Press Release

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"Maintaining competitiveness is key to continued growth" Says Tourism Industry

In its Pre-Budget submission to the Minister for Finance, the Irish Tourist Industry Confederation (ITIC) cite improved competitiveness and product investment as key factors in maintaining growth in the sector. After one of the longest periods of recession and the sharpest decline in visitor numbers, the industry is finally emerging into a growth period.

In 2014 overseas visitor arrivals are expected to grow by 8%, delivering the best result since 2008, with the three largest source markets, Britain, North America and Germany performing particularly well. Almost 7.5 million overseas visitors are expected by the year's end, just a whisker short of the record numbers achieved in peak year 2007. However, according to the ITIC Chairman Paul Carty, *"sustained growth is not assured unless we can deliver further competitive gains. Ireland remains a high cost location for a range of business inputs, and enhancing cost competitiveness must therefore be a key economic priority for Government."* He added, "*Cost pressures make it difficult for Irish tourism enterprises to price themselves competitively in the marketplace, as the price of any tourism experience is a combination of inputs, which combined make Ireland an expensive destination."*

As part of the pre-budget submission a key recommendation outlined by ITIC is a €15 million capital commitment through Fáilte Ireland in 2015, and a €50 million annual capital fund for tourism product for the period 2016 to 2020.

According to the Confederation, lack of investment in recent years has taken its toll on the quality and variety of the Irish tourism experience, and it recommends a substantial increase in product investment over the coming years.

The Government's capital fund for tourism in recent years has been approximately €20 million annually and this according to ITIC is well below the relative value produced by the sector, as well as being significantly lower investment than in other industries. This investment is only one tenth of the support given to the agri-food sector, even though employment in tourism exceeds that in agri-food by as much as 25%.

ITIC are further encouraging the government to continue to support the competitiveness of the tourism industry and employment in the sector by reducing the excise rate on alcohol.

Another concern for ITIC is the 38% decline in Tourism Ireland's marketing budget since 2008, and the Confederation recommends that this trend should now be reversed. Eamonn McKeon, ITIC Chief Executive commented, "*In order to build upon and sustain the recent recovery there must be a sharper focus on markets with the proven potential to yield a strong return on investment, in terms of both volume and value. The economic recovery and travel demand upturn is acknowledged as a factor in the better performance, particularly from the U S and Britain.*

Given the positive outlook for both of these economies, Ireland's number one and two source markets, now is the time to maximise returns from this more buoyant scenario where competition will be intense.

The justification and payback for such investment is compelling according to McKeon. *"The payback for Government is in jobs. Employment in the accommodation and food services sector rose by 21.5% between Q1 2011 and Q1 2014 compared with an increase in overall employment of just 2.6% for the same period. In total, some 24,100 additional jobs were created in the accommodation and food services sector. As this sector accounts for about two-thirds of total employment in tourism, this implies that in excess of 36,000 jobs have been added in tourism over the past 3 years. The increase in total numbers employed between Q1 2011 and Q1 2014 was 48,700, of which* ***36,000 or over 70%*** *were accounted for by the tourism sector."*

The Government has been daring and imaginative in recognising tourism's potential for delivering economic benefits and jobs, and the industry has responded in spades according to ITIC. This much better than expected recovery can be consolidated and built upon, according to ITIC, but that requires enhanced investment both in marketing and product.

ITIC site the €10 million investment in the Wild Atlantic Way as an example of an initiative which is likely to deliver greater lasting economic benefit to the West than any other initiative in decades.

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NOTE TO EDITORS

Key Recommendations in ITIC Pre-Budget 2015 Submission:

- Support the international promotion of Ireland as a tourist destination by increasing the current level of investment in the Tourism Marketing Fund.
- Continue to support the competitiveness of the tourism industry and employment in the sector by retaining the 9% VAT rate.
- Provide a capital budget of €15 million in 2015 to support further development of the Wild Atlantic Way, projects already in train, and those that are ready-to-go.
- Allocate an annual capital budget of €50 million to tourism product development over the period 2016 to 2020 inclusive.
- Continue to support the competitiveness of the tourism industry and employment in the sector by reducing the excise rate on alcohol.
- Increase the level of take home pay by adjusting tax and USC rates for lower paid workers, rather than increasing the minimum wage.

- Reform the USC structure to deliver an equal marginal tax rate for self-employed and PAYE workers.
- Introduce a special capital allowance of 50% of the cost of new and second-hand touring coaches up to two years old for 2015 and 2016 to enable coach operators to renew their ageing fleets for this growing market.
- Reduce commercial rates so that they are in line with recent economic developments and there is more transparency in their application.
- Ensure easy and cost-effective access to finance for the tourism industry by considering a venture capital style investment fund for innovative tourism businesses.