A REPORT BY THE IRISH TOURISM INDUSTRY CONFEDERATION
AUGUST 2019

Tourism

A Competitiveness Report

The Competitiveness of Irish Tourism and how it needs to be improved

Contents

Executive summary

After a number of strong years the Irish tourism industry is now at a key point. Central Statistics Office data shows that visitor spend - or value - is down 4% for the first quarter of 2019 compared to the same period last year with only the North American market growing. Although arrival numbers continue to perform well - and often grab the headlines – these include day-trippers and transfer traffic which, by their nature, add limited value to Irish tourism.

As in any business sector, value trumps volume and tourism is no different in this regard. A worrying trend is emerging and one that is causing the Irish tourism industry – hotels, B&B's, attractions, activity providers, tour operators, restaurants and vintners amongst others – a degree of concern.

Brexit has had a major impact on Irish tourism but this report on Irish tourism's competitiveness – carried out by Tourism & Transport Consult Ltd on behalf of the Irish Tourism Industry Confederation (ITIC) – highlights that the competitiveness of Irish tourism has diminished as costs of business have risen sharply. As a result trading circumstances are more challenging for the estimated 20,000 Irish businesses in the tourism and hospitality sector.

As outlined within the report many of the competitiveness challenges are Government or state-induced and ITIC identify a series of measures that could, and should, be enacted to improve the sector's competitiveness.

The Irish Tourism Industry Confederation (ITIC) is the representative body for Irish tourism business interests and includes the leading stakeholders within the industry, both private and public-sector, as well as the two state agencies for tourism, Fáilte Ireland and Tourism Ireland. A full list of our members can be seen at the end of this report or at www.itic.ie.

Tourism is Ireland's largest indigenous industry and according to CSO figures the sector employs approximately 265,000 nationwide and in 2018 was worth €9.2 billion to the Irish economy.

Last year ITIC, after extensive industry consultation, produced an 8-year roadmap for growth within the sector. *Tourism: An Industry Strategy for Growth to 2025* set out ambitious goals and objectives for Irish tourism including 80,000 more jobs and a 65% increase in revenue from overseas tourists to the country by 2025. A number of key enabling factors were identified within the strategy and the "first among equals" was the need for a competitive environment within which tourism businesses could operate. Put simply all stakeholders within the industry agreed that a competitive sector would deliver growth, an uncompetitive sector would struggle to do so.

This report by ITIC on the state of tourism competitiveness identifies a number of factors that are impacting negatively on Irish tourism business. Significant private sector investment in new hotels, attractions, transportation and infrastructure is underway and ITIC estimate that €2.5 billion is being committed by industry in the next 3 years alone. However this report shows that the competitiveness environment within which the sector operates has waned and, as Brexit comes to pass, this is of great concern to the Irish tourism industry.

The National Competitiveness Council describes the cost profile of Ireland as 'high cost, slowly increasing' and tourist sentiment as to value is often influenced by exchange rate swings particularly between euro and dollar/sterling movements. Encouragingly most recent annual surveys by Fáilte Ireland show that there is no noticeable change in tourists' perception of value, which remains stable and positive, when it comes to holidaying in Ireland but this is likely to be under pressure in 2019 as a result of a sharp rise in costs of business inputs.

The declining competitiveness of Irish tourism is apparent across a number of metrics including:

1

Ireland is the 5th most expensive country in the EU.

2

The National Competitiveness Council identifies that prices are 13% more expensive than the EU average.

3

Ireland's tourism VAT rate at 13.5% is now the highest across the whole of the Eurozone.

4

The cost of credit – very relevant to the Irish tourism and hospitality sector that are often seasonal businesses – is 65% higher than the EU average.

5

The cost of labour across Ireland has risen 4 times faster than average prices. This is a major input for Irish tourism which is an extremely labour-intensive industry.

6

Commercial water rates are proposed to rise by 18% according to the Commission for Regulation of Utilities.

7

The rise in insurance premiums continues to affect Irish tourism and hospitality business. A survey amongst Irish hotels shows that insurance costs for that sector have risen by 28% in the last 12 months alone and many activity providers are struggling to get insurance cover at all at a reasonable rate.

8

Price levels for food, beverages and tobacco in Ireland are 40% above the average across Europe – this particularly impacts tourists who consistently notice the high cost of discretionary spend items.

9

Local authority rates are a major cost to the Irish hospitality sector, accounting for 20% of commercial rates income to Councils. As high-street retail suffers, the tourism and hospitality sector is taking on more of the burden.

These and other factors that are impacting on Irish tourism businesses are identified in some detail within the report. The increase in input costs for the tourism industry, and particularly the fact they are rising at a rate above those in competitor country destinations, is worrying from a cost competitiveness perspective.

The evidence of the correlation between tourism competitiveness and performance is unassailable. Improved competitiveness is reflected in strong tourism demand and employment growth across the industry and regions.

With Brexit already impacting, and the UK's departure from the EU set to be crystalized later this year, the Irish tourism industry is facing a challenging period. With carbon taxes set to be increased, competitiveness must be improved in a number of ways and 8 clear recommendations are identified within the report including: the tourism VAT rate should be reviewed so that Ireland is in line with the rest of Europe; insurance reform and a new book of quantum urgently needs to be fast-tracked and expedited to lower premiums; the proposed commercial water rates increase should be deferred; local authority rates need to be reformed and there should be relief for tourism businesses in local authority areas where valuation revisions have yet to be completed; excise taxes should be moderated and reviewed; and labour cost increases should be ameliorated by reform of income tax and adjustment of social insurance. These and other measures including improved competitiveness measures for conference venues and a Brexit market-diversification fund for industry are identified within the report and would help Irish tourism, the country's largest indigenous sector and biggest regional employer, navigate the choppier waters ahead.

> 8 clear recommendations are included in this report.

> With Brexit already impacting, and the UK's departure from the EU set to be crystalized later this year, the Irish tourism industry is facing a challenging period.

