

BREXIT & IRISH TOURISM

A Call For Action





“With 1 in 9 people in Ireland employed within the tourism and hospitality sector, it is essential that the Government act now to ensure the protection of these jobs and the future competitiveness of the industry”

Tourism is in urgent need of support to minimise impact of Brexit

The Irish Tourist Industry Confederation (ITIC) has identified Brexit, the UK's departure from the EU, as representing the greatest challenge to face Irish tourism since the global economic recession of 2008. Back then the value of the UK market to Irish tourism fell by 23% in the space of 12 months. Although the immediate impact of Brexit has been modest it has the real potential to damage jobs and economic growth if appropriate policies are not established to mitigate the adverse consequences of Ireland's largest tourism market leaving the EU.

“Tourism is very exposed to Brexit and warrants a strategic support framework.”

Over the nine months since the Brexit vote, the Irish Government has been working on policy and strategic responses to support export sectors such as the agri-food sector, manufacturing exporters, and FDI amongst others. However the tourism industry - a key export sector that was valued at €4.7 billion in 2016 employing 220,000 people - has seen no equivalent policy and strategic responses and supports. Tourism, where Ireland is promoted overseas as an all-island destination, is uniquely vulnerable to Brexit and warrants a strategic support framework, comparable to that being put in place for other exporters.

The likely impact of what looks like a hard Brexit include adverse consequences on the movement of people, the liberalised common aviation market, and regulations governing the conduct of business – these can only be mitigated by appropriate strategic responses if Irish tourism is to consolidate recent growth.

The tourism euro is as valuable as the euro earned by any other export sector and more valuable in the context that tourism is one of the few industries that can provide regional balance and sustainable local employment.

ITIC is now calling for the urgent implementation of the following:

- **An increase in the tourism budget of €12 million to enable tourism state agencies to respond to the trading, employment, investment and marketing needs of businesses exposed to Brexit impacts.**
- **Increased marketing and brand experience investment to consolidate market share in the UK and grow market diversification from other source markets.**
- **Establish a fund for business supports to assist tourism through education, training, re-skilling and product-specific activity such as business tourism.**
- **The establishment of a Brexit business tourism task force to input into the negotiations and design a series of practical supports and mentoring for businesses impacted by Brexit - covering investment, product and service development, business supports, and market diversification.**
- **That the supports available to other export sectors be extended to exposed tourism businesses, including access to low cost finance through the Strategic Banking Corporation Ireland (SBCI) together with access to the range of labour support schemes.**
- **Ongoing commitment to cost competitiveness.**
- **Irish tourism interests to be respected in new EU-UK trading deal negotiations.**

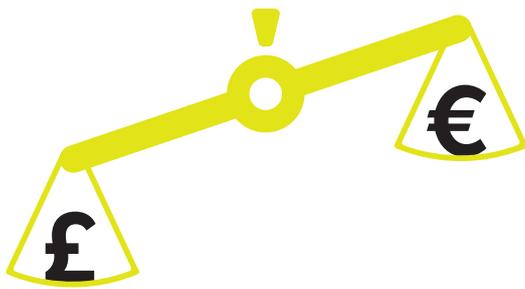
UK visitors are critically important to sustaining Ireland's tourism

The sterling spending visitor market was worth €1.3 billion in 2016 to Irish tourism, with just under €1 billion being spent by British visitors and the balance from Northern Ireland residents. Britain is Ireland's largest visitor source market with an estimated 3.9 million arrivals in 2016, accounting for two out of every five visitors and almost a quarter of tourism receipts.

“The sterling spending visitor market was worth €1.3 billion in 2016 to Irish tourism”

The drop in the value of sterling since June 2016 is having an impact on visitor expenditure, which is felt most in the Border region. The Border region depends on sterling spending visitors for almost 50% of its out of state visitor income, the value is even higher when day trips are included. Over 400 tourism and hospitality businesses catering to visitors in the region are facing a downturn in demand resulting in a threat to jobs and the viability of enterprises in the region.

The value of the UK's outbound travel market looks set to take a nose dive. Recent research in Britain conducted by RedC for Tourism Ireland points to a 7% drop in outbound travel intentions but more significantly indicates that UK travellers will not only cut short their trips but 37% of respondents intend to spend less by downgrading their choice of accommodation and limiting their holiday activities. Another research survey carried by the Daily Telegraph on February 16th identified that 41% of respondents would change their holiday plans due to sterling's slide.



Impact of a hard Brexit

It is evident that the UK-EU negotiations are going to be complex and multi-layered over a period of 24 months before the UK access to the single market closes in April 2019.

“Britain accounts for 2 out of every 5 visitors to Ireland.”

