the basis of aviation being an engine of economic growth. The following policy proposals are presented for consideration:

- **State owned airports:** While airport operations in several developed countries have moved from the state to the private sector, the case for such a move in Ireland should only be considered if the option provides greater efficiency and an improved ability to invest in future development of the infrastructure. At present there is no compelling case for a sale of state owned airport infrastructure.
- **Ensuring adequate capacity** - airport runways and terminals - to provide for future growth in air travel must be a key policy consideration. It is hoped that the new aviation policy informed by the needs of the economy, including tourism, will provide a clear statement to govern airport development to meet future demand needs in a timely and structured manner.

- **Regional airport policy:** The economic criteria for sustainable network of airports on the island must be a balance of economic benefit of investment in regional airports versus other transport infrastructure. A sine qua non to ensure sustainability of all airports should be operational viability. The current stated policy to withdraw financial supports to regional airports for operations is endorsed.
- **Dublin gateway:** Recognition of concentration on Dublin as the key gateway to Ireland demands that adequate resources are devoted to planning and investment to meet future demand needs, together with competitive pricing and efficient management of airport services.

ITIC prepared a more comprehensive submission “*An Integrated Irish Aviation Policy*”, 10<sup>th</sup> July 2013.

## 7.2 Ferries & ports

### 7.2.1 Ferry tourism to Ireland

An estimated 800,000 overseas visitors will arrive by ferry in 2013, comprising approximately 600,000 from Britain and the balance from mainland Europe. Ferries represent an important component of the access infrastructure with up to one in three British holiday visitors arriving by ferry.

Weekly capacity during the summer months is up to 18,000 car spaces on cross channel services into Dublin/Dun Laoghaire and a further 9,000 into Rosslare. Car space capacity on routes linking France is just over 2,500 each week.

Visitors bringing their own car by ferry are particularly valuable as they typically stay longer and visit more parts of the country than the average visitor arriving by air. For example, in 2012, British holidaymakers arriving by ferry stayed for an average of 8.7 nights, compared to an average stay of 4.1 nights for those arriving by air. Furthermore, almost 90% of the nights spent in Ireland by British own car tourists were spent outside of Dublin, despite the majority arriving though Dublin or Dun Laoghaire. The regional distribution of tourists around the country is strategically important as overseas visitors are increasingly concentrating on Dublin. Research also suggests that the profile of own car tourists is more upscale, with more leisure time, and higher disposable incomes. In short, a good strategic fit with the *culturally curious* and *great escapers* segments of the market having significant potential, as identified in the *Path to Growth* strategy for a turnaround of the British market.



## 7.2.2 *Implications for policy*

The following policy proposals are presented for consideration:

- **Ferry services:** Government policy on tourism should clearly state and support the relative importance of ferry services based on the contribution of own car and coach tourists to maintaining a spatial distribution of tourism within the country.
- **Port operators** should be required to provide and maintain quality facilities for ferry passengers, including a welcoming, clean and safe environment, modern terminal facilities and multi-lingual directional signposting.
- **Touring routes:** Policy should prioritise investment in touring routes, such as the 'Wild Atlantic Way', and other such attractors which provide Ireland with a competitive advantage and a reason to visit for motoring tourists thereby achieving the objectives of spatial distribution.

## 7.3 **Internal transport**

### 7.3.1 *Growing importance of ground transportation*

Significantly improved road infrastructure and increasing ground transportation options now provide good connectivity with most locations within the island of Ireland. The recent investment in road and rail infrastructure, including motorways and new trains, has significantly improved the experience for the visitor. The changing pattern of visitations by overseas visitors – increasingly Dublin based with a decreasing incidence of car use – highlights the importance of public transport by rail and bus. Efficient public transport together with the availability of coach tours and car rental are critical components of tourism infrastructure for visitors arriving in Ireland without a car. In addition, the growth in popularity of day tours from the main tourism hubs is expected to continue.

