# Ireland's Inland Waterways Review & Outlook

June 2014

IBRA IRISH BOAT RENTAL ASSOCIATION

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This report was prepared for ITIC by Tourism & Transport Consult International (TTC) with support from the Irish Boat Rental Association (IBRA).

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# EXECUTIVE SUMMARY

## Key findings

Inland cruising, a unique high value niche sector in Ireland's tourism, is underperforming and is currently falling short of delivering on its potential.

The boat rental sector catered to an estimated 14,500 visitors in 2013, generating an estimated €20m in direct tourist expenditure in some of the least visited areas of the country. The full impact of this tourism expenditure is likely to exceed €40m in economic activity. The sector has the potential to expand within the carrying capacity of the inland waterway system and the existing fleet.

The multi-million euro boat rental business, supported by considerable state investment in facilitating infrastructure, is facing an uncertain future. Failure to address the issues urgently will result in further contraction of demand, business closures, job losses and a significant negative economic impact on several rural communities.

The 50% collapse in demand over the past 10 years reflects changes in operators and a failure of marketing. The loss in tourist expenditure has been upwards of €20 million each year. Simultaneously there has been significant investment in shore facilities and the product hardware is considered to be in good shape.

Ireland's waterways system is reputed to be one of the best and least cruised in Europe, despite an increase in competitor destinations. Boat rental rates in Ireland are currently at the same level as in 2007. However, the exclusive experience available on Ireland's inland waterways has failed to capture the imagination of the potential market in recent years, especially in the top source market in mainland Europe.

Key stakeholders – operators, distributors and infrastructure providers – are unanimous in citing an urgent need to redress a marketing deficit

Increased international competition, changing consumer preferences and behaviour, together with a revolution in how people research and book holidays, has demanded a new business model in terms of the product offering and the channels of distribution. The most dramatic shift has been the move to direct bookings for a sector which up to recent years depended almost exclusively on tour operators to sell the product. Over the past 10 years the sector may have been slow to respond to a changing market environment, and to engage creatively in on-line consumer marketing.

At a time when the spread of tourism within the country is increasingly concentrated on urban centres, to the detriment of rural areas, boat hire has the potential to sustain and grow a tourism economy in rural areas with few other opportunities. Furthermore, inland boating holidays facilitate visitor flows between both parts of the island through the linkage between the Shannon and Erne waterways.

The level of constructive engagement and collaborative actions, at strategic and tactical levels, between the main stakeholders – businesses and state agencies - could be greatly improved, most particularly in addressing the marketing deficit.

## Conclusions

The key to unlocking Ireland's cabin cruising future potential is a customer focused mindset supported by strong partnerships between the boat hire businesses, Fáilte Ireland, Waterways Ireland and Tourism Ireland.

Inland waterway cruising delivers a high value eco-friendly visitor experience which benefits rural areas outside the key tourism hubs and is a strong strategic fit between customer demand trends and Ireland's target market segments in key European markets. In short, the sector has the potential to contribute more in delivering on Ireland's tourism and economic goals.

Securing the sector's future begins with some immediate challenges. Hire companies must be profitable, safe and sustainable businesses, while providing good value customer-focused services. The single largest challenge is a marketing one - how best to deliver a rejuvenated marketing drive in selected overseas markets to increase demand and reverse the loss of market share. A co-ordinated online strategy will be key to providing the customer with information and a convenient booking channel. While marketing is the primary short to medium term challenge, there is also the need to remain pro-active in ensuring adequate infrastructure and enterprise supports.

At risk is a segment of the inbound visitor market of high spending tourists, most especially from a fast growing mainland European leisure market. Every 10% growth in demand for inland boating holidays in Ireland has the potential to generate over €2 million in additional direct visitor expenditure.

Properly managed and marketed the boating holiday experience has a long term future, as it is a good strategic fit with the leisure aspirations of the main segments targeted for holidays in Ireland.

## Recommendations

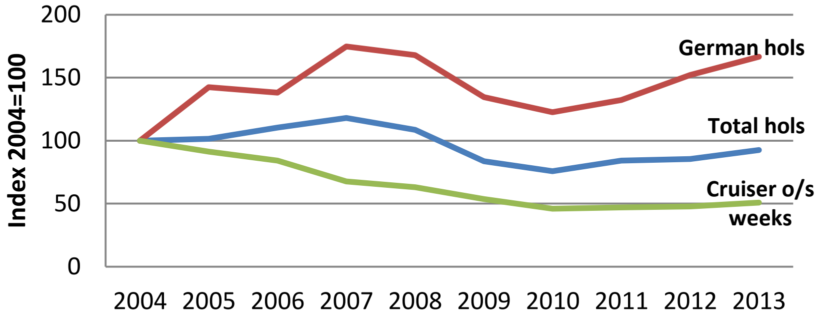
- The positioning of the boating holiday experience should be expanded to include a range of participative on-shore activities to broaden the appeal amongst Ireland's prime target market segments.
- An integrated marketing plan, coordinated between the key stakeholders, implemented and resourced through the relevant agencies (Tourism Ireland, Fáilte Ireland, NITB, Waterways Ireland), is urgently needed to create expanded demand in 2015 and beyond.
- Content and navigation of inland waterways boating holidays on discoverireland.ie should be upgraded to provide more attractive and comprehensive information in a more readily accessible form. The inclusion of boat rental within the accommodation sector is also recommended.
- Boat hire businesses need a more innovative and effective online presence, including web based booking engines.
- Boat hire operators should continue to adopt more flexible rental periods, innovative bundling of activities and events, as well as creative promotional pricing strategies, particularly in the shoulder months.
- Boat hire operators should develop strategic alliances with airports and carriers, particularly at Ireland West (Knock) and Shannon airports.
- IBRA together with state agencies should commission a comprehensive economic and business analysis of the sector to inform policy and investment decisions. The analysis should identify the optimum economic drivers and the key elements of a sustainable business model as well as identifying what reforms could be introduced to make the industry more efficient and more attractive to investors.
- Fáilte Ireland and Waterways Ireland should assist boat hire operators in identifying and accessing enterprise supports currently available from the state to micro businesses and SMEs.
- The feasibility of developing an indigenous boat building capability to meet the fleet refurbishment and replacement needs of the sector should be explored with Enterprise Ireland and SOLAS.
- IBRA should maintain a continuous monitoring of regulatory and taxation proposals to ensure that representation can be made to alleviate or minimise adverse impacts on the business and make renewed submission to the Draft Tourism Policy consultative stage. Lobbying on current issues, such as the taxation on green diesel and environmental issues, should be intensified.
- The stakeholders should work to ensure that a year round rental base can be secured for Lough Derg, the larger and more scenic of the lakes on the Shannon, to take advantage of scheduled services from Germany and France to Shannon Airport.
- To facilitate the engagement of the principal stakeholders, and to provide a sense of urgency in addressing the challenges, a Boat Hire Action Group is recommended. The Group, with a one year remit, would include IBRA, Waterways Ireland, Fáilte Ireland, NITB and Tourism Ireland.

