Press Release

Friday, July 3rd 2015

Tourist body calls on Finance Minister to increase investment

The Irish Tourist Industry Confederation (ITIC) has called on the Minister for Finance to increase investment in the industry when preparing his forthcoming budget. In its pre-budget submission ITIC argues that this increased investment is needed to underpin the strong recovery which has taken hold. ITIC is proposing that a capital budget equivalent to at least 1% of annual export earnings from tourism be provided in each of the next five years from 2016.

ITIC expects a record year with visitor numbers exceeding the 7.7 million achieved in the peak year of 2007. All source markets are recording strong growth, with Britain and the United States being powered ahead by favourable exchange rates. Nevertheless ITIC is concerned on three fronts; cost competitiveness, falling investment in overseas marketing, and the need for increased investment in product.

ITIC Chairman Paul Gallagher says that: *"Ireland remains a high cost location, and addressing Ireland's international cost competitiveness must therefore remain a key economic priority for Government. Cost inputs are under increasing upward pressure, including labour costs and the industry is competitively disadvantaged in the cost of utilities, local Government rates and charges,"* he said.

ITIC is calling for the retention of the lower appropriate VAT rate, and reform of the tax and USC systems in order to facilitate pay adjustments, and treat entrepreneurs equally to PAYE workers.

Fig. 7: VAT Rate in Selected European Tourist Destinations

	Netherlands	Portugal	Germany	Poland	Ireland	Finland	France	Italy	Spain	Czech Republic	UK
Standard Rate	21%	23%	19%	23%	23%	24%	20%	22%	21%	21%	20%
Hotels	6%	6%	7%	8%	9%	10%	10%	10%	10%	15%	20%
Restaurants	6%	23%	19%	8%	9%	14%	10%	10%	10%	21%	20%

Source: European Commission (January 2015)

Mr. Gallagher expressed concern about the 40% drop in destination marketing over the past 7 years, despite an increasingly challenging trading environment and greater competition in the marketplace. ITIC is calling for a significant reversal of this downward trend, pointing out that Ireland is currently benefiting from unusual circumstances created by a weak euro against the dollar and sterling, as well as a significant drop in oil prices.

"Ireland's share of voice is dropping in our key markets", according to Gallagher, *"and this has inescapably led to a damaging loss of impact in winning attention and influencing potential tourists."*

Fig 9: Tourism Ireland Marketing Budget (€m current terms)

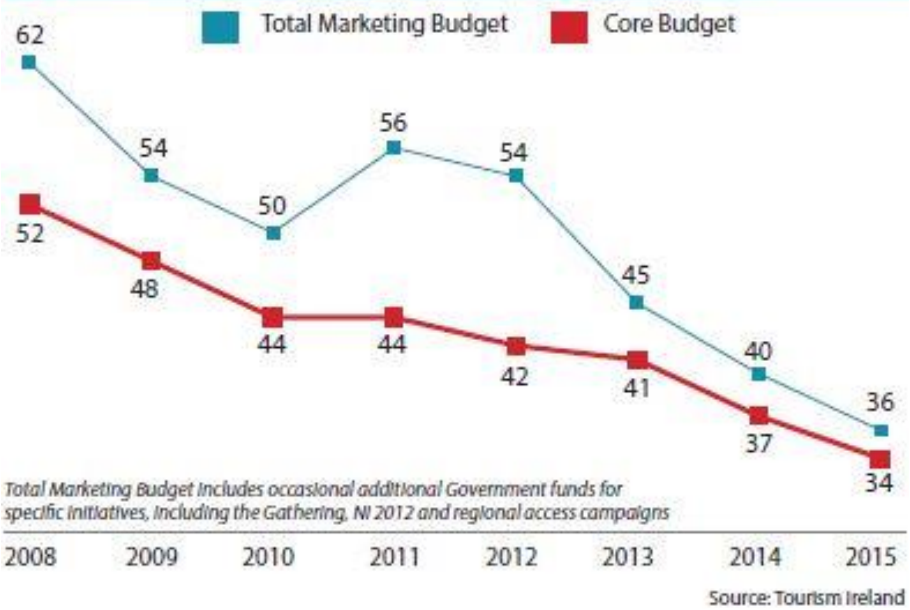

Fig. 10: Ireland's Declining Share of Voice Among Competitor Set in Top Source Markets

Market	2010	2014
Britain	10%	2%
USA	84%	55%
Germany	50%	36%

Source: 2014 Competitor Analysis, by Carat Global for Tourism Ireland (March 2015)

Spontaneous recall of advertising for Ireland has fallen in each of our top source markets over the past four years. Ireland has now dropped to the 7th most recalled holiday destination in Britain, 8th in the USA and 9th in Germany.

The case for capital investment in tourism is compelling, according to Gallagher. He claims it is urgently needed if Ireland's tourism industry is to continue to generate increased earnings from overseas visitors and achieve the Government's target of 10 million visitors spending €5 billion annually by 2025. Capital investment by the Government in tourism infrastructure and visitor attractors through the Office of Public Works (OPW), local authorities, National Parks & Wildlife Service, Fáilte Ireland and other state agencies can provide a powerful stimulus to wider economic activity across the Irish economy.

ITIC is proposing that a capital budget equivalent to at least 1% of annual export earnings from tourism be provided in each of the next 5 years from 2016. *"Tourism has already generated over 30,000 jobs since 2011, and has the capacity to deliver a further 30,000 by 2025 as outlined in the Government's tourism policy document - People, Place and Policy"*, claims Gallagher. *"But only if the policy aspirations are underpinned by adequate investment in product and overseas marketing,"* he added.

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NOTES TO EDITORS

Key Recommendations in ITIC Pre-Budget 2016 submission:

- Reform the tax and USC systems in order to facilitate pay adjustments and to treat entrepreneurs equally to PAYE workers.
- Ensure utility costs are competitive and fairly applied, continue to monitor costs and take action to address unnecessarily high costs that might be influenced by public sector charges where they arise.
- Establish a tourism capital programme, equivalent to at least 1% of annual export earnings from tourism, in each of the next five years. The prioritisation of projects must have a clear market focus on boosting visitor export earnings.
- Tourism enterprises to be included as eligible for capital supports currently available to export business in other sectors of the economy. Government should take an innovative approach to maximising State-funded investment through the stimulation of investment from indigenous enterprises and FDI.
- Increase the current levels of the Tourism Marketing Fund to support the substantial increase in marketing by tourism enterprises and improve Destination Ireland’s visibility in the international marketplace.