Over the past number of weeks the speculation has shifted from a discussion of a 'soft' or 'hard' Brexit to the spectrum of a 'hard' to a 'fall off the cliff' exit – the latter with significantly more serious consequences for Ireland and its tourism industry. The softer the Brexit the better for Irish tourism – a joint Department of Finance and ESRI report has estimated that exporting sectors could be negatively impacted by 30% over the next decade in light of a hard Brexit.

In January the UK Prime Minister, Theresa May, set out 12 principles followed by a Government White Paper outlining the UK's planned approach to the Brexit negotiations. The UK's stated aims include a withdrawal from the EU single market and customs union; new controls on movement of people into the UK from the EU; leaving the jurisdiction of the European Court of Justice; securing a deal on the rights of EU nationals in the UK and British expats in Europe; and negotiating a new free trade agreement with EU members.

On the question of the Irish border the stated UK aim is for “as seamless and frictionless a border as possible between Northern Ireland and Ireland.”

It remains to be seen if such aspirational goals can become practical realities in a post-Brexit trading agreement.

Short-term and longer-term risks to Irish tourism as a result of Brexit

Brexit poses a significant challenge to Irish tourism in both the immediate term and longer term.

In the short term sterling's weakness highlights the critical need for Irish tourism to remain competitive and it is incumbent on the Government not to impose any additional tax or regulatory burdens. Appropriate policy responses must be put in place to allow Irish tourism businesses cope with the immediate challenges of Brexit.

In the longer term the new EU-UK deal must reflect the strategic importance of tourism to the Irish economy. ITIC's position on behalf of all tourism businesses, employing over 220,000 people, is that the following key areas must be addressed to mitigate against adverse consequences.

“It is incumbent on the Government not to impose any additional tax or regulatory burdens”

A new EU-UK deal: Irish tourism priorities

Priority Area A

The preservation of the Common Travel Area (CTA) and a soft border

Priority Area B

The retention of liberalised aviation access between the UK and the EU

Priority Area C

The support of an all-island approach to tourism marketing

Priority Area D

The harmonisation of regulatory standards across the island of Ireland

Priority Area A

The preservation of the Common Travel Area (CTA) and a soft border

From a tourism perspective the key outcome of the upcoming negotiations will centre primarily on the UK's demand for control over the movement of people. The threat of a disruption to the Common Travel Area – whereby visitors can move freely between the UK and Ireland - is the top concern of the tourism industry.

There have been many aspirations expressed by politicians from Dublin, London, Belfast and Brussels, acknowledging the special position of the North/South relationships on this island and the avoidance of a return to the borders of old. However, the outcome of the UK's withdrawal from the common market and customs union with new immigration controls will inevitably mean that Ireland's land border will de facto become an external EU border. The challenge will be to find, if possible, a political as well as technological solution to mitigate the disruption that this would cause.

From a tourism perspective the re-introduction of a visible controlled border crossing, apart from the inconvenience and travel time disruption, would create a more significant psychological barrier to visitor flows between the two parts of the island. While only a relatively small share of visitors to the Republic enter or depart via Northern Ireland, visits from residents of the North are likely to be impacted, as would the very significant flow of

overseas visitors heading to visit attractions in Northern Ireland. Based on the experience of the past the reintroduction of border controls could be expected to have a major impact on the level of visitors to the border region, especially to Donegal.

Informal soundings within the industry suggest that border controls, depending on the scale and format, would impact travel itineraries for both independent and group travellers; add additional costs to cross-border itineraries; complicate compliance issues such as car hire insurance and coach driver's hours. In short, the attractiveness of all-Ireland itineraries would diminish, add to costs and reduce the competitiveness of tourism offering by Irish businesses, as well as the risk of negative publicity. Another important aspect of the CTA is the current reciprocal visitor visa arrangement in place between the UK and Ireland whereby approved visa holders can visit both countries, which has benefitted Ireland with visitors from, for example, China and India to the UK making a trip across the Irish Sea.

Should a hard border be re-imposed and the CTA undermined it may well be in Ireland's interest to re-assess its position in regard to the Schengen travel area. For example the majority of Chinese and visitors from other new emerging long haul markets to Europe arrive via a Schengen gateway rather than into the UK.

“The threat of a disruption to the Common Travel Area – whereby visitors can move freely between the UK and Ireland - is the top concern of the tourism industry.”



Priority Area B

The retention of liberalised aviation access between the UK and EU states, including Ireland.

Brexit throws up a number of questions for the airline industry and Ireland's connectivity. The biggest is whether the UK can remain in the EU's open skies system which allows member state-registered airlines free access to all EU airspace – a centerpiece of the EU's liberalisation of air travel. In addition, member states also benefit from access to a number of long-haul markets on the back of EU aviation agreements with third countries.