While the proportion of overseas visitors mobile in cars and coaches in Ireland has decreased over the past decade, this segment of the market is vital to the distribution of tourism throughout the country, particularly areas not conveniently accessible by public transport.

Car hire operators, who typically cater to higher yielding tourists, face particular challenges in under-utilisation of fleets due to high peaks and valleys in demand, seasonality of demand as well as revenue erosion due to downward pressure on price through increasing use of intermediary online distributors.

Coach tourism caters to important segments of the market, with the annual number of passengers currently estimated at close to 300,000. Almost 90% use hotel accommodation and are important customers for day visitor attractions and retail throughout the country and throughout the year. Demand for coach touring is likely to increase based on demographics, the instance of more common interest groups, and first time visits from traditional and emerging source markets. Coach operators in tourism face a number of challenges, including the absence of, or inadequate designated parking facilities at

airports and urban areas. The situation is especially bad in Dublin city, particularly in providing convenient access to retail opportunities for cruise and other tour passengers. In addition, lack of capital for investment is resulting in an aging fleet, while regulatory aspects governing drivers' hours, VAT and vehicle registration plates, place Irish operators at a competitive disadvantage to UK and European operators.

### 7.3.2 Implications for policy

Tourism policy needs to recognise the increasing importance of internal transport, particularly in addressing the critical issue of regional distribution. Specifically the policy should ensure that:

- **Investment in road infrastructure** recognises the importance of regional and local roads in terms of access for tourists and adequate coach parking facilities at key visitor attractions and destinations.
- **State transport companies** in receipt of significant subsidy should be required to cater for tourists, on times and services which are under-utilised without the need for increased subsidy.
- **Competition** within the road passenger sector is good for tourism. The further liberalisation of road passenger licencing would benefit tourism with local operators providing a greater range of routes and services to meet visitor needs.
- **Irish coach operators** should not be disadvantaged in respect of costs or regulations, in competing with other EU operators for tours within Ireland.
- **Car rental**, despite widespread consolidation within the sector, continues to face viability challenges.

## 7.4 Entry visas

Visa entry requirements are critically important to attracting visitors from the new developing markets of Asia/Pacific region. Ireland is possibly disadvantaged by being outside of Schengen. However, the facility of allowing entry for a short stay visit to Ireland on the basis of UK entry visa is a welcome initiative as is the more recent expansion of the visa facilitation reciprocity within the common travel area of the UK and Ireland. Further collaboration between the authorities would greatly assist tourism development from emerging markets, particularly in view of the expansion by the UK Government of consular service in China and elsewhere.

With the current transfer of immigration functions at ports of entry to civilian officers, it is hoped that the dwell time for passengers will improve by better rostering of staffing levels to cope with peak demand.

### *Implications for policy*

- **Ease of access:** Tourism policy should aim to secure an improved convenience and lower costs of securing an entry visa to Ireland for short stay visitors from new emerging markets, in line with the objective of targeting these new source markets and opening up new air services from selected long haul markets in the Asia/Pacific region.
- **UK collaboration:** Greater reciprocal collaboration with the United Kingdom in the issuance and processing of visas should be considered.
- **Port of entry processing:** The policy should also address standards for the security processing of passengers at Irish airports to reduce the time and inconvenience involved.

## **7.5 Visitor information**

Advances in information technology have radically changed how visitors get location specific information on the move, using mobile technology. In many instances mobile technology is replacing the traditional official tourist offices as the source of information and directions. In addition, the emergence of other 'tourist offices' in high density tourist hubs, has reduced the dependency on personal contact in the traditional tourist information centres.

### *Implications for policy*

- **Investment** is required to ensure that Ireland can keep pace with developments in mobile technology as a means of distributing visitor information and influencing tourist behaviour. Ireland should be a centre of excellence in this area with the presence of all the major global information technology companies based here.