A competitive tourism sector delivers growth

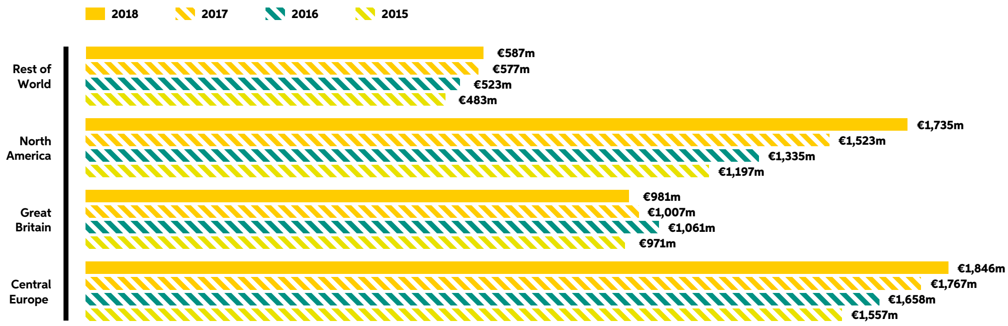
Tourism is Ireland's leading indigenous export industry

Tourism in Ireland is a €7 billion export industry, with international tourist spending in the country topping €5 billion with a further €1.9 billion earned by Irish carriers from tourists. In addition, the industry earned an estimated €2 billion from domestic trips. Over 20,000 tourism businesses currently support approximately 265,000 jobs. Despite 6 years of continuous growth to record levels of tourist arrivals and export earnings, the sustainability of the growth trajectory of Ireland's tourism industry is under threat.

Earnings from overseas visitors enjoyed an annual growth rate of 9.6% (CGR), over the past 5 years, and created 90,000 new jobs over the period. In addition, tourism plays a wider role in sustaining and developing regional economies and rural communities, as well as promoting the image of the country abroad.

1

€5.1bn Tourist spend in Ireland



Earnings from overseas visitors enjoyed annual growth of 9.6% over the past 5 years.

Driving Growth

Businesses driving growth to record levels

The tourism industry in Ireland has proved to be particularly resilient in recovering from the deepest downturn in its history. The downturn in tourism demand for Ireland predated the global recession of the late noughties, as a result of Ireland's loss of competitiveness when domestic cost base inflation outpaced that of competitor tourism destinations across Europe throughout the noughties.

The recovery was driven by an industry which adopted new business models, cut margins, and invested heavily in marketing, people and technology, while at the same time upgrading and expanding the range and quality of visitor experiences. Government support through the reduction of VAT on tourism services to 9%, coupled with the suspension of the air travel tax, were especially welcome, and effective, interventions.

However, as the state budgets for destination marketing and support for enterprises was severely reduced, the recovery was achieved on the back of significant expansion of Ireland's connectivity, driven in large part by Aer Lingus and Ryanair, supported by increased marketing and promotional activities by the businesses in the tourism and hospitality sectors - ranging from airlines, ferry companies, tour operators, accommodation and food providers, to attractions, transport and other tourism services providers.

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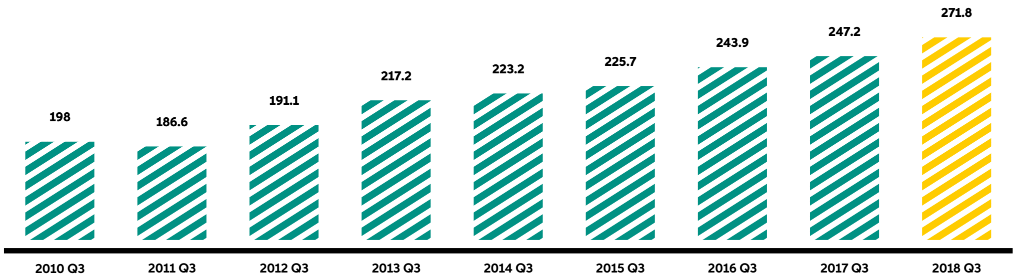
Employment in tourism and hospitality

> Competitiveness remains key as we head into the peak season.
>
> Niall Gibbons, CEO Tourism Ireland 25 April 2019



The Opportunity

Competitiveness is integral to sustaining growth

The growth potential opportunity from tourism is significant. *Tourism: An Industry Strategy for Growth to 2025*, devised by the business community across the sector and published by ITIC in 2018, sets out ambitious targets for Irish tourism, namely a 65% growth in earnings from overseas visitors to €8.2 billion thereby creating 80,000 new jobs nationwide.

The underlining premise of the road map to achieve this level of growth over the next 6 years is that Ireland's tourism offering remains competitive in a dynamic international market. This is predicated on prudent management of the domestic economy, a benign business environment, facilitating infrastructure and a regime of supports for the tourism sector no less than that on offer to other export sectors.

Competitiveness is integral to sustaining growth from tourism export earnings, jobs growth and security for business viability. Improving competitiveness performance is a core focus of ITIC's *Tourism: An Industry Strategy for Growth to 2025.*

> It is important to be cautious as we face a challenging year ahead. The potential impact of Brexit on our economy is a serious concern for the country as a whole, but its impact specifically on the tourism industry.
>
> Paul Kelly, CEO Fáilte Ireland, 25 April 2019

[1] ITIC estimates based on CSO & Failte Ireland (graph above)

The Challenges

The buoyant demand for global travel and tourism in recent years has been driven by a period of economic growth, a decline in the real term cost of travel, expansion of air services, and fast growing outbound travel demand, particularly from emerging and developing markets in the Asia Pacific region.

Ongoing geopolitical developments, an economic slowdown, trade wars, rising oil prices, and Brexit, combine to suggest at least a slowing down of the rate of increase for travel demand. While tourism has proven to be a most resilient industry it has been marked by cyclical demand trends.

Ireland's annual growth rate in aggregate tourist arrivals in recent years has been broadly in line with the overall growth in travel demand to European destinations, with few exceptions. However, Ireland has become increasing dependent on long haul source markets for annual volume and expenditure growth, visitors who are higher spenders compared to those from closer European source markets. The growth from North America and beyond can be attributed to significant increases in airlift, a strong US dollar, and investment in market diversification by the industry, and Tourism Ireland's destination marketing programmes, supported by private sector international investment. Last year receipts from North American visitors accounted for 77% of the annual incremental growth in tourism income – a market which has been the dominant contributor to growth in each of the past 3 years, as Ireland has gained market share of the US-Europe travel demand. In contrast, receipts from British visitors have been in decline since the fall in the value of Sterling following the Brexit referendum in mid 2016, with Ireland's market share slipping. Brexit remains the single biggest, and most immediate, threat to many tourism businesses as it is having current, and potentially far-reaching, negative impacts on demand from Britain and Northern Ireland.

Currency fluctuations again have been shown to be a major determinant of performance, and value assessment, over the past few years when Sterling and the US dollar have seen significant currency movements. Currency shifts have countered or exaggerated the impact of any price increases in the Irish tourism offering.

Competing for tourists in a dynamic and fast changing global marketplace is becoming increasingly challenging for businesses in the travel and hospitality sectors. Economic shifts, changing travel trends, the disruptive role of social media and distribution technologies, together with greater source market diversification, present an evolving set of business challenges. Understanding and monitoring Ireland's competitiveness in tourism is a major consideration for policy makers and a serious challenge for business in presenting evidence to inform decision making. Tourism's range of economic, social, and environmental influence and importance present a particular challenge for policy makers and businesses.

