

Press Release

**Irish Tourist Industry Confederation: Review of 2015 & Outlook for 2016**

**Wednesday, December 30<sup>th</sup> 2015**

**Irish tourism industry now worth €7.3 billion in record year**

**ITIC predicts extra 6,800 jobs in sector in 2016**

**Capacity pressures particularly in Dublin**

**ITIC calls for increased capital investment to underpin progress**

**2015 Review**

For the first time total annual earnings of the Irish tourism industry will exceed €7 billion, a remarkable milestone.

Overseas tourists spent just over €4.1 billion while in Ireland in 2015, a 16% increase, or almost €600 million more compared to the previous year. Irish air and sea carriers earned a further €1.3 billion from tourists. Domestic tourism demand also picked up with an estimated 6% increase in spending to €1.6 billion, with a further €300 million earned from visitors from Northern Ireland.

The number of overseas visitors grew by 14% to top 8 million - the highest number on record - with all 4 top source markets recording significant growth. There was a strong increase of 20% in holiday visitors, business visitors were up 10%, while those coming to visit friends and relatives (VFR) grew by 2%.

United States, Germany, and France all returned record performances as Ireland gained a larger share of outbound tourism in these valuable source markets. Ireland continues to regain volume from the key British market too which is set to record a 14% growth in visitor numbers versus 2014. New and developing markets also performed well with a year-on-year 13% growth in visitor numbers.

*“It has been a remarkable year for Irish tourism with record visitor numbers in both volume and value terms,”* according to ITIC Chairman Paul Gallagher. *“Tourism businesses currently are estimated to employ in excess of 220,000 with over one in every five new jobs created since 2011 having come in the tourism sector. The Irish tourism industry has contributed significantly to the national economic recovery.”*

ITIC Chief Executive Eoghan O’Mara Walsh added: *“Irish tourism has performed extremely well in 2015 which is testament to the quality and competitiveness of our tourism product and industry. A number of external factors have also been in Ireland’s favour including healthy economies fuelling a strong demand for travel in our key source markets, favourable exchange rates, and increased capacity on air and sea services to Ireland”.*

## 2016 - Bullish outlook

Irish tourism businesses are positive about 2016 and are investing heavily in marketing as well as focussing on the need to continue delivering good value for money. The Government decision to maintain the 9% VAT rate on tourism services continues to boost Ireland's competitiveness on the back of operating efficiencies and better value offerings from tourism businesses. The domestic market, which underpins many tourism enterprises, is expected to see further pick-up in the demand for short leisure breaks as personal finances improve.

ITIC believes that the national target of 5% growth in overseas visitor revenue in 2016 is eminently achievable, given the healthy state of key source market economies and the strength of the pound sterling and the US dollar. Carriers are adding capacity and some new routes for 2016, providing 10% increase in planned airlift.

However growth is not guaranteed and there is much work to be done to underpin and sustain progress to date. ITIC Chairman Paul Gallagher says: *"Tourism has much more potential for Ireland but only if the right strategies and investment policies are pursued. ITIC believes that, based on projected tourism revenue growth of 5%, at least a further 6,800 jobs can be created in the tourism industry in 2016, one of the few industries that delivers jobs in all parts of the country."*

## Competitiveness is key to continued success

The recovery over recent years has been driven by a marked improvement in competitiveness in terms of price and quality of Ireland's tourism offering. Ireland's strong economic recovery could pose a threat to this competitiveness should costs rise faster than in competitor destinations. There is a risk that the strength of the US dollar and sterling could mask unfavourable price increases. It is vital that the improved value for money rating which visitors have reported on their experience is not allowed to slip.

ITIC Chief Executive Eoghan O'Mara Walsh states *"A loss of competitiveness represents the single largest threat to the sector. Ireland remains a high cost location, and addressing our competitiveness must remain a key priority for Government and the tourism industry. 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"*.

ITIC welcomes the Government's ongoing commitment to the 9% Vat rate for tourism services which keeps Ireland in line with the tourism Vat rate in other key European destinations.

**Fig. 7: VAT Rate in Selected European Tourist Destinations**

|                      | Nether-lands | Portugal | Germany | Poland | Ireland | Finland | France | Italy | Spain | Czech Republic | UK  |
|----------------------|--------------|----------|---------|--------|---------|---------|--------|-------|-------|----------------|-----|
| <b>Standard Rate</b> | 21%          | 23%      | 19%     | 23%    | 23%     | 24%     | 20%    | 22%   | 21%   | 21%            | 20% |
| <b>Hotels</b>        | 6%           | 6%       | 7%      | 8%     | 9%      | 10%     | 10%    | 10%   | 10%   | 15%            | 20% |
| <b>Restaurants</b>   | 6%           | 23%      | 19%     | 8%     | 9%      | 14%     | 10%    | 10%   | 10%   | 21%            | 20% |

Source: European Commission (January 2015)

## Capacity Concerns

Capacity issues represent a potentially serious constraint to continued growth. This is particularly evident in terms of a shortage of hotel capacity in Dublin and other urban centres which may limit the ability of Ireland to attract increasing volumes of visitors. Dublin hotels are operating for much of the year at close to full occupancy due to the city's popularity as a leisure and business

destination. For the city to achieve its potential additional accommodation is required and ITIC has argued that this needs to be addressed.