“The Ireland – Britain air market is vitally important for tourism, with 37% of visitors arriving on cross-channel air services”

There are obstacles to the UK's continued membership of the European Common Aviation Area, and a return to a bilateral approach may now be more likely. In the event of failure to reach agreement on continued membership of the common aviation market, UK airlines would be dependent on their Government negotiating new bi-lateral agreements with each of the 27 member states before they could continue to operate services. An unlikely scenario and one that would be impossible to achieve within 24 months. The UK Transport Secretary wants the “best possible access to European aviation markets”, but is not yet able to say how that can be achieved.

The Ireland – Britain air market is vitally important for tourism, with 37% of visitors arriving on cross-channel air services, just under 3 million visitor arrivals in 2015. Almost three out of every four British visitors arrive by air plus more than one in five North Americans and one in three of other long-haul visitors connect via a British airport.

While the majority of services are operated by Irish carriers, Ryanair, Aer Lingus and CityJet, UK airlines, including BA and FlyBe, also provide essential airlift on many cross channel routes. Moreover, it remains to be seen whether a post-Brexit UK will continue to support a liberal regime or move towards more protectionist aviation policies - the latter would disadvantage Ireland's tourism.

Apart from the regulatory considerations any significant downturn in demand for air travel between the two islands as a result of a drop off in trade, investment and social contacts would lessen the sustainability of the current excellent air service network and reduce Ireland's connectivity. Tourism would be impacted not only in a fall-off in British arrivals but would be in danger of losing its strong global connectivity via London, especially since Aer Lingus became a member of the IAG family of airlines.



Priority Area C**The support of an all-island approach to tourism marketing**

The marketing of Ireland on an all-island basis following on from the Good Friday Agreement and the formation of Tourism Ireland has proven to be of benefit to the economic development of both parts of the island. The political aspiration and the ITIC position is that ideally this should be continued in a post Brexit era. However, the political, economic and business rationale may well be severely challenged depending on the outcome of the negotiations and specifically in relation to any new border arrangements and regulatory regimes in the North.

Currently Tourism Ireland's political paymasters are on opposing side of the Brexit negotiations while at the same time the agency is confronted by currency fluctuations which impact its resources and its ability to manage the expectations of two business constituencies potentially facing different market challenges and opportunities.

The absence of a real term increase in marketing budget in 2017 is proving to be a limiting factor on the effectiveness of the destination campaigns in a year when the industry is faced with minimising any decline in the British market and at the same time pursuing a market diversification strategy.

Additional marketing resources are vital to adequately promote the island of Ireland as a holiday destination to a global audience.

“The marketing of Ireland on an all-island basis has worked well and ITIC supports its continuation post-Brexit”

Priority Area D**The harmonisation of regulatory standards across the island of Ireland**

A post Brexit UK could represent a serious competitive challenge to Ireland's tourism industry. Already Britain and Ireland compete for visitors in many source markets and visitor segments. Brexit has the potential to deliver a competitive advantage to the UK, depending on the outcome of negotiations. For example any reduction in the cost of doing business in the UK compared to Ireland, resulting from a withdrawal from EU inspired regulations and compliance issues, would see Ireland disadvantaged and the possibility of some transport and other service businesses relocating to the UK with a loss of jobs in Ireland.

The most likely aspects of business to be impacted include labour costs – a high cost component in the hospitality sector – together with employment and working conditions; health and safety compliance; environment regulations; and consumer protection codes.

The potential impacts on the tourism sector include coach operators, where Irish operators could be competitively disadvantaged compared to British and Northern Ireland based operators, as a result of the need to comply with EU directives governing drivers' hours and associated costs.

The emergence of a different set of business codes and practices between Northern Ireland and the Republic could lead to some significant cost variances and skew the customer's price / value perceptions between both parts of the island.

“Any reduction in the cost of doing business in the UK compared to Ireland, resulting from a withdrawal from EU inspired regulations and compliance issues, would see Irish tourism businesses disadvantaged”

An inadequate Government response to Brexit

The Government’s stated response to Brexit is focused on three areas:

1. Continued commitment to the EU;
2. Immediate steps being taken to address the impact some firms are already experiencing as a result of Brexit; and
3. Addressing the short to medium term competitiveness challenges, diversifying Ireland’s trade footprint and building presence in key markets and sectors to drive value of services and exports markets on the back of EU aviation agreements with third countries.

As part of its preparation for the upcoming EU negotiations the Government convened an All-Island Civic Dialogue on Brexit, which has to date has two plenary sessions and a sectoral dialogue on tourism.

Regrettably tourism has been poorly served by the Government in relation to Brexit supports particularly when compared to other export sectors.

Tourism is extremely vulnerable to Brexit and action is needed now to minimise any downturn.

“Regrettably tourism has been poorly served by the Government in relation to Brexit supports particularly when compared to other export sectors.”