# 1. INTRODUCTION

## 1.1 Context – An uncertain future

The number of overseas visitors taking a cruiser hire holiday on Ireland's inland waterways has collapsed from over 22,000 ten years ago to less than 11,000 last year. Over the same period the number of holiday visitors from Germany, the largest source of demand for boating holidays in Ireland, has increased by 70%.

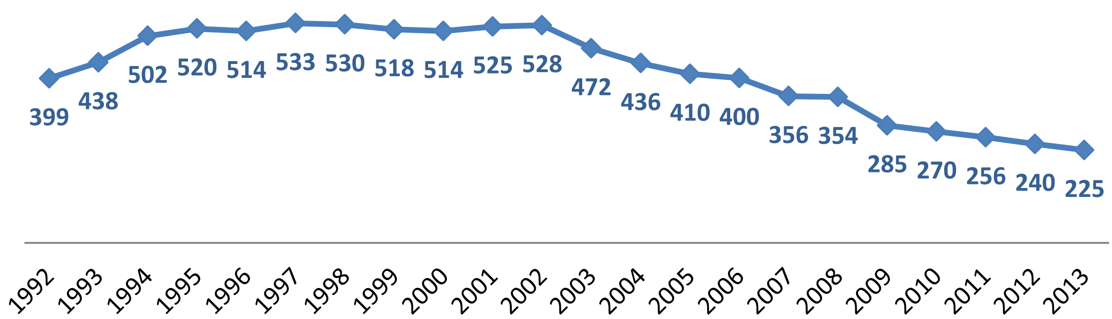
**Fig. 101: Relative performance of boat rentals from overseas vs. all & German holidays to Ireland 2004-2013 (index)**




Source: CSO/IBRA

The inland waterways cruise hire sector is facing a very uncertain future. The industry has suffered a dramatic fall in demand over the past decade which has severely impacted the sustainability of the sector. The hire fleet has been in continuous decline since 2003, from a peak of over 500 boats in to less than 250 boats today. Despite consolidation within the sector, from 11 to 6 boat rental companies, the overall downturn in trade has resulted in closures of long established businesses, job losses, pay cuts and a fall in Exchequer earnings. The knock-on impacts have affected many retail, catering and supply businesses along the waterways.

**Fig. 102: Boat rental fleet 1992-2013**




Source: IBRA

Ironically the contraction of the cabin cruiser sector has come at a time of increasing demand across Europe for outdoor activity and experiential holidays, particularly within an eco-friendly environment.

Cruising holidays in Ireland provide a unique uncrowded waterway system for the visitor providing access to a valuable range of cultural and historic experiences in addition to delivering a customer endorsed high quality outdoor activity holiday.

The cruise rental visitor is a high yielding tourist, as the experience is positioned as an exclusive holiday, with the typical overseas renter staying at least 8 days in the country and with a capacity for high incremental spend.

The cruising product also delivers much needed economic visitor activity to areas of the country not generally on the tourist trail. In addition, thanks to substantial infrastructure investment the waterways system uniquely facilitates cross-border visitations between Northern Ireland and the Republic, which in turn have economically revitalised several rural communities on both sides of the border.

Any further decrease in the cruiser hire sector would diminish the fabric of Ireland's tourism offering as well as having a very significant negative impact on rural communities.

## 1.2 Key stakeholders

**The Irish Boat Rental Association (IBRA)**, in its 35th year, is the trade association representing the hire boat industry in Ireland. Member companies operate a fleet of over 225 hire boats on all the major waterways in Ireland including the Shannon and Erne Navigations, North and South and the Royal Canal.

**Waterways Ireland**, a cross-border agency, has responsibility for managing, maintaining, developing and restoring the 1,000km of inland navigable waterways, which make an important contribution to life on the island and the tourist industry. Waterways Ireland, with a remit for promoting use of the waterways, implements a comprehensive programme of infrastructure development to support recreational use by tourists and residents.

**Fáilte Ireland**, the National Tourism Development Authority, provides strategic and practical support to develop and sustain Ireland as a high-quality and competitive tourist destination, with a mission to *'Increase the contribution of tourism to the economy by facilitating the development of a competitive and profitable tourism industry'*. Fáilte Ireland is also responsible for the promotion of domestic tourism.

**Tourism Ireland,** jointly funded by the Irish Government and the Northern Ireland Executive, is responsible for marketing the island of Ireland overseas as a holiday destination. It maintains offices and representation in a number of overseas source markets and spends over €40m annually promoting the destination.

**Northern Ireland Tourist Board (NITB)** is responsible for the development of tourism and the marketing of Northern Ireland as a tourist destination to visitors within Northern Ireland and from the Republic.

## 1.3 Structure of the Report

Chapter 2 provides an overview of the cabin cruiser sector and the factors which are impacting on its performance. It contains an analysis of supply and demand trends over recent years.

Chapter 3 provides a consumer perspective on river cruising holidays

Chapter 4 presents the industry's perspective on enabling infrastructure, product issues and marketing challenges, as well as business and taxation issues.

Chapter 5 contextualises the environment for growth of the business in the short to medium term.

The principal findings, conclusions and recommendation of the review are presented by way of Executive Summary.