Tourism competitiveness – the complexity

Competitiveness – a working definition

Ireland's tourism competitiveness is about its ability to optimise its attractiveness for visitors (domestic and overseas), and to deliver quality experiences that provide good value for money to consumers, so as to gain market shares in the global market place, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way.

From the perspective of a tourist the perceived value versus price is perhaps the most crucial measure of competitiveness.

2

Competitiveness environment for tourism in Ireland

For the tourism industry, two key elements of cost have a significant impact on the health and performance of the sector, namely the cost of doing business and the cost of living in Ireland. The former is a key determinant of profitability and investment attractiveness, while the cost of living has a significant impact on demand from domestic and overseas tourists.

Ireland ranked 7th most competitive economy in the world out of 63 economies, by the Institute for Management Development (IMD) recently published World Competitiveness Report.[2] However, while the economy strengthened and business environment improved, there are specific factors impacting the tourism sector which see its competitiveness under threat and deteriorating.

Recent reports from the National Competitiveness Council (NCC)[3] describe the cost profile of Ireland as 'high cost, slowly increasing' and in this regard, Ireland finds itself in the company of countries like Iceland, Denmark and Sweden. While the overall figures suggest that Ireland is maintaining a cost competitive position, the headline figures tend to mask important changes in the cost inputs and price of many components of the visitor experience in Ireland. The increase in input costs for the tourism sector, and particularly the fact they are rising at a rate above those in competitor country destinations, is worrying from a cost competitiveness perspective.

"Recent reports from the National Competitiveness Council (NCC) describe the cost profile of Ireland as 'high cost, slowly increasing' and in this regard, Ireland finds itself in the company of countries like Iceland, Denmark and Sweden."

[2] May 2019: *https://www.imd.org/wcc/world-competitiveness-center-rankings/world-competitiveness-ranking-2019/*
[3] April 2019: *http://www.competitiveness.ie/Publications/2019/Cost%20of%20Doing%20Business%202019.html*

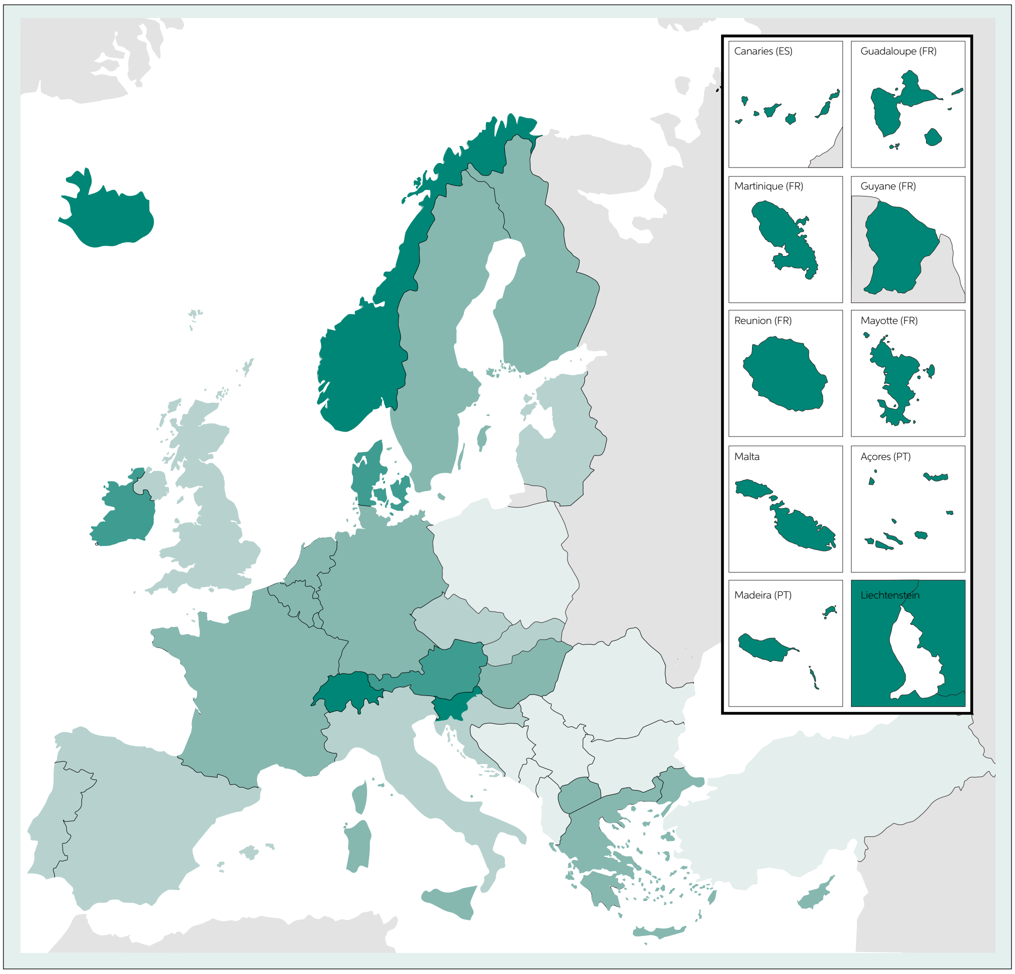
Measures of overall cost competitiveness

For the tourist cost competitiveness is determined by a combination of exchange rates and movements in relative prices between Ireland and their home country. For example, Ireland becomes less cost competitive if the domestic price of goods and services increased at a faster rate than the price of those goods and services in the tourist home country.

Ireland is the fifth most expensive place to live in the EU, with prices here 13% above the euro area average. We are in line with the Netherlands and Austria, and ahead of France and Germany. Only Scandinavia, with its high cost of living, and Luxembourg are more costly.

Price levels for food, beverages and tobacco in Ireland were 40% above the average across Europe in 2018, in company with Norway, Iceland and Switzerland. For example, Ireland had the highest excise duty on wine and the second highest on beer, while non-alcoholic beverages were more expensive in Ireland at 136% of the EU average.