Chairman Paul Gallagher says: *“Dublin has significant capacity constraints and visitor number targets will not be met unless the deficit in hotel bedroom development is addressed with some urgency. ITIC is of the view that approximately 5,000 bedrooms are needed by 2020 and we await Fáilte Ireland’s report on this area which we understand is due for imminent publication. A successful Dublin is vital for tourism to prosper throughout Ireland.”*

### **Need for continued investment in tourism**

The continued provision and upgrading of key tourism attractors is vital to the future success of the industry. ITIC has already outlined the case for state support for the sector indicating that a 5 year €250 million capital programme for tourism projects is needed to ensure that growth in tourism is sustainable.

Mr Gallagher expressed disappointment with the amount of state investment in tourism infrastructure *“Failure to make adequate investment provision in tourism infrastructure and facilities is short sighted and will inevitably lead to lack of innovation, a loss of competitiveness, and a downturn in demand. Tourism uniquely has the potential to deliver economic and social development to many villages, towns and communities throughout the country”*.

Mr. O’Mara Walsh also expressed concern about the 40% drop in Tourism Ireland’s destination marketing budget 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 O’Mara Walsh, *“and this is likely to lead to a damaging loss of impact in winning attention and influencing potential tourists.”*

### **The Irish Tourism Industry priorities for 2016**

#### *A new Strategic Action Plan for tourism*

The industry eagerly awaits the outcome of the Tourism Leadership Group (TLG) which is charged with the formulation of an action plan following the publication of the Government’s new policy statement *‘People, Place, and Policy – Growing Tourism to 2025’*. The translation of the broad policy aspirations and goals into a clear roadmap for the future development of the sector is urgently needed to guide both public and private sector investment decisions. A sustainable future for the tourism industry is dependent on a clear vision of what tourism in Ireland will look like in 10 years from now, with a coherent strategy to deliver on the potential of the sector to grow. The economic scale and value of the sector, and its potential as one of the world’s fastest growing industries, demands a comprehensive and integrated action plan for the delivery of development and marketing programmes against set targets, beyond a short term year on year perspective.

#### *Addressing a capital investment deficit*

Future growth opportunities in tourism run the risk of being limited by infrastructure deficits. Continued growth is dependent on a commitment to investment in tourism infrastructure, people and attractions. The level of funding in the Government’s Capital Programme 2016-2021 allocated for tourism development, currently proposed at €106 million over 5 years, is disappointing and inadequate for an industry generating over €7 billion per annum into the economy. Prioritisation of the Capital Programme 2016-2021 will be critical to shaping the future of tourism. In common

with several business representative organisations, ITIC is strongly of the view that Government should use the current upturn in the economy and exchequer receipts to invest in essential infrastructure as a basis for future growth.

*Partnership with state agencies – Fáilte Ireland & Tourism Ireland*

ITIC is committed to continuing to work with the state agencies charged with facilitating the development of the sector to ensure that investment and marketing programmes are effective in delivering results in a cost efficient manner. ITIC representatives welcome the opportunity to engage in real dialogue and an exchange of views in working groups to ensure that key decisions by the agencies are informed by market research and a business perspective. A priority for 2016 will be to address identified pressure points limiting the future development of the sector while maintaining focused marketing campaigns in those markets offering the best potential in terms of income and economic benefits.

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**Notes to Editor:**

The Irish Tourist Industry Confederation was founded in 1984 and is the umbrella group representing the leading tourism interests in Ireland. The full ITIC Year End Report for 2015 including Outlook for 2016 can be seen on [www.itic.ie](http://www.itic.ie). Tourism is one of Ireland's largest indigenous industries and is a critical component of the export economy. Key tourism facts:

- Worth €7.3 billion annually
- 7.8 million international staying visitors in 2015 – a new record
- Spend by international visitors increased by 16% in 2015
- 1 in 9 jobs nationally in tourism & hospitality sector
- Average spend per US visitor while in Ireland: €802
- 5% national target for tourism revenue growth in 2016
- According to Fáilte Ireland, every €1m of tourist expenditure supports 34 tourism jobs
- For every €1 spent by tourists, 24.5c is generated in tax