# 2. Inland cruising – A current overview

## 2.1 The headlines

The cruiser hire industry is a small but vital niche market in the context of Irish tourism as they bring genuine tourists, who wish to see the unspoilt countryside and wildlife, to rural areas which do not benefit from general tourism.

- Almost 14,500 tourists hired a cruiser in 2013
- A total of almost 3,800 boat rental weeks generated upwards of an estimated €9m in rental income
- 83% of the demand is from out-of-state, with Germany the No.1 source market.

Most recent estimates (2011) from IBRA suggest that the sector and its associated spend is worth just over €50m per annum in economic activity, with boat rental companies sustaining upwards of 55 full time jobs and employing over 110 seasonal employees. The Irish Exchequer earns up to €2m per annum in VAT on rentals (at 13.5%) and duties on fuel.

## 2.2 The hire fleet

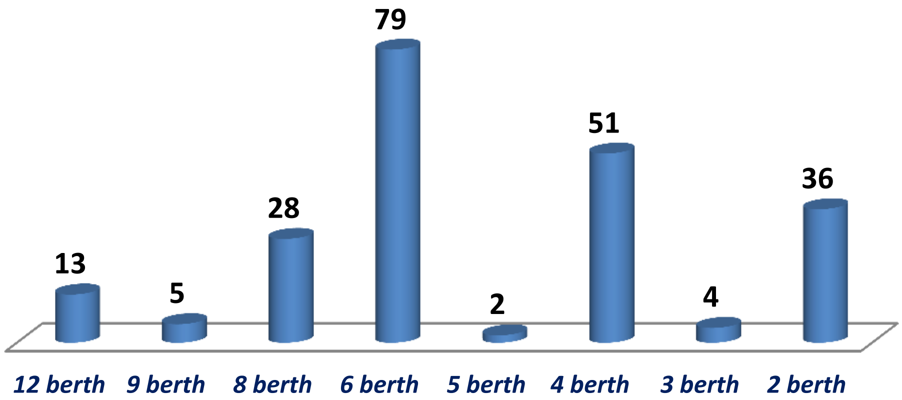
A total of 225 boats are currently available from IBRA's 5 member companies. The fleet has showed only marginal change over the past 12 months. Currently these companies operate from 5 bases on the Shannon; 1 on the Shannon-Erne Waterway and 1 in Enniskillen.

Fleet sizes range from 5 to over 80, with two companies (Carrick Craft and Emerald Star/le boat) accounting for just over two thirds of total capacity.

In addition, an estimated fleet of up to 50 boats are available for hire from Northern Ireland operators with 4 bases on the Erne system.

6 berth boats are the most popular and account for 36% of the available fleet, with 4 berths being the next most popular (23% of available fleet). Customers tend to hire boats with a berth size larger than the number on board. A characteristic of recent fleet acquisitions and renewals has been a gradual shift to the inclusion of larger and more luxurious boats in the fleet. Correspondingly there has been a reduction in the number of smaller boats, particularly 2 berth boats, available for hire.

**Fig. 201: Current cruiser hire fleet**



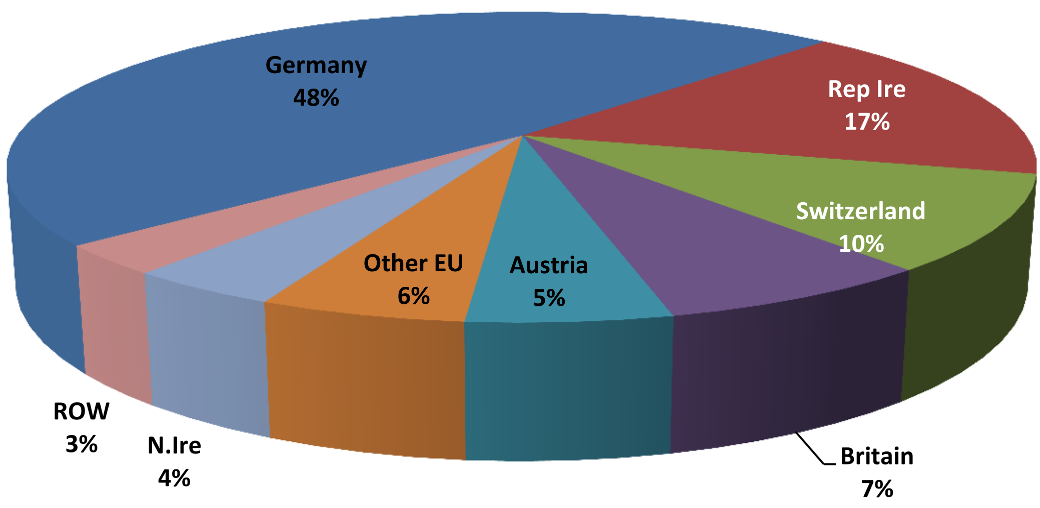

Source: IBRA

## 2.3 Germany top market

Germany remains the No.1 source of demand, accounting for almost half (48%) of all rentals in 2013, a total of over 1,800 rental weeks. Germany with combined demand from Switzerland and Austria, accounts for almost two out of every three (63%) of total rental demand and 80% of demand from overseas.

Over the lifetime of the product Germany, Austria and Switzerland combined have been the dominant source markets, although their relative importance has decreased over time as has the absolute number of rentals per year.

**Fig. 202: Source of boat hire (weeks) 2013**




Source: IBRA

The domestic market (incl. Northern Ireland) is the No.2 source of rentals, accounting for almost 800 or 20% of rental weeks last year. This demand is relatively more important in the shoulder season and tends to be very price conscious.

Britain is the third most important country source accounting for 7%, or 280 rental weeks.

The balance 9% of demand comes from a range of source markets.

An estimated 2 out every 5 renters are repeat customers, with the level of repeat business tending to be higher for the larger well established operators.

The average party size per boat rental ranges from 3.2 to 4.9, depending on nationality. Best estimates suggest that the majority of rentals are typically by a group of four adults or couples, with less than 25% of rentals including children.