## 8. People in tourism

### 8.1 Context

Tourism, as a service industry, relies heavily on people. The visitor's experience in Ireland, from arrival through their interactions with personnel in hotels, restaurants, pubs, shops, attractions and transport, is impacted by personal contacts. A culture of service and hospitality is crucial to the competitiveness of the sector.

Fortunately Ireland has a good reputation in regard to the friendliness and hospitality of its people which, together with the scenery, has been a consistent distinguishing perception that sets Ireland apart from other destinations offering a similar experience. Post visit research shows that the experience exceeds expectation for many visitors. However, complacency would result in a loss of competitive advantage.

Tourism is one the most dynamic sectors in the global economy and can play a major role in battling the current employment crisis. Most recent data indicate that employment in accommodation and food service sector increased by 15,000 over the past 2 years<sup>16</sup>. However, while this category of employment in hospitality is broader than just tourism, it demonstrates the resilience of the sector. Tourism has the ability to create immediate employment as demand increases.

### 8.2 Issues & challenges facing the sector

The perception and reputation of the sector, viewed by prospective entrants, parents and career counsellors, is at times less than positive. Career paths and skills progression are not always apparent to prospective entrants or employees. This perception can be addressed by a proactive continuous professional development strategy being pursued by industry representative associations and individual businesses.

Institutes of Technology (IOTs) currently offer Catering and Hotel Management third level sector courses, including the culinary arts funded by Fáilte Ireland, from HETAC Level 6 to Level 8 in 10 locations across the country. However, there would appear to be scope for the IOTs to provide certification of modular learning programmes devised with the industry, to implement an 'earn and learn' approach to career development within the sector.

Data from independent analysis indicates that there is no national shortage of hotel, restaurant or bar managers, chefs, waiting staff and housekeepers<sup>17</sup>. However, at a local level some businesses may have experienced difficulty in recruiting and/or retaining staff. For example, industry representatives cite a shortage of skilled professionals, particularly in the culinary arts. The latter is not borne out by an analysis

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<sup>16</sup> CSO Household Survey, Q2 2013

<sup>17</sup> *National Skills Bulletin 2013*, the Expert Group on Future Skills Needs (EGFSN)

of employment and training output data<sup>18</sup> which shows over 23,000 chefs at work, with an average annual output of approximately 500 culinary trainees since 2005, a decrease in employment permits, and the numbers moving from unemployed to employment being less than those moving out of employment. This would suggest that the level of attrition from the occupation may be attributed to employment conditions within the tourism sector. This hypothesis is supported by follow-up research amongst chef trainees<sup>19</sup> who have entered the workforce. The findings show that a relatively high proportion were working in the hospitality sector outside of tourism, with the reasons given being primarily around unsocial hours, lack of career progression opportunities, and pay and conditions. Nonetheless, the reported shortage of chefs within the tourism sector may threaten the success of the industry's recovery, unless addressed by the industry.

The hospitality and tourism sectors have the potential to offer job opportunities for those unemployed through appropriate training programmes. There is a perceived need for pre-employment training and re-training within the hospitality industry. However, the changing roles and delivery mechanisms of state supported training programmes is a particular challenge for the tourism sector. Fáilte Ireland exited the ab initio training, including retraining of the unemployed, for food service in recent years and the gap has not been filled. While Solas has established an education and training fund of approximately €20 million<sup>20</sup> across various sectors in a bid to train long-term unemployed, there is an obvious gap in tourism training at FETAC Level 4 and Level 5.

A particular need of the sector is continuous learning and up-skilling in culinary arts, food service, customer care and e-marketing. Training programmes and schedules need to combine the needs of the employee with the demand patterns of the business. The industry is committed to an 'earn to learn' approach which offers mutual benefits by providing greater career path opportunities with enhanced customer experience.