Price index for food and non-alcoholic beverages, 2018

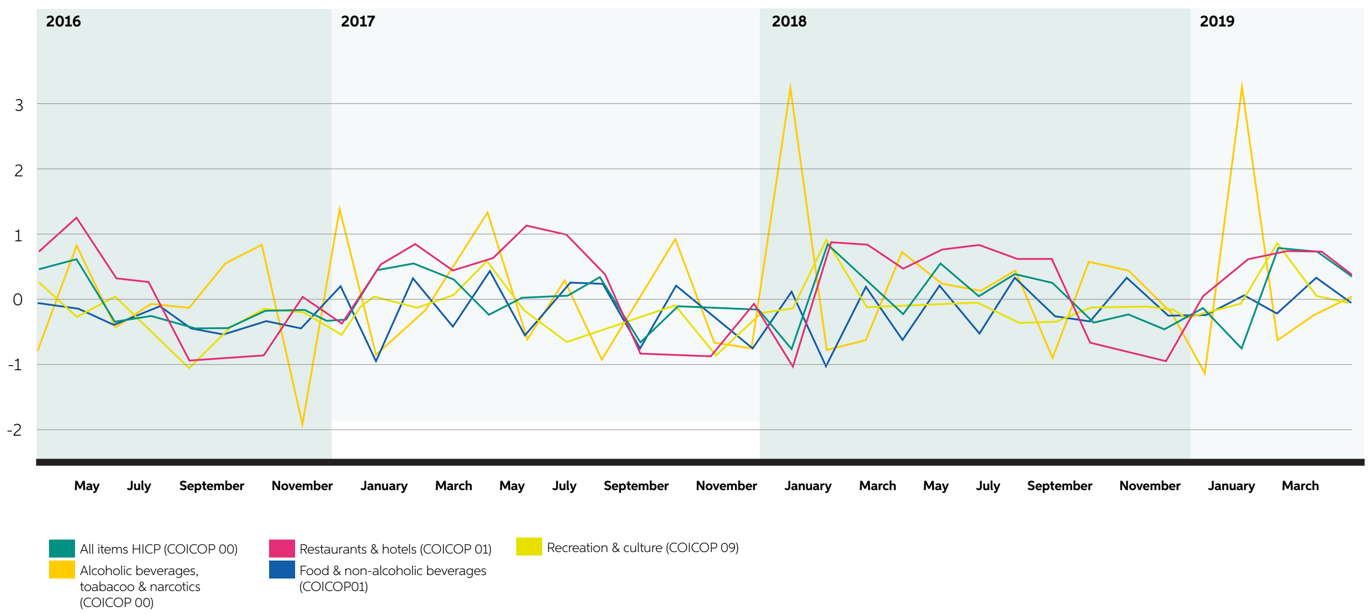


- <80
- <80 – <100
- 100 – <120
- 120 – <140
- >=140
- Data not available

[4] Administrative boundaries, EU Geographics UN-FAO Turkstat Cartography: Eurostat – GISCO, D6 2019 (graph above)

While the absolute price level in Ireland is important, it is the case that the pace of price increases in Ireland has accelerated in recent months. Prices on average, as measured by the EU Harmonised Index of Consumer Prices (HICP)[5], increased by 1.7% compared with April 2018. The annual inflation rate was higher than the increase in several competitor destinations, including France, Denmark, Italy and Switzerland, but below the rate of increase in the UK and Germany. The most notable changes in the year were increases in utilities and fuel (+5.3%), transport (+3.8%), restaurants & hotels (+3.6%) and alcoholic beverages & tobacco (+2.4%) – each a key component of the basket of tourist consumption.

Monthly rate of change in HICP



[5] CSO May 2019: *https://www.cso.ie/en/releasesandpublications/er/cpi/consumerpriceindexapril2019/*

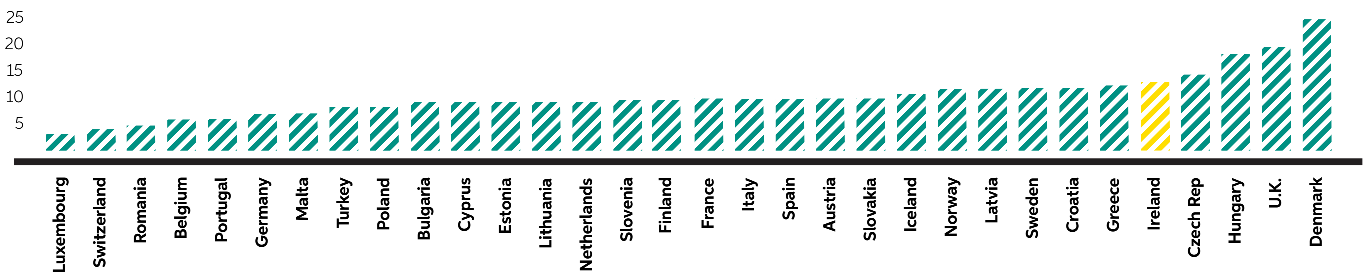
VAT increase hurting tourism competitiveness

The VAT rate increase from 9% to 13.5% in Budget 2019 has severely dented Ireland's competitiveness. Tourists to Ireland are now burdened with a VAT rate on accommodation and restaurant bills which is higher than the rate in force in 27 European countries, many of which are competitor destinations.

The increase has further competitively disadvantaged Ireland, an already high cost economy, at a time when the industry is facing challenges in an emerging difficult trading environment. The imposition of the increase, without any prior notice or lead-in time, has caused reputational damage with trade intermediaries who commit to contracts for tourist visits and conferences several years in advance.

The reduction in VAT rate in 2011 proved to be a most effective stimulus to demand which in turn resulted in significant growth in tourism receipts, underpinned the creation of 90,000 new jobs, and secured the viability of many businesses. The reduction also encouraged an uptake in investment in the sector resulting in a more appealing and more satisfying visitor experience. The result of the increase in the VAT rate at this time of uncertainty surrounding Brexit and a slowdown in the global economy is putting the future of many businesses at risk, especially SMEs in rural locations reliant on seasonal demand.

European VAT rates on tourism 2019 (%)



[6] HOTREC, EU Commission (graph above)

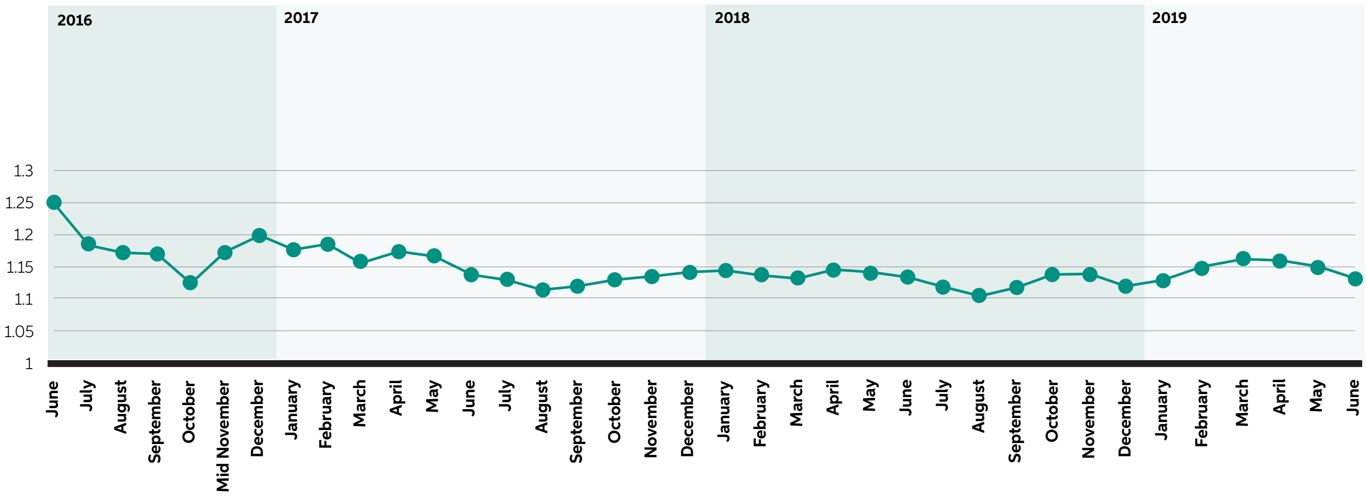
Exchange rates impact on competitiveness