**Fig. 203: Analysis of boat rental demand x market(2013)**

| | Germany | Rep Ireland | Switzerland | Britain | Austria | Other EU | N.Ireland | ROW | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Visitors** | 6,313 | 2593 | 1,535 | 1,263 | 976 | 828 | 481 | 423 | 14,412 |
| **Rental wks** | 1,818 | 636 | 372 | 277 | 200 | 202 | 151 | 116 | 3,772 |
| **Av. party size** | 3.5 | 4.1 | 4.1 | 4.6 | 4.9 | 4.1 | 3.2 | 3.6 | 3.8 |

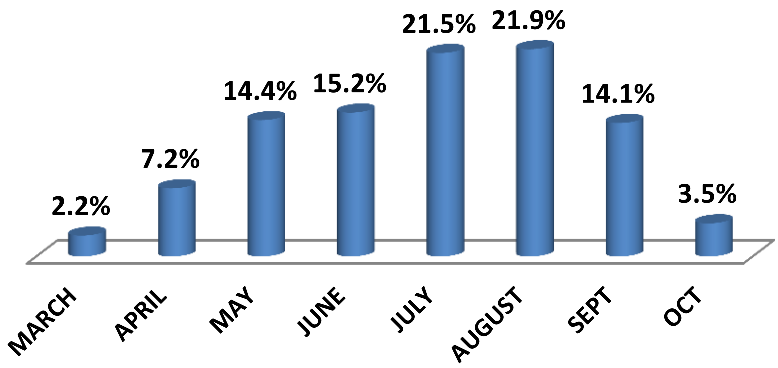
Source: IBRA

## 2.4 Demand highly peaked

While boat operators market a season from end March to late October, a total of 30 weeks, demand is highly concentrated over a 12 week period from late June to early September, accounting for 60% of volume demand and a significantly higher share of rental income.

Not surprisingly July and August are peak demand months, each accounting for 22% of annual rentals. April, June and September each generate approximately 15% of annual demand, with fishing a strong reason to rent in the early season.

**Fig. 204: Distribution of annual demand by month**



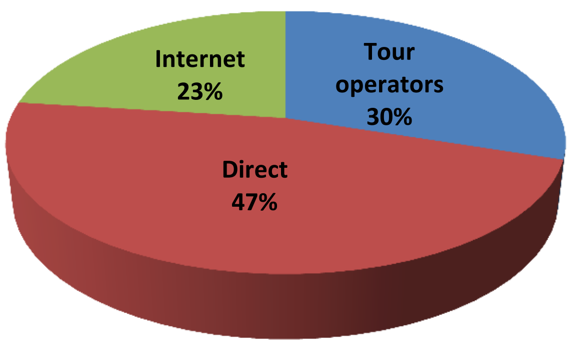

Source: IBRA

## 2.5 Direct bookings take over from tour operators as top booking channel

Historically demand from mainland Europe, most particularly Germany, was delivered by tour operators in conjunction with charter flights. Today, while tour operators are still important in the German market, the majority of bookings are made directly by the renter with the boat operator.

Last year an estimated 70% of all bookings came directly to the companies, with internet accounting for almost one in four of rental weeks sold and a further 47% directly by other means (phone, email, etc.). The internet is increasingly being used to make reservations. Tour operators were the source of 30% of booking overall, with Germany accounting for a high proportion of this business.

**Fig. 205: Channels of bookings 2013**




Source: Estimates derived from IBRA survey

## 2.6 High customer satisfaction levels

The most recent quantitative research[1] amongst inland cruising tourists suggests a high level of satisfaction with their inland cruising holiday – supported by the high number of repeat visits.

- Very high levels of satisfaction, with over 9 in 10 satisfied with their cruising holiday overall, and 6 in 10 'very satisfied'.
- Renters with experience of other inland cruising holidays, 22% rated Ireland a lot better and a further 27% a little better. The comparable experiences were in France, Britain, Germany & the Netherlands
- 92% satisfied with their hire boat, with 58% 'very satisfied'
- High levels of satisfaction with accessing the boat hire location across all types of respondents, with over 9 in 10 being satisfied. Those who used transport arranged by the boat hire company were the most satisfied.

The research found that inland cruising holidays in Ireland attract high levels of repeat tourists, with the majority having previously taken an inland cruising holiday in Ireland, and two-fifths having taken at least four such holidays – the latter rose to 56% for German respondents and 52% for Swiss.

For the majority the main purpose of the holiday was to relax and get away, with many also looking to experience cultural and outdoor activities, followed by 'meeting local people'.

Areas of dissatisfaction in 2008 included:

- Availability of mooring facilities;
- Provision of angling facilities;
- Inadequate refuse disposal points; and
- Limited refuelling opportunities.

Since 2008 considerable investment by Waterways Ireland has taken place addressing the issues raised about mooring and disposal points coupled with added onshore amenities, The annual capital investment by the state in infrastructure has been running at between €10m and €15m in recent years on a comprehensive development programme spearheaded by Waterways Ireland in conjunction with Fáilte Ireland and Local Authorities.

Visitors were also found to be limited in their awareness of on-shore opportunities such as evening entertainment and recreational activities, while some were critical of the lack of information on 'things to do'.

[1] Ipsos MORI (May 2008) for Fáilte Ireland, Waterways Ireland, IBRA & Shannon Development.

# 3. Inland waterways cruising – a consumer perspective

## 3.1 The Potential Market

Cabin cruising is a niche segment of the overall holiday market, behind the more popular leisure trips of beach holidays, city breaks and cruising. The cabin cruising niche market within the European travel market is estimated to be about the same size as walking/hiking or skiing, each accounting for up to 10% of the overall drivers of travel[2]. Most recent research suggests that 9% of the market had experience of cabin cruising. As with most niche leisure products there is an inherent high level of repeat usage, estimated to be at upwards of 50% of demand.

The research on the potential for Ireland found that overall 52% of holiday takers interviewed stated that they would be either 'fairly', 'very' or 'extremely interested in taking a cabin cruising holiday in the future. Interest in a cruising holiday in Ireland was estimated at 40% who would be 'fairly interested' in taking a cabin cruising holiday in Ireland in the next three years, with a further 14% stating they would be 'very' or 'extremely interested'.