The industry is actively seeking to secure an apprenticeship scheme for the sector. The Restaurants Association of Ireland (RAI), in conjunction with FIT (Fast track to IT), submitted an application to establish a Professional Cookery Apprenticeship Scheme. The aim was to take 200 people (long-term unemployed) off the live register with an interest in this area and provide them with training and experience in a restaurant kitchen environment plus a formal structured educational syllabus. The RAI is also proposing 1,000 work place apprenticeships for the restaurant sector.

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<sup>18</sup> *National Skills Bulletin 2013*, the Expert Group on Future Skills Needs (EGFSN)

<sup>19</sup> Fáilte Ireland funded *Trainee Follow-up Study*

<sup>20</sup> Labour Market Education & Training Fund

### 8.3 Implications for policy

- **Life-long learning and career development:** Training policy for the hospitality and tourism sectors needs to be reformed to focus on continuous education, up-skilling, and equipping people for career progression.
- **Mainstreaming training for the tourism sector:** The Government should consider mainstreaming training for the hospitality sector, within the remit of the Department of Education & Skills and the Department of Jobs, Enterprise and Innovation.
- **Hospitality training opportunity:** There is currently no state organisation tasked with pre-employment training of young adults or those wishing to up-skill and/or re-skill for a career in hospitality. An opportunity exists with the formation of Solas and the Local Employment and Training Boards (LETBs) to establish a fully inclusive Labour Training and Activation policy by adding a tourism remit to these new organisations.
- **Apprenticeship schemes:** An apprenticeship scheme to be introduced for the hospitality sector, based on successful models in Germany and Denmark.
- **Earn and learn:** Education and training policy should be more practical and trade centric, with business taking a greater role in staff training and continuous up-skilling, combining work with release learning and training programmes at times convenient for businesses.
- **Fáilte Ireland's role** would be one of advising on syllabus definition and design, and acting as a bridge between industry and the training delivery organisation and institutions.
- **Training incentive for businesses,** for example, allowing investment in training to be offset against employer's PRSI.
- **Facilities at Institutes of Technology** for culinary skills training, invested in by the state, should be made available for training at times outside of the academic onsite programmes at times that suit the industry.
- **Hospitality awareness in schools' curricula:** With the reform of the Junior Certificate and Transition Year programmes there is an opportunity to introduce modules on careers in the hospitality and tourism sectors.
- **The Gathering's legacy:** The success of the year-long event has been based on the mobilisation and skilling at community level throughout the country. This asset should be nurtured and utilised to further tourism development at local level.

## 9. Insight, intelligence and measurement

### 9.1 Background

The opportunities presented by a continuously expanding international demand for travel, high-quality tourism data and its interpretation is now more important than ever for maximising Ireland's tourism performance. Superior research information supports improved decision making, marketing and tourism industry performance.

Statistical data is an important tool for planners and policy makers not only for planning/policy formulation but also to monitor the progress of the schemes and evaluate their impact.

As tourism is a significant sector in the economy with good employment potential, as well as its social and environmental implications, robust tourism statistics are essential to monitor the effectiveness of national, regional and sustainable development policies. These factors drive the demand for reliable and harmonised statistics of travel and tourism performance.

Best in class in providing robust, comprehensive and timely data on tourism that is readily accessible to all stakeholders are the national statistical offices of Britain, Canada and New Zealand, each in turn published by the corresponding tourism authorities. Each of these tourism destinations publishes data on a monthly basis.

The key qualities of good tourism statistical data are reliability and timeliness.

### 9.2 Context

Current data on tourism performance in Ireland is more focused on the flow of visitors and their characteristics than on measuring economic activity.

The CSO produces, based on sample surveys, estimates of overseas visitor arrivals and top line expenditure data<sup>21</sup>, together with an analysis of purpose of visit, route of arrival and bednights by category of accommodation. These estimates are published on a regular basis, with visitor arrivals by main source market estimates available within a month of the period end and more detailed data available on a quarterly basis within two to three months, followed by an annual summary. Data on domestic tourism is derived from the CSO Household Travel Survey and is published with a lag time of up to several months.