Fluctuations in exchange rate between the euro and the visitor's domestic currency play a significant role in determining price competitiveness.

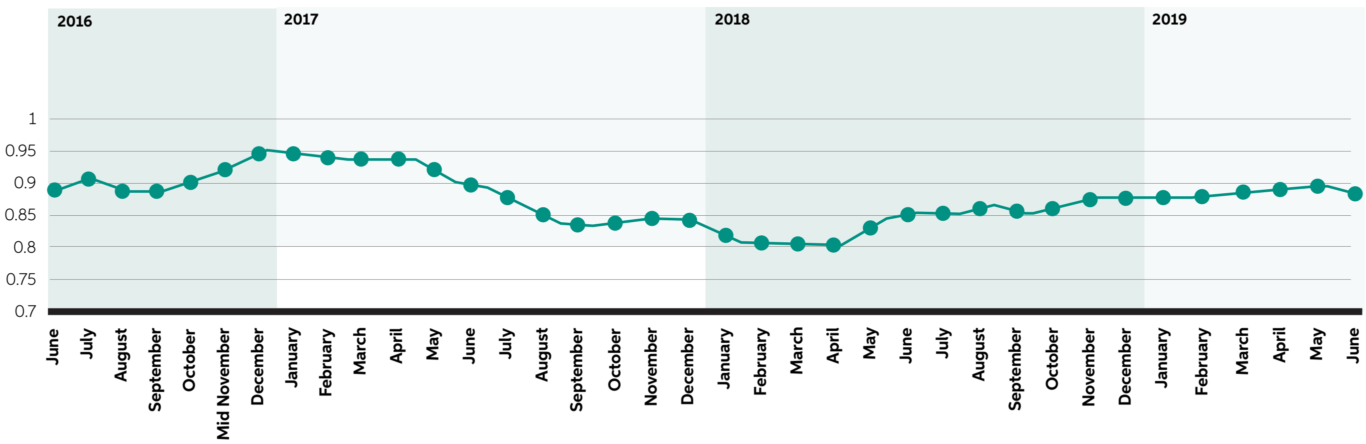
Visitors from Britain and Northern Ireland have seen their purchasing power decline by approximately 12% on the slide in the value of sterling since the Brexit referendum in June 2016. As of June 2019 the pound sterling buys close to €1.12,[7] compared to €1.28 prior to Brexit. The fall in the exchange rate has exaggerated the price differential between the two countries, as historically food and drink prices have been higher in Ireland than in Britain. The impact on sterling of the outcome of Brexit is an ongoing risk for the Irish tourism industry, a no deal Brexit runs the risk of a further collapse of sterling.

In contrast, US dollar spending visitors to Ireland have had the advantage of a strong exchange rate over the past 3 years. Over the first four months of 2019 the US dollar has been worth €0.89,[8] an exchange rate similar to the average for the year in 2017, having slipped a little in 2018. A relative strengthening of the dollar against the euro could mask or ameliorate price increases for the US visitor to Ireland, while a softening of the US currency could hit spending in Ireland, and the value for money rating, from a market which has been the main driver of annual incremental increases in tourism receipts over the past three years.

What £1 buys in euro



What US$1 buys in euro



[7] July 05, 2019
[8] July 06, 2019
[9] Central Bank (graphs above)

Tourists' evaluation of value for money in Ireland

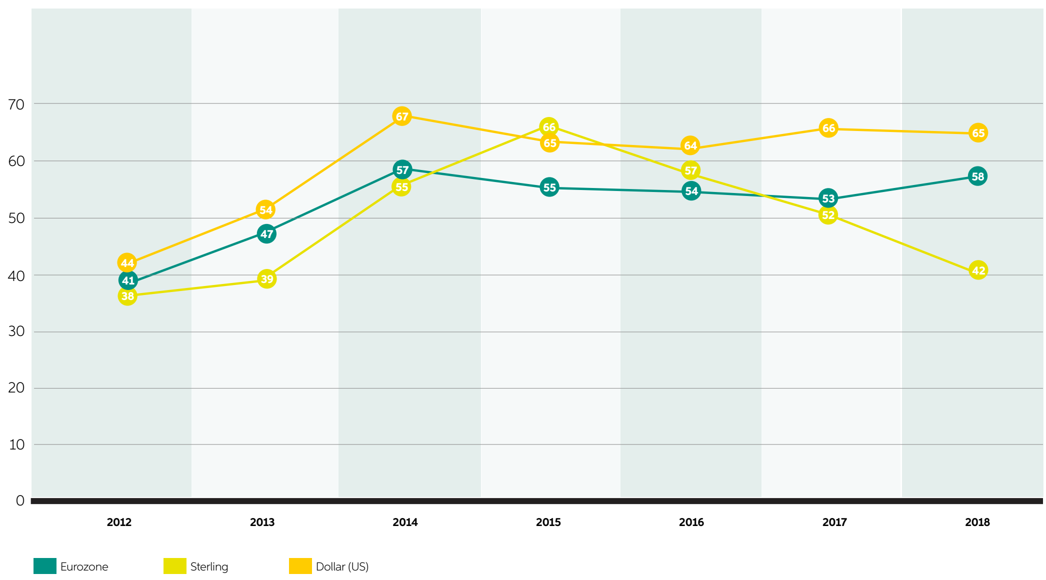
Various 'cost of living' and tourist price surveys place Dublin in the most expensive cohort of European cities. For example, Dublin is ranked 9th in Expatistan's cost of living index, behind five Swiss cities, London, Oslo and Reykjavik. Numbeo.com, a US travel advisory site, ranks Dublin as more expensive than nine other popular European tourist cities on the basis of 'vacation basket' of costs. While surveys place Dublin at the high end of the pricing table, the majority of tourists travelling here believe it represents good value for money.