## 3.2 Positive appeals of cabin cruising holidays

The appeals of cabin cruising which resonates most with European holidaytakers tend to focus around 'exploration' and 'freedom'. A cabin cruising holiday is conceived of 'allowing one to explore at own pace', 'giving great freedom', as well as being 'great for kids'. Key perceived characteristics include 'exciting', 'relaxing', and 'romantic'.

## 3.3 Perceived barriers

The overall barriers to considering a cabin cruising holiday would appear to be a lack of knowledge of what is involved, with no previous experience and perceived possible lack of skills or knowledge of waterways as a deterrent. Research suggest that once potential renters are made aware that no previous experience or a licence is necessary, the propensity to consider a cabin cruising holiday increases.

Of those stating that they would not consider a cabin cruising holiday in Ireland in the next three years, the most commonly cited reasons were poor weather (43%) and the cost of travel to Ireland (27%).

## 3.4 The competition

Inland cruising holidays with rented boats on rivers, lakes and canals are increasingly popular in Europe with the range of destinations also increasing. The primary destinations include France, Germany, Italy, Belgium, Holland, Scotland and England. Most recently newer destinations have included the Mecklenburg Lakes the largest coherent lake and canal region in Germany sometimes called "the land of a thousand lakes", the Czech Republic and Poland.

While the experiences vary across destinations the emergence of more boating holiday options closer to home for residents of central Europe has undoubtedly impacted demand for the product in Ireland.

Anecdotal reports would suggest a softness in demand for boat hire holidays in recent years, with the Broads, waterways in France and Mecklenburg-Brandenburg lakes reporting a fall in business.

[2] Cruising survey, Harris Interactive for Fáilte Ireland and Waterways Ireland (2009)

## 3.5 Price point competitiveness

An analysis of comparable boat rental rates shows that the price point for rentals in Ireland is very competitive with similar product in competing destinations. The table below shows very little variation in the rates for comparable boats across the pricing season between destinations.

**Fig 301: Boat rental price comparisons (£stg ordered by peak season price)**

| | 28 May-25 Apr<br>Early season | 19 Jul-15 Aug<br>Peak season | 27 Sep-31 Oct<br>Late season |
|---|---|---|---|
| **Magnifique 8+ berths** | | | |
| **Belgium** | 2,015 | 3,605 | 1,990 |
| **Holland** | 1,995 | 3,600 | 1,970 |
| **Ireland** | 1,900 | 3,455 | 1,855 |
| **Germany** | 1,975 | 3,430 | 1,980 |
| **Italy** | 1,935 | 3,425 | 1,905 |
| **Scotland** | 1,800 | 3,370 | 1,775 |
| **France** | 2,010 | 3,365 | 1,980 |
| **Thames** | 1,835 | 3,315 | 1,805 |
| **Elegance 6+ berths** | | | |
| **Holland** | 1,715 | 3,095 | 1,690 |
| **Italy** | 1,660 | 2,920 | 1,635 |
| **Belgium** | 1,630 | 2,910 | 1,610 |
| **France** | 1,700 | 2,900 | 1,675 |
| **Thames** | 1,485 | 2,805 | 1,460 |
| **Germany** | 1,650 | 2,800 | 1,655 |
| **Ireland** | 1,470 | 2,625 | 1,430 |
| **Scotland** | 1,520 | 2,420 | 1,275 |
| **Royal Mystique 4+ berths** | | | |
| **France** | 1,985 | 3,400 | 1,960 |
| **Belgium** | 1,840 | 3,345 | 1,815 |
| **Italy** | 1,850 | 3,340 | 1,825 |
| **Holland** | 1,805 | 3,310 | 1,775 |
| **Germany** | 1,805 | 3,120 | 1,805 |
| **Thames** | 1,655 | 3,045 | 1,635 |
| **Ireland** | 1,545 | 2,295 | 1,250 |

Source: *le boat* price List 2014

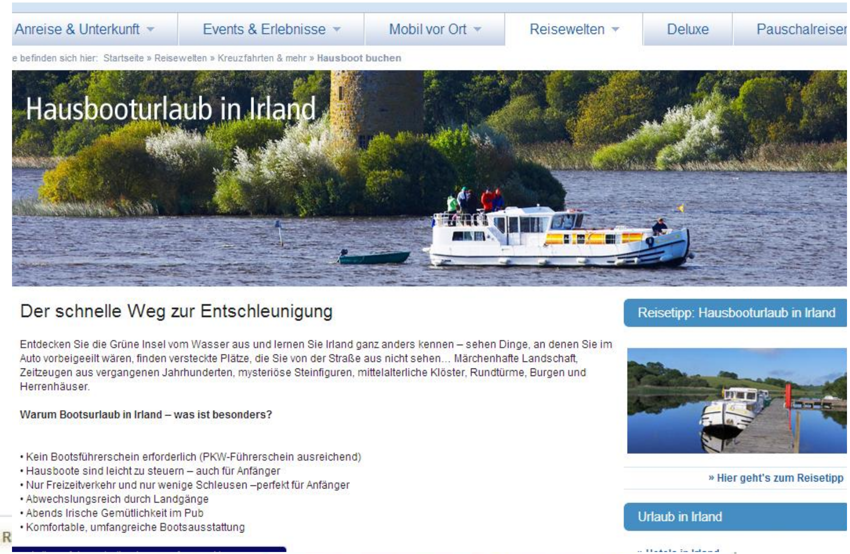
While the rental costs may show little variance between destinations, although there are some examples of 'budget' category boat hire available at a lower price in some locations, the proximity of other destinations to the top source market in Germany places Ireland at competitive disadvantage due to the extent of travel time and costs. For residents of central Europe, many of the competing destinations are more easily accessible by car or train from home. One issue commented unfavourably on by German tour operators is the cost of transfers from airport to cruiser bases which is considered high at €80 per head.