Traditional methodologies for the collection of travel data, typically by interview or self-completion en-route surveys, have been augmented in several destinations by the use of new mobile technologies to provide enhanced information. For example, the use of tacking mechanism such as credit card receipts is increasingly used to provide more accurate estimates of visitor expenditure.

A wealth of data and intelligence is commissioned by the state tourism agencies.

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<sup>21</sup> Attention has already been drawn to this issue in Chapter 2

- Fáilte Ireland conducts a range of surveys, including the annual Survey of Travellers, Visitor Attitude, and Hotel Occupancy, together with the Industry Barometer, and occasional research on tourism sectors, products, and business factors.
- Tourism Ireland invests in research to provide consumer and market insights, including the identification and understanding of the motivations and needs of consumer segments, market profiles and regular market reviews, including analysing and communicating trends in global tourism and identifying new market segments with potential for Ireland.

Ireland has fallen behind best practice in other destinations in making data and research findings readily accessible to all stakeholders and in sharing insights derived from data analysis and research. Good examples of making the body of data, research and insights available online include Visit Britain and Canada Travel Commission.

### 9.3 Tourism Satellite Account (TSA)

The concept of the Tourism Satellite Account was developed by the United Nations to measure the size of economic sectors that are not defined as industries in national accounts. Tourism, an amalgam of industries and as such is not a defined category in national accounts, is unique in that it is defined by the consumer/the visitor. The key measurements are therefore their purchases of goods and services.

The TSA provides the conceptual framework and the organisational structure for the integration of tourism statistics with national accounts and balance of payment data. The new statistical instrument designed to measure the purchases of visitors according to international standards of concepts, classification and definition. This allows for valid comparisons with other industries and between countries. The output from TSA improves the understanding of the value of tourism and provides a more valuable instrument for the design of more effective policies.

While several destinations, at national and sub-national levels, have put TSA in place, including Canada, Britain, The Netherlands, France, and New Zealand. Other than carrying out a pilot study, Ireland has not adopted this statistical instrument to provide a more robust measurement of the economic impact of tourism.

### 9.4 Implications for policy

The provision of improved tourism data will greatly facilitate the more efficient allocation of resources, the design of more appropriate interventions and programmes, as well as allowing better assessment of tourism related policy and programmes, particularly in relation to marketing. The CSO complies with the requirements of Eurostat on travel and tourism data. However, it is evident that for the sector - state agencies and businesses - to manage its activities better and ensure that marketing investment is effective



and responsive to changes in demand, more comprehensive in-depth performance metrics are required on a regular basis. Specifically:

- **Need for reliable data**, consistent with national accounts and internationally comparable, with a priority focus on producing timely outputs on
  - expenditure by domestic and international visitors
  - contribution to GDP
  - tourism employment
  - arrivals and departures by overseas visitors and domestic tourists
- **Appropriate organisational arrangements and resources** need to be allocated to the collection, analysis and publication of improved standardised tourism metrics.
- **Update the methodology** for the collection of inbound tourism expenditure to provide more robust data on expenditure patterns by purpose of visit, source market, regions visited and categories of expenditure.
- **Accessible research**: All research funded by the state should be made readily accessible to all stakeholders.
- **Tourism Satellite Accounts (TSA)**: The state should adopt TSA as a more appropriate measure of the value of the visitor economy, making the necessary resources available and thereby improving the quality and comprehensiveness of data to allow for better informed decision making at policy and strategy levels.
- **Overlap of functions**: The degree of overlap of function between Fáilte Ireland and Tourism Ireland in the areas of research, data collection, analysis and insight would bear examination and lead to greater efficiency and cost savings.
- **CSO**: Consideration should be given to changing the current policy to facilitate the CSO in outsourcing fieldwork and, perhaps, analysis.