The most recent figures from Fáilte Ireland show that, when asked to rate Ireland in cash terms, more than two-thirds of visitors from the US believe it to be either 'good' or 'very good' value, with just 4% believing it to be 'poor' or 'very poor' value.

Tourists from Germany and France appear similarly impressed. Just 11% and 9% of them respectively scored Ireland poorly for value, and those numbers have stayed pretty consistent over the last five years. However, tourists coming from Britain are far less positive in their evaluation with only 44% rating it 'good' or 'very good' value and 14% rating the experience poor value for money. The decline in the value of sterling has adversely impacted the value for money perception of British visitors as the cost of a holiday here has increased

Most recent value for money data is for 2018 and with cost of business rising this year 2019 data may well show a deterioration.

Tourists value for money assessment



The decline in value of sterling has adversely impacted the value for money perception of British visitors as the cost of a holiday here has increased.

[10] Fáilte Ireland, SOT holidaymakers (graph above)

The most common area of complaint regarding costs in Ireland relate to the overall cost of living as experienced by the visitor – the largely 'out of pocket' purchases on eating out, drink, and shopping for food. This is apparent in the below word cloud where the bigger the word appears the more frequently it is mentioned as expensive. It would appear that the expenditure on the big ticket items of the cost of travel and accommodation attract less negative comment, although evaluation of the cost of accommodation has been on the slide over the past two to three years. It is also possible that as many tourists pay for their accommodation in advance of arrival, this evaluation indicator is less reliable.

Tourists' perception of costs in Ireland

Some tourist price comparisons

Prices for a weekend trip (flight, accommodation and City Pass) from New York, London, Frankfurt and Paris to Dublin compared to trips to Edinburgh and Copenhagen, in the currency of the tourist, showed:

1

The composite price for a trip to Dublin was more expensive than Edinburgh for trips from London, Frankfurt and Paris, but cost less from New York, while Copenhagen tended to be more expensive than Dublin other than from London.

2

It is apparent that Dublin has a distinct advantage with highly attractive airfares from the origin cities, most markedly from New York. Hotel weekend rates in Dublin appear to be marginally ahead of a comparable stay in Copenhagen.

3

The overall price tends to reflect the ranking of Dublin and Copenhagen as 9th and 10th respectively compared to Edinburgh's 34th ranking in Expatistan's cost of living index.

[11] Fáilte Ireland VAS/TEPS (graph above)

Cost of weekend trip to Dublin, Edinburgh, and Copenhagen from key source markets

From London	Airfare	Hotel	Citypass	Total
Dublin	40	491	70	£601
Edinburgh	62	270	55	£387
Copenhagen	40	476	71	£587

From Paris	Airfare	Hotel	Citypass	Total
Dublin	56	557	79	€692
Edinburgh	92	306	62	€460
Copenhagen	90	540	80	€710

From New York	Airfare	Hotel	Citypass	Total
Dublin	351	620	88	$1,059
Edinburgh	813	341	70	$1,224
Copenhagen	719	601	89	$1,409

From Frankfurt	Airfare	Hotel	Citypass	Total
Dublin	50	557	79	€686
Edinburgh	232	306	62	€600
Copenhagen	117	540	80	€737

Notes:

Flight fares are economy return, non-stop from Friday 26th to Monday 30th September 2019 and are based on the first option on kayak.com Hotels are 3*, central city and are based on the first returned option on *bookings.com*

City pass/hop-on–hop-off

City comparison prices quoted as of May 2019

“It is apparent that Dublin has a distinct advantage with highly attractive airfares from the origin cities, most markedly from New York.”

Comparative prices in Dublin, Edinburgh and Copenhagen

	Inexpensive meal			Mcdonald's Meal			Cappuccino			One way ticket, local transport		
	£	€	$	£	€	$	£	€	$	£	€	$
Dublin	13.3	15.09	16.81	7.1	8.05	8.97	2.81	3.2	3.56	2.4	2.72	3.03
Edinburgh	13.6	15.4	17.19	5.04	5.72	6.37	2.67	3.03	3.37	1.71	1.94	2.16
Copenhagen	14.3	16.2	18.01	8.88	10.07	11.21	4.59	5.2	5.79	2.85	3.23	3.6

> Ireland enjoys a very competitive airfare regime thanks to keen competition on air service into the country.

Ireland connectivity competitive advantage

A strong correlation between air service connectivity and tourism growth is well established. Ireland currently enjoys a network of air service connectivity with direct links to over 40 countries, on services from 180 airports globally operated by over 40 airlines. Over the past five years while aggregate scheduled capacity increased by 40%, visitor arrivals increased by over 50% outpacing the growth in total passenger numbers. Direct connectivity growth on short haul routes has been driven largely by Ryanair, Europe's leading low cost carrier (LCC), while Aer Lingus has led the expansion across the North Atlantic, opening new gateways and forging alliances. The entry of three Middle Eastern carriers, and the more recent arrival of airlines from China and Hong Kong, has significantly broadened Ireland's global reach, including indirect connectivity, serving tourism, trade and FDI. Ireland enjoys a very competitive airfare regime thanks to keen competition on air service into the country, with most demonstrable impact of increased air lift on tourist arrivals in recent years has been the expansion of direct air service to Ireland from the USA, Canada and, in 2018 from Germany.

> Reports from the travel trade suggest that Ireland's current visa regime appears to be more restrictive, and the application process more cumbersome and time consuming.

Short term tourist entry visa policy

Ireland, in common with other European countries, has a short stay tourist visa policy in place for visitors from outside of the EU. As Ireland, and the UK, is not a member of the Schengen zone, the issuing of visas is a national competence. As source markets in the Asia Pacific and Middle East regions are the primary drivers of growth in global travel demand, a tourist friendly, efficient visa application and processing system is essential for Ireland to maintain competitiveness. Reports from the travel trade suggest that Ireland's current visa regime appears to be more restrictive, and the application process more cumbersome and time consuming, than that of competing European destinations. Furthermore, the outcome of the UK exiting the EU could have implications for the future of common entry arrangements currently in place on a pilot basis. The evidence would suggest that Ireland could improve its competitiveness in providing greater convenience for prospective travellers, and travel trade intermediaries, in new developing markets.

[12] Numbeo.com/costofliving (graph above)

Cost pressure points facing the tourism industry

Rising costs pose biggest challenge for tourism businesses

Rising costs amid worsening economic conditions, and the looming uncertainty surrounding Brexit, pose the biggest challenge for the industry. After 6 years of sustained growth there are a number of cost pressure points which are of increasing concern, potentially damaging the industry's competitiveness and the survival of many businesses.