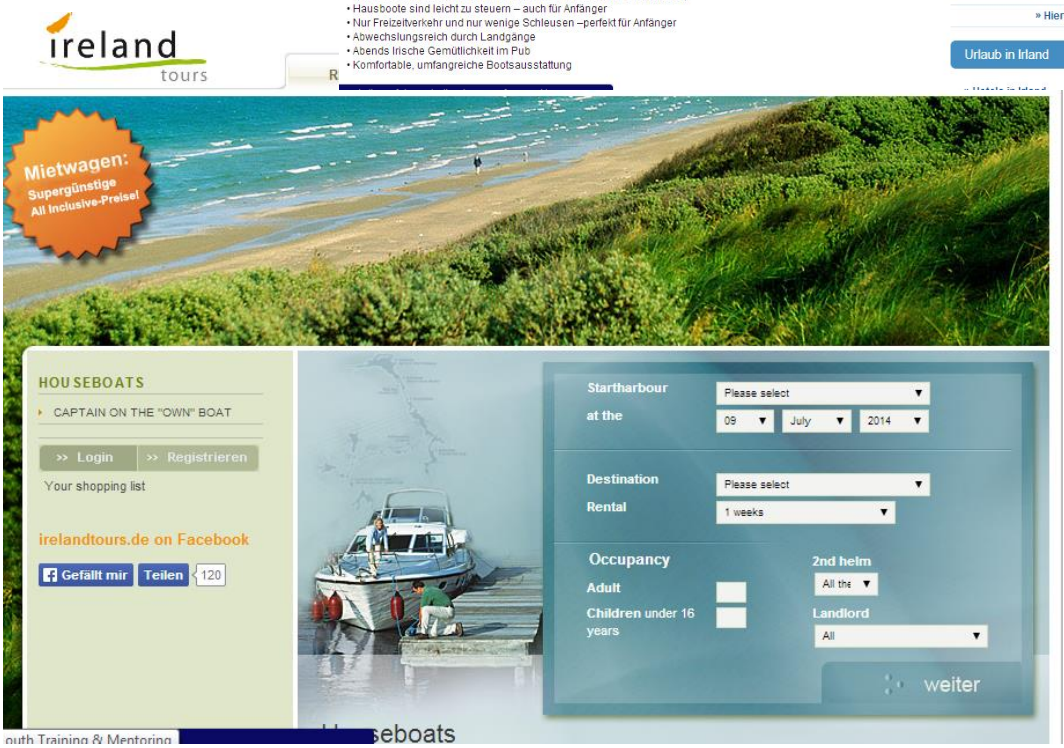
## 3.6 Internet

The internet is increasingly being used to research and plan holiday travel. Most recent research[3] shows that upwards of 70% of holiday visitors to Ireland used the internet in advance of their visit to plan their holiday. Almost two thirds (64%) cited the internet as a source that influenced their choice of Ireland.

[3] Visitor Attitude Survey 2013, Millward Brown for Fáilte Ireland

Several years ago, specific research on boating holidaytakers showed that two out of every three used the internet to source information in advance of their decision. 45% cited the internet as the source of information which they most relied upon. The incidence of the use of the internet is most likely to have increased in the past few years to become the dominant source of information with a growing incidence of booking on line.

# 4. A business perspective

## 4.1 Boat rental contributes to Ireland's tourism sustainability

The boat rental product is very environmentally friendly with all hire boats fitted with

- holding tanks,
- low burning sulphur diesel engines,
- low noise emission controls, and
- speed governers.

The sector has invested heavily in measures to ensure that the product is fully compliant with all EU and national environment regulations and as a result is amongst the best in Europe. This is in stark contrast to privately owned boat sector on Ireland's waterways, where compliance levels are reported to be very low.

The experience is the very essence of "slow tourism" with boats moving slowly from rural community to rural community. The result is that rental customers bring a tourism product to many areas of rural Ireland who would not normally be exposed to tourism.

It is in the interest of businesses in the sector to maintain excellent standards to ensure competitiveness and a sustainable future.

## 4.2 Responding to changed demand patterns

The patterns of demand have changed radically since the product was first launched. Twenty years ago demand came almost exclusively from German and other European tour operators with customers being a package of charter flight, transfer and one week Saturday to Saturday cruiser rental. Boat rental operators were effectively marketed on a business to business basis almost exclusively to tour operators as contracted wholesalers for allocated weekly increments of boat hire.

Changes, driven principally by liberalisation of air transport and the revolutionary impact of the internet as well as evolving customer behavior, have resulted in a significantly altered marketing and service delivery environment. Boat hire operators have had to adopt more customer direct focused marketing strategies. This has resulted in a more flexible approach to meeting customer preferences in terms of pricing, duration of hire, pick up and return locations and days, including one-way rentals.

## 4.3 Infrastructure

Considerable capital investment by the state has been made in the infrastructure of the inland waterways, including the major cross-border Ballinamore - Ballyconnell Canal, linking the Shannon and Erne waterways.

Over the past 10 years upwards of €200 million in state expenditure has been invested in upgrading infrastructural facilities along the waterways. The investment has helped to transform the quality and quantity of moorings, navigational aids, signposting. Mooring capacity has been doubled over the period as well as the developments of several integrated harbors

– including berths with associated on-shore facilities including toilet and shower blocks, picnic and play areas, looped walks, etc. Such developments have taken place at locations on the Shannon and Grand Canal, including Boyle, Clondara, and Killaloe.

The overall assessment from operators and distributors would indicate that the quality of the infrastructure has improved considerably, and other than some short comings in terms of onshore electricity link-ups, pump-out and refuse disposal at some locations, is more than adequate to cater for increased demand.

A source of annoyance and complaint is marina hugging by private boats which at times prevents tourist boats from accessing overnight berthing facilities.

Flood alleviation proposals to lower water levels on the Shannon system to support agriculture would have a devastating effect on the boat rental sector. The lowering of summer water levels on Lough Ree by 600mm would make much of the Lough un-navigable and effectively close the Shannon/Erne waterway as a navigational system. This would potentially render the boat rental business unviable and eventually lead to the closure of the boat hire business on the inland waterways of Ireland.

## 4.4 Lakelands & Inland Waterways - Marketing of the sector

The initiative, co-chaired by Waterways Ireland and Fáilte Ireland, was aimed at differentiating the Midlands from other parts of Ireland and establishing an identity and a brand for the area based on its unique selling proposition of inland waterways. The Lakelands and Inland Waterways area occupies much of central Ireland and stretches from Belleek in the north to Limerick in the south. The area includes the principal waterways or the Shannon and Erne catchments, together with a 30 mile corridor on either side. Key towns within the waterway corridor include: Enniskillen, Carrick-on-Shannon, Longford, Roscommon, Mullingar, Athlone, Portumna, Tullamore, Birr, Kilalloe, Nenagh and Limerick. Key lakes include Upper and Lower Lough Erne, the Cavan and Monaghan Lakelands, Westmeath Lakes, Lough Allen, Lough Key, Lough Ree and Lough Derg.