## 10. The architecture of state agency support for the sector

### 10.1 Background

The present public sector organisational arrangement for tourism consists of two agencies: Fáilte Ireland and Tourism Ireland. In 2012 the Government allocated €150 million for tourism supports delivered through the two state agencies.

Fáilte Ireland – the National Tourism Development Authority, the successor organisation to Bord Fáilte and incorporating the role of CERT (the state training agency for tourism), was constituted under the National Tourism Development Act 2003. The agency is responsible for the development of tourism products and facilities, compliance of registered categories of visitor accommodations, manpower training and education, the marketing of domestic tourism together with research and planning functions. More recently the former organisations responsible for regional tourism, including Dublin Tourism and Shannon Development Company's role in tourism, have been absorbed into Fáilte Ireland. It currently employs approximately 400 staff.

Tourism Ireland, a Company Limited by Guarantee without a Share Capital, was established under the framework of the Belfast Agreement of Good Friday 1998 and was formally incorporated in December 2000. The goal set for Tourism Ireland is to promote increased tourism to the island of Ireland. It is jointly funded by the Irish Government and the Northern Ireland Executive on a two to one ratio, and operates under the auspices of the North/South Ministerial Council through the Department of Transport, Tourism and Sport in the Republic, and the Department of Enterprise, Trade and Investment in Northern Ireland. It currently employs approximately 150 people with offices in Dublin, Coleraine, and 14 overseas locations. Tourism Ireland's reported expenditure in 2012 was approximately €75 million.

In addition to the state agencies charged with responsibility for delivering on Government policy for the sector, a range of Government Departments and state agencies have an involvement in the development, marketing and support of businesses engaged in tourism.

### 10.2 Assessment of current arrangements

The State invests considerable funding each year to support the tourism sector, primarily through its grant in aid to the two state agencies. The current annual budget allocated to the agencies is over €100 million to Fáilte Ireland and approximately €45 million to Tourism Ireland, with the latter's budget also in receipt of an estimated €22 million from the Northern Ireland Assembly via NITB<sup>22</sup>.

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<sup>22</sup> Tourism Ireland's core budget of approximately €66m in 2012 was supplemented by funding from Fáilte Ireland for product and regional marketing, together with promotion of The Gathering and income generated from the industry as participation fees to overseas promotions.

The current structural architecture of two state agencies with responsibility for tourism has exposed a number of systemic weaknesses. The biaxial structure has resulted in certain inefficiencies and less than optimal effectiveness, including:

- Duplication of functions, for example in areas of research, data collection and insights;
- Duplication of back office and administrative functions, including finance/accounting, personnel, procurement and PR;
- Some inefficiencies in regard to information and communication technologies; and
- Costly Head Office bi-location and associated overheads.

This appears to have led to a less than fully integrated approach to product development and marketing, and at times, confusion and overlap for businesses dealing with the state agencies.

It seems apparent that some reform of the structural arrangements could lead to significant cost savings and a more effective and efficient state apparatus to support the sector. Savings on establishment costs could yield valuable additional funds for front line activities of capital investment and destination marketing – both highly necessary in an era of intense competition. Reform could lead to better delivery on the goals of winning market share to drive growth in tourism arrivals and receipts.

While each agency is subject to annual audits by the Comptroller and Auditor General, from an industry perspective there would appear to be an absence of an effectiveness monitor in regard to their respective outputs.

Businesses in tourism would appear to have less of an input into the use of state funds and agency programmes compared to other sectors of the economy, for example the food and agriculture or science and technology sectors.

In an era of greater transparency and accountability inadequate information is available to the industry on allocation of resources and return on investment. While businesses are well informed by briefings and press releases on upcoming programmes and promotional campaigns there is a paucity of post event reporting on impact and effectiveness. Unfortunately this has not always fostered a climate of effective partnership in aligning the agency's goals with the business objectives of enterprises engaged in the sector, or in adapting programmes based on evidence review.