A recent poll of the top 9 sectoral associations, representing 8,470 tourism and hospitality businesses, identified the rising cost of labour, insurance and regulatory compliance as the principal increasing cost factors endangering the competitiveness of Ireland's tourism offering in the international marketplace. The threats are consistent across all sub-sectors of the industry – accommodation, catering, transport and other services – while the relative cost pressures may vary. The rising costs, which are increasing at rates ahead of those in competitor destinations not only risks pushing the Ireland experience out of contention on price but in some cases endangers the continued viability of businesses, mainly SMEs in the sector. The threats are also depressing investment confidence across the sector, with less than one in ten 'bullish' at this time about future investment as the majority of member organisations (80%) describe the investment mood as 'cautious'.

3

Top 3 ranked cost and/or supply factor threats to competitiveness

	Hotels IHF	Restaurants RAI	Pubs VFI	B&BI	Coach	Car rental	Camping & caravan	Boat hire	ITOA
1.	Overheads	Labour	Insurance	Labour	Fuel	Insurance	Labour	Labour	Rising prices
2.	Utilities	Insurance	Labour	Insurance	Insurance	VRT	Insurance	Rates	Labour
3.	Insurance	Compliance	Compliance	Digital Mkt	Labour	Labour	Rates	Leases	VAT

Fast rising labour costs

Hospitality is a labour intensive industry, with customer service at the heart of a quality tourism experience. Despite increased productivity and efficiencies from technology in recent years, personnel costs are the largest slice of the operational budgets of businesses in tourism and hospitality. The industry is highly geared to providing a personalised service with most transactions involving an interaction between the tourist and a service provider. Labour costs typically represent upwards of 25% of overhead costs for businesses across the tourism sector, with payroll costs accounting for approximately 36% of turnover in hotels. As labour costs are a critical component of businesses in the sector, SMEs and especially those outside of the key tourism honey spots, are particularly challenged by the rising cost of labour.

The growth in tourism in recent years has seen the sector create additional employment, sustaining an estimated 90,000 extra jobs between 2012 and 2018.
The strong increase in tourism demand has resulted in increased productivity in the sector and greater payroll efficiency for many enterprises. Based on CSO data, SMEs in food and accommodation was one of only three sectors to recover and surpass pre-downturn levels by 2016.

While labour costs in Ireland in recent years have been broadly in line with the euro area average, although higher than in the UK, the rate of increase over the past 24 months has been significantly higher than in other European countries. The Economic and Social Research Institute (ESRI) calculates that average hourly earnings grew by over 4% and will grow by 4.5% this year. This is nearly twice the rate of growth seen in previous years.

Over the five year period to Q1 2019, the wage increase in transport and accommodation/food service sectors rose by more than 15% compared to the average of 10% increase across the economy. Average weekly earnings rose by 3.4% in Q1 2019 from a year earlier, while average weekly earnings in Q4 2018 showed an increase of 3.5% over the same period in 2017, according to the latest data from the CSO. It is noticeable that earnings in the private sector increased by 4.2%, compared to 1.2% in the public sector, in the year to Q1 2019.

The growth in tourism in recent years has seen the sector create additional employment, sustaining an estimated 90,000 extra jobs between 2012 and 2018.

ITIC Poll and consultations with member organisations (June 2019)

Payroll and related costs are coming under increasing pressure due to:

1

Wage inflation as Irish labour costs rose four times faster than average prices across the economy in recent years. Average weekly earnings in Ireland rose by 4.1% year-on-year in the fourth quarter 2018, following a 3.5% growth in the previous three months. The increase in wages was the strongest since the global financial crisis a decade ago. The total hourly labour cost in Ireland is currently €30.90 compared to €25.70 in the UK, according to the Cost of Doing Business in Ireland report from the NCC.

2

The Minimum Wage increased on January 1st 2019 from €9.55 to €9.80, one of the highest rates across 34 OECD member states, equivalent to a monthly salary of €1,656.20 for employees on the rate. A new scale of minimum wage rates, effective March 2019, is based on age and not on any previous work experience or training. As in many countries, the minimum wage in Ireland differs from what is the so-called living wage, which is now set at €12.30 per hour, up 40% on the previous year, and 25% higher than the minimum wage. While different standard working weeks and other variables between countries make direct comparisons difficult, it is apparent that rates in Ireland are at the higher end of the range of 22 out of 28 EU member states that have minimum wage legislation in place.

3

As the economy moves towards full employment the tightening labour market and pressure to retain experienced staff is an evident cost pressure on businesses. Seasonally adjusted unemployment rate stood at 4.5% in June 2019, the lowest level since October 2005, as the number of unemployed persons fell to 109,700.

4

Shortages of skilled labour in certain service and production areas points to the need to invest more in training and development.

5

The introduction of pension scheme is a further cost burden on many businesses in the sector, particularly SMEs in regional locations.

> Together with the rising cost of labour the sector is facing challenges of supply as the economy approaches full employment.

Fast increasing personnel costs in a tightening labour market is the No.1 threat to competitiveness for the key front line suppliers serving the tourist – accommodation, food, beverage and other service providers. Rising costs represent a threat to the continued expansion of employment in the sector and a serious risk to the ability to continue to deliver a quality visitor experience.

Hourly labour cost annual inflation in Ireland was ahead of the average within the Eurozone and ahead of the rate of increase in most competing destinations in Northern and western Europe, with the exception of the UK. Service sector wages in Ireland rose by 3.7%, faster than most other established western European economies, compared to the average across the Eurozone at 2.2% and 2.6% across the EU28.

Together with the rising cost of labour the sector is facing challenges of supply as the economy approaches full employment. One well publicised skill shortage is the current shortage of chefs in the sector. In 2015 the Expert Group on Future Skills Needs reported that the hospitality sector was facing a deficit of about 5,000 chef trainees annually, a number that has grown to over 7,500 based on restaurant sector estimates, while less than 2,000 chefs are qualifying annually from certified culinary training programmes.

The supply of skilled labour could be boosted by action in two areas:

Education

It is evident that the new system of apprenticeships, involving a combination of learning on the job with college study, launched over the past three years has not filled the gap. A key obstacle is the fact that hospitality businesses must pay apprentices while they are at college. This is in stark contrast to other apprenticeships developed before 2016, such those in the construction sector, where the State pays the apprentice a training allowance while attending off-the-job training. This places the hospitality sector at a marked disadvantage.