A Strategic Plan 2010-2015 for the area was launched which catalogued a series of product enhancements being undertaken by state agencies and local authorities. While significant investment has been made in infrastructure in conjunction with Local Authorities along the Rivers Shannon and Erne, the vision of creating a distinctive brand identity would appear to have failed to capture the imagination of the market despite some investment in promotional materials.

The relevance of the well intentioned initiative and proposed branding to the cruising business was diluted by the large area encompassed by the new regional initiative and the less than adequate resources invested in effective marketing in key source markets. Unfortunately the results of the marketing effort do not appear to have raised the profile of Shannon and linked waterways.

## 4.5 Boat rental industry structure and profitability

The financial performance for the individual boat hire companies does not yet match the value that they deliver. While the sector's profitability recovered over the past year following a significant downturn between 2008 and 2012, the rate of return on investment is still less than optimal. Changes in industry structure are among the factors supporting strengthened performance.

The number of boat rental companies has contracted from 12 in 2003 to 6 today. The sector has seen some consolidation as well as the unfortunate demise of some businesses. Within the time frame of this review one business (Shannon Castle Line) has gone into receivership while the merger of Wave Line and Carrick Craft has been announced.

Since 2003 marked changes in ownership of boat rental companies have taken place, including the sale of the then largest operator – Emerald Star. This change of ownership to First Choice and subsequently, due to EU competition compliance, to TUI resulted in over 100 boats being transferred out of Ireland. Furthermore, the lead high profile on Ireland's inland waterways has been diminished due to the new owner's strategy of focusing on 'le boat' branding in all other destinations, resulting in little interest in the Ireland brand.

The consolidation and changes in business strategies has resulted in a reduction in the number of bases along the waterways. Currently Lough Derg has no year round boat rental base. In the past Killaloe, within easy transfer distance from Shannon Airport, was a major point of departure for boat hire.

Reports from operators indicate that the rack weekly rental rates today are the same as in 2007. This is despite increases in cost inputs, with staff costs the single largest cost area. The incidence and extent of discounting on rack rates by operators is not known.

Fleet average utilisation rates, estimated at 51% in 2013 has improved marginally in recent years due in part to the contraction of the fleet, is below the approx. 60% utilisation rate achieved 10 years ago. The actual utilisation rate varies between operators and boat sizes. The current utilisation rates, indicate that there is spare capacity in the fleet, principally outside of the two peak summer months, although there is some availability to accommodate more renters even in the peak months.

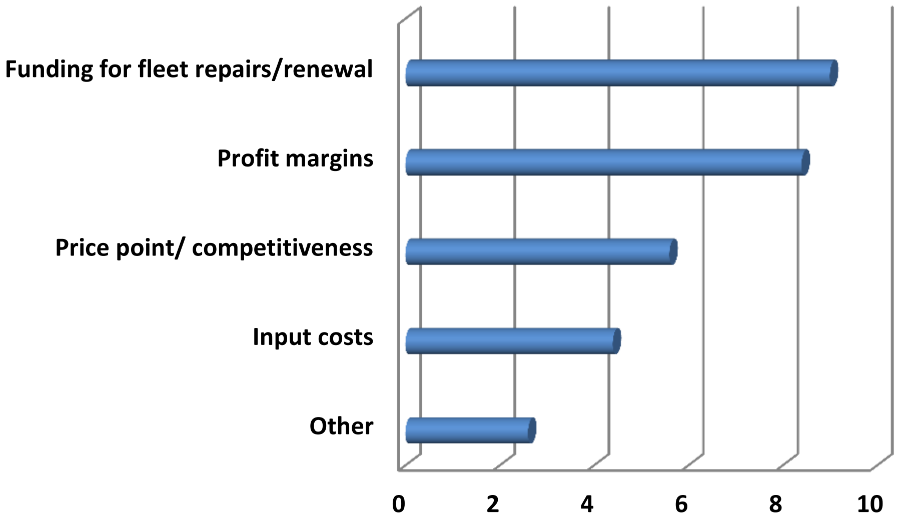
While no objective analysis of the profitability of businesses within the sector is feasible, the indicators suggest that the business for most operators at best is marginally profitable, with less than optimum return on investment. Barriers to entry are high due to high capital investment required. It is likely that profitability and sustainability of businesses is improving due to economies of scale following consolidation within the sector. However, the cost of fleet renewal remains a particular challenge for the sector.

## 4.6 The challenges facing the business

The main concern of current operators is almost unanimously identified as the challenge of funding for fleet repairs, renewals and replacement. The fall in demand, competition and price sensitivity in the marketplace, low profit margins and absence of grants threaten the future of their businesses.

The cruiser hire business is characterised by a high capital investment cost, with a modern cruiser costing in the region of €300,000. The current hire fleet is aging as operators have not been in position to invest in fleet renewal and replacement. Typically in the past fleet replacement was funded almost equally from grants, sale of older boats and operators resources. With the ending of the Celtic Tiger years the market for ex-hire fleet boats has collapsed. In addition, securing bank financing for capital investment has become exceedingly difficult, while for most earnings from operations fail to generate sufficient profits to provide for any significant investment in new craft.

**Fig. 401: Operator's main business concerns (Score out of 10)**




Source: TTC operator survey June 2014

## 4.7 Outlook for the future

Understandably operators' perspective on the future of the sector is coloured by the marketing positioning and profitability of each individual business. However, overall the outlook for expansion of the sector is mixed with four out of the six operators of the view that the sector is unlikely to expand in the foreseeable future, with only two operators taking a more optimistic view for growth in the aggregate boat hire fleet.

Individually when asked if they intended to increase their own fleets, there was a 50/50 split, with 3 operators planning expansion and 3 companies maintaining their fleets at current levels. Perhaps encouragingly no operator indicated any plans to decrease their company's current fleet.