The Tourism Recovery Taskforce (TRT) – an industry led initiative to address the crisis in the British market – demonstrated the value of collaboration in addressing a strategic challenge. The experience is acknowledged as having led to an unprecedented level of collaboration between the agencies and the industry North and South. It is evident that the alliance of the industry and the three agencies (Tourism Ireland, Fáilte Ireland and the Northern Ireland Tourist Board) working together to achieve common goals is a strategy that really works. Working with the strengths of each entity in order to gain market advantage, simply makes good business sense. The experience also went some considerable way to bridging the information gap between providing market based research and product development.

### 10.3 Transformational change - international best practices

Academic and applied research demonstrates that state agencies for tourism (NTOs, National Tourism Agencies) evolve as the industries they serve mature. While the role and functions of NTOs vary around the world, the range and depth of support functions and services generally reflect the state of development of the destination and the maturity of its tourism business sector.

The past decade has seen fundamental change in the structure of business sectors and operational models. Few, if any, businesses have been immune to reform. Tourism businesses and organisations have not been exempt from these changes and reforms, resulting in a transformation of how business is carried out in the sector around the world. Businesses engaged in travel and tourism had to adapt to survive with marked structural, functional and financial restructuring in response to global changes in the economy and consumer demand. The reforms in many instances have been driven or facilitated by evolving information and communication technologies.

Within the business sector, airlines, hotels, tour operators and other service providers have undergone fundamental restructuring to better serve their customers and shareholders. In the public sector many of the world's leading destinations have also fundamentally reformed the role, functions, operations, funding, structures, capacities and capabilities of their NTOs to better serve their respective destinations and industry stakeholders. In many instances the changes have been brought about by policy driven reforms with transformational results.

National agencies which have effectively re-engineered the NTO model in recent years include Visit Britain; the Canadian Travel Commission (CTC); Tourism New Zealand; Visit USA; Tourism Australia; and Visit Sweden, amongst others.

The reforms evident across the best in class NTOs include:

- realignment of role and functions to better reflect the current needs of the market and industry which they serve;
- greater engagement of the private sector in governance and strategic functions to improve effectiveness and provide greater transparency and accountability;
- slimmed down staffing levels including significant changes in the experience and skills base within the organisations to meet current market and industry needs;
- changed arrangements for funding and allocating destination marketing budgets;
- changes in source market 'footprint' and functions carried out in overseas markets, availing of the benefits derived from developments in information and communication technologies.

## 10.4 Implications for policy

The development of a cohesive and integrated policy for tourism offers an opportunity for Government to review a number of key issues related to agency structures. This would ensure that the architecture for implementing state policy and delivering state supports for the sector is nimble and fit for purpose in the current environment. Such a review would provide clarity to the agencies themselves and to the business community, on the role, function, and structures of state apparatus charged with implementing Government policy.

- **Organisational arrangements fit for purpose:** Government policy needs to reassure investors and tourism operators that the support structures, roles and functions are appropriate to the market and industry needs, are adequately resourced and delivered in a cost efficient manner.
- **Value for money:** The industry is of the view that the value for money achieved by the state's €150 million annual allocation for the sector could be improved.
- **All island marketing:** ITIC recognises the importance and fully endorses the value of marketing the island of Ireland as a single destination overseas, but would suggest a review of the current organisational arrangements is opportune and timely – particularly in light of the recently announced review of the Northern Ireland Tourist Board. The current structure effectively separates the development and marketing functions in respect of the high value in-bound tourism. Any review should seek to ensure that the architecture for delivering support to the sector is appropriate to the current investment and trading environment, and does not give rise to inefficiencies.
- **Collaboration and engagement:** Given the scale of investment in tourism infrastructure and businesses, greater collaboration and engagement is called for in shaping policy, developing strategies, and oversight of programmes. Best practice internationally acknowledges that Governments alone cannot be successful in developing tourism without an effective partnership with business.





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