Agri-food	Manufacturing	Cross-sectoral
<p>Bord Bia</p> <ul style="list-style-type: none"> ✓ €150m emergency fund for Brexit-hit farmers and food producers to provide special low-cost loans (2.95%) through the Strategic Banking Corporation Ireland (SBCI) ✓ €2m additional funding and specific strategy to support the Irish food and drink industry ✓ A Market Intensification Programme (MIP) grant to support companies with a high dependency on the UK market ✓ Doubling one-to-one mentoring & increasing the number of market and consumer research/insight projects ✓ More trade events and additional promotional opportunities 	<p>Enterprise Ireland</p> <ul style="list-style-type: none"> ✓ €3m additional funding for EI & IDA ✓ 39 additional staff ✓ An Export Finance Initiative (Department of Finance/ SBCI) of new support to export orientated SMEs, with a pilot in 2017 ✓ Increased number of trade missions ✓ Market diversification programmes ✓ Specific measures in Budget 2017 to help enterprise 	<p>Various</p> <ul style="list-style-type: none"> ✓ Innovation 2020 – targets include €600 million in new RDI investment ✓ Retail Support Programme aimed at scaling up online trading and expansion into international markets ✓ A Design4Growth initiative in regions ✓ A competitive Start Fund for female entrepreneurs <p>FDI</p> <p>IDA</p> <ul style="list-style-type: none"> ✓ 9 additional staff ✓ Increased promotion ✓ New specific measures in Budget 2017
<p>Tourism</p> <p>Fáilte Ireland/Tourism Ireland</p> <ul style="list-style-type: none"> ✗ NO additional staff ✗ NO real term increase in budgets* ✗ NO enterprise or Brexit support programmes 		

* a very modest 1% increase in budget in October 2016 was negated by corresponding marketing budget cuts to Tourism Ireland by Northern Ireland Executive and exchange rate volatility.

Tourism is in urgent need of support to mitigate impacts of Brexit

It is evident that the impacts on tourism are not being treated with the same degree of urgency and importance as other export sectors of the economy. Government and state agencies responsible for the development of the agri-food, manufacturing exports, and other sectors have produced programmes to support businesses in their respective sectors while Government has made additional funding available to mitigate the anticipated impacts. Tourism appears to have been left behind in terms of a strategic and practical support framework. While the cloud of uncertainty still hangs over Brexit and its impact on Ireland's tourism and transport sectors, there are businesses highly vested in the UK market already suffering from a downturn which is endangering their continued viability.

ITIC is now calling for the urgent implementation of the following:

- **An increase in the tourism budget of €12 million to enable tourism state agencies to respond to the trading, employment, investment and marketing needs of businesses exposed to the Brexit impacts.**
- **Increased marketing and brand experience investment to consolidate market share in the UK and grow market diversification from other source markets.**
- **Establish a fund for business supports to assist tourism through education, training, re-skilling and product-specific activity such as business tourism.**
- **The establishment of a Brexit business tourism task force to input into the negotiations and design a series of practical supports and mentoring for businesses impacted by Brexit - covering investment, product and service development, business supports, and market diversification.**
- **That the supports available to other export sectors be extended to exposed tourism businesses, including access to low cost finance through the Strategic Banking Corporation Ireland (SBCI) together with access to the range of labour support schemes.**
- **Ongoing commitment to cost competitiveness.**
- **Irish tourism interests to be respected any new EU-UK trading deal negotiations.**

ABOUT ITC

The Irish Tourist Industry Confederation (ITIC) represents the leading tourism interests and businesses throughout Ireland. Through independent research, analysis and interpretation ITIC aims to help the tourism sector realise its full potential.

As an industry, tourism is Ireland's largest indigenous sectoral employer providing over 220,000 jobs throughout the length and breadth of the country. Brexit poses a real and imminent danger to Irish tourism and appropriate resources and policies need to be enacted now to support such a key industry.

MEMBERS

Aer Lingus
AIPCO
(Association of Irish Professional
Conference Organisers)
B&B Ireland
Car Rental Council of Ireland
CIE Tours International
Coach Tourism & Transport Council
Convention Centre Dublin
Dublin Institute of Technology
Dublin Airport Authority

Dublin Port Company
Emirates
Fáilte Ireland
Heritage Island
House of Waterford Crystal
Guinness Storehouse
Inland Fisheries Ireland
Ireland's Blue Book
Irish Ferries
Irish Caravan & Camping Council
Irish Heritage Trust

Irish Boat Rental Association
Incoming Tour Operators
Association-Ireland
Irish Hotels Federation
Jameson Visitor Centres
Office of Public Works – Heritage
Restaurants Association of Ireland
Shannon Group plc
Stena Line
Tourism Ireland
Vintners' Federation of Ireland

CONTACT

Irish Tourist Industry Confederation
Ground Floor, Unit 5,
Sandyford Office Park,
Dublin 18, D18 N7V7, Ireland

T: +353 (0) 1 2934950
F: +353 (0) 1 2934991
E: info@itic.ie
www.itic.ie