The unanimous view of the operators is that the future of the business in the short to medium term will be determined by increasing the awareness of the experience and more effective marketing in reaching key target markets in mainland Europe. The consensus view of operators engaged in the business is that marketing in recent years has failed to deliver on the potential.

# 5. Context for the future

## 5.1 Economic climate

Tourism is one of the largest and fastest growing economic sectors in the world, with international tourism growth consistently outpacing global economic growth over the past 30 years. The outlook over the medium term is that global demand for travel will expand at a faster rate than economic growth.

Economic confidence across Europe is improving in line with consumer confidence and business sentiment. This in turn is expected to gradually unleash pent-up demand in investments and durable goods, leading to a stronger recovery and increased consumer spending.

Short to medium term forecast for western economies suggest that growth will be volatile and uneven. The major European economies are forecast to grow at a modest rate over the coming years.

## 5.2 Tourism policy

A review of tourism policy is currently underway, with a draft policy statement due shortly from Government following extensive consultations over the past 6 months. Current policy is set in the Programme for Government with key priorities being to help the industry survive after some of the most challenging years for many decades. With tourism now in recovery mode, the Minister considered it timely to examine how tourism policy should contribute to sustainable growth in the sector in the medium term. It is intended that the policy will provide the basis for development of a broader tourism strategy and action plan, involving key stakeholders. The strategy will set out a range of objectives, actions and measures to develop tourism, addressed not only to Government and the tourism agencies but also to enterprises, industry groups and other relevant bodies.

Tourism policy will also take into account the medium-term public expenditure framework. Limited resources must be targeted at the highest priorities offering the optimal return – in the short, medium and longer term. The opportunity cost of all ideas and actions must be considered.

ITIC, in its submission to the policy review, has argued for a clear statement of tourism policy setting 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.

## 5.3 Investment programmes

Ireland requires a dynamic investment environment including new developments, redevelopment and refreshment of tourism infrastructure, products, services and facilities. This is essential if Ireland is to maintain and enhance its market appeal and provide exceptional tourism experiences, none more so than in the boat rental sector.

The Government has demonstrated its commitment to supporting sustainable growth in visitor expenditure with an emphasis on a wider regional and seasonal spread of business. Support for the Wild Atlantic Way confirms its backing for high quality, world-class, competitive products and services. A Public Private Partnership approach to tourism infrastructure investment could also be considered in addition to the establishment of development capital funds for tourism businesses, including inland cruising.

## 5.4 Tourism growth targets

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, over the next 20 years. A more optimistic outlook suggests that worldwide travel demand will increase by an average 5% annually. Intra-European travel will continue to represent the majority of arrivals in European countries – currently 82% of arrivals in Western Europe are Europeans travelling within the region. Europe will continue to be the largest source of travel and the top destination in the world.

The inland cruising experience ticks the boxes on four of Tourism Ireland's 5 major brand themes – 'getting active in nature'; living historical stories'; 'awakening of the senses'; and 'connecting with people'.

Tourism Ireland in its latest 3 year business plan 2014-2016, has set a target of 15% growth in 'promotable visitors' with a 24% increase in earnings. The key markets to produce this growth in visitor traffic are largely concentrated in Europe, with particular new growth targeted from Germany and France and recovery from Britain.

Germany, the third largest visitor source market for Ireland and top source market for boating holidays, is targeted for a 24% increase in promotable visitors by 2016, following a 30% increase over the past three years.

Tourism Ireland's new approach to segmentation will drive all communications, channel selection, product development, experience delivery and industry engagement in Germany. It will target two main best-prospect segments:

- *'Culturally Curious',* who want to broaden their minds and expand their experiences through landscape, history and culture; and
- *'Great Escapers'*, whose principal motivation is to enjoy the beauty of breath-taking landscapes

While the outlook for travel is very positive there are several demand and facilitation characteristics which are shaping a changing tourism landscape. These include a more value conscious consumer; demographic shifts (specifically the ageing population profile in western societies); and a new focus on authentic, increasingly active and enriching travel experiences. The trends of shorter trips and increasing use of air travel, as the real cost of travel continues to drop, are now firmly established characteristics of demand. Overall the demand is becoming more focused on the 'why' of travel rather than the traditional first question of 'where' to holiday. The new interactive world is also having a major impact on travel and lifestyle experiences. Increasing use of the internet, for information, planning and booking has revolutionised the travel industry, and online travel agents (OTAs) continue to gain significant market share. Social media networks, including blogs, Twitter, Facebook, podcasts and other forums, are becoming the 'new word of mouth'. Concern for the environment is high amongst an increasing number of consumers with many destinations already adapting to a more sustainable green model, capitalising on new energy and communication technologies, while placing a greater emphasis on local inputs.

## 5.5 The Lakelands and Inland Waterways Strategic Plan – Key objectives for 2013-2016

*"Lakelands and Inland Waterways is the heart of Ireland. Here the visitor discovers the real Ireland, experiencing the genuine warmth of the people and the wealth of things to do every day. As they explore the great waterways and lakes they find a freedom that brings renewal of body and soul".*

The Lakelands and Inland Waterways Strategic Plan 2010 -2016

Following a mid-term review[4], which found that considerable progress had been made on the implementation programme, the target markets and main objectives for the second phase were refined. The principle goals are to develop more opportunities for active enjoyment on water and land while communicating the appeal of the Lakelands and Inland Waterways region to target markets in a way that attracts more visits and business by delivering a higher quality experience.

Based on research carried out by Tourism Ireland into the best prospect markets for Ireland, the Lakelands area is primarily targeting 'the culturally curious' and 'great escaper' segments in key source markets.

While to date there is no domestic market research specific to Lakelands and Inland Waterways region, the strategic focus is on the key demand 'active enjoyment' sectors.

A full operational programme has been published, with the recommendation that milestone objective metrics be instituted.


[4] Lakelands and Inland Waterways, Strategic Plan Mid Term Review 2013-2016 (Waterways Ireland and Fáilte Ireland)

# Appendices

## 1. Acknowledgements

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- Ireland Reisen/Marina Tours: Sean Buckley
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