Work permits for foreign skilled labour

With an increasing demand to fill skill shortages in certain sections of the hospitality sector, access to foreign workers is essential as a short-term measure. Reports from the sector indicate that this is a cumbersome and timely process which is not responsive to the needs of the sector. Recently the Department of Business, Enterprise and Innovation apologised for the delay in the processing of employment permit applications which are not taking an average of 13 weeks for Standard applications. This is not helpful to a sector with high seasonal and short term demands.

Insurance costs – a growing threat to tourism's competitiveness

The excessive level, and inconsistency, of awards has depressed competition in the insurance market, escalated the cost of premiums, and is having a detrimental impact on the cost base and continued viability of many enterprises in the tourism and hospitality sector. Businesses in the sector continue to be concerned at the incidence of fraudulent and exaggerated injury claims.

Just over two thirds of those polled by ITIC[13] reported an increase in insurance costs way above the rate of inflation over the past two years, with increases ranging from +10% to +30%. A recent survey by the IHF showed an average of a 28% increase in insurance for members over a 12 month period. These annual increases follow on substantial rises in the cost of premiums for liability insurance in recent years with the average cost now estimated at €1,150 per hotel room, a €60m bill for the hotel sector in 2018, is having significant negative impact on the sector.

The Irish Small and Medium Enterprises Association (ISME) reported[14] that 84% of firms report having been hit by a rise in insurance costs, with almost two thirds experiencing an annual premium increase of between 16% and 25%.

The Oireachtas Finance Committee recently heard[15] that the rising cost of employers' liability and public liability was an "insurance crisis" that was pushing many companies out of business. The escalating cost of insurance, significantly above the rate of domestic inflation, is a particular threat to many hospitality businesses and to Ireland's tourism industry.

Recent casualties arising from the high cost of public liability insurance include:

1

The annual Ballina Salmon Festival has been forced to cancel for the first time in its 65 year history citing surging insurance premiums as a major contributing factor to its demise.

2

Rathbeggan Lakes Family Adventure Park in Co Meath, announced it would be closing after its public liability insurance bill went up more than 100% this year to €400,000.

€400,000

An increase of 100% on the previous year

[13] ITIC membership poll, May 2019
[14] ISME latest business trends survey, May 2018
[15] Oireachtas Finance Committee hearing, April 04, 2019

The future viability of up to 200 festivals, an integral part of the tourism offering, could be at risk due to a combination of the rocketing insurance premiums and regulatory changes making it more expensive to have first-aiders on standby – a requirement to obtain insurance. HSE regulators are currently reviewing its certification of Civil Defence members as first-aiders which may result in festivals having to pay for professional paramedical teams to meet the conditions of insurance providers. Despite providing grants to committees running festivals, Local Authorities were now demanding event organisers provide up to €9.6m in indemnity from their insurers.

The issue of the rising cost of insurance and, in some cases its unavailability, is linked to high award levels particularly for soft tissue injuries, as well as what appears to be an increase in fraudulent and exaggerated claims. Personal Injuries Commission (PIC), which found the level of general damages in this jurisdiction for soft-tissue injuries was 4.4 times that of the level found in England and Wales, recommended the setting up of a council so that judges could recalibrate guideline injury award levels replacing the book of quantum.

Selected comparison of recent soft tissue injury awards from the hotel sector

	UK	Ireland
Assessed facial bruising	£2,203	€40,829
Slip on wet tiles	£4,045	€16,000
Cut from broken tile	£3,500	€12,500

Following the passing of Judicial Council Bill, the Government committed to enacting the bill by the end of July. This bill provides for Judiciary to recalibrate the book of quantum which guides the level of general damages awarded in Irish courts.

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[16] International Hotel Operator (graph above)

Other cost of doing business

1

Local authority rates

The hospitality sector is a major source of income to Local Authorities – accounting for 20% of income from commercial rates in 2016, according to a Local Government Managers Association's survey.

The level of rates on commercial property is one of the top state imposed costs on businesses, and continues to represent a sizeable cost to businesses in the tourism sector. The slow pace of revisions carried out by the Commissioner of Valuation since the 2001 Valuation Act, is a major cause for concern within the industry. Local Authority Areas where revisions have been completed has resulted in mostly beneficial adjustments for many engaged in the tourism industry, with hotels seeing an average 30% reduction in rates liability. However, the many tourism businesses located in Local Authority Areas where revaluation have yet to be completed continued to be burdened by excessive annual rates bills. In view of the rising costs facing the industry, the failure to implement revaluation exercise, a commitment in the Programme for Government, is a serious issue for many operators in tourism.

With the contraction of the retail sector, Local Authorities could become more reliant on the tourism and hospitality sector as a source of income. Furthermore, the current system of setting the valuation on turnover for 10 years can act as a disincentive to businesses to grow, while also failing to take account of cyclical downturns in demand.

2

Water charges

A move by Irish Water to replace more than 500 different tariffs with a new scheme of four categories will see almost 100,000 businesses and schools hit by higher water charges. Irish Water's proposed Non Domestic Tariff regime following the recent consultation period is due to come into effect in Q3 2020. The proposal endorsed by the regulator, despite a warning from several key state agencies that this could damage Ireland's competitiveness, will be phased in over a three year transition period.

In addition, the proposal to increase Irish Water's cost allocation to non-domestic sector from 19.45% to 22.98% represents an effective increase to business of over 18%, which would represent a double whammy for businesses also facing harmonisation charge increases.

Businesses in the hospitality sector, notably accommodation and catering providers without legacy legally binding contracts with their local authority, are facing significant price hikes for this essential input. A sample of four Dublin City hotels of varying size points to increases of between 50% and 60% on existing charges.

Impact of proposed new water charges on selected hotels in Dublin City

	Current charges €	Potential charges €	Difference €	Difference €
Property #1	18,061	28,329	10,268	57%
Property #2	37,400	58,649	21,249	57%
Property #3	60,643	95,644	35,001	58%
Property #4	139,451	215,242	75,791	54%

3

Energy

The cost of electricity and gas tend to be higher in Ireland than other European countries. Ireland is one of the most expensive countries for electricity for both the low and high consumption bands. In the higher consumption band tourism businesses are paying more (€0.09) compared to the euro area average (€0.08) but lower than UK (€0.11). Gas prices in Ireland, while higher than in the UK, are broadly in line with the euro area average. An issue for businesses is that in Ireland the high standard connection charges relative to the cost of consumption.

4

Communications

While communications tend to relatively cost competitive, access to broadband communications is not universally available throughout the country. The absence of access to broadband communication places tourism businesses in areas without service at a serious disadvantage and militates against the objective of achieving a greater regional spread of tourism throughout the country.

“A move by Irish Water to replace more than 500 different tariffs with a new scheme of four categories will see almost 100,000 businesses and schools hit by higher water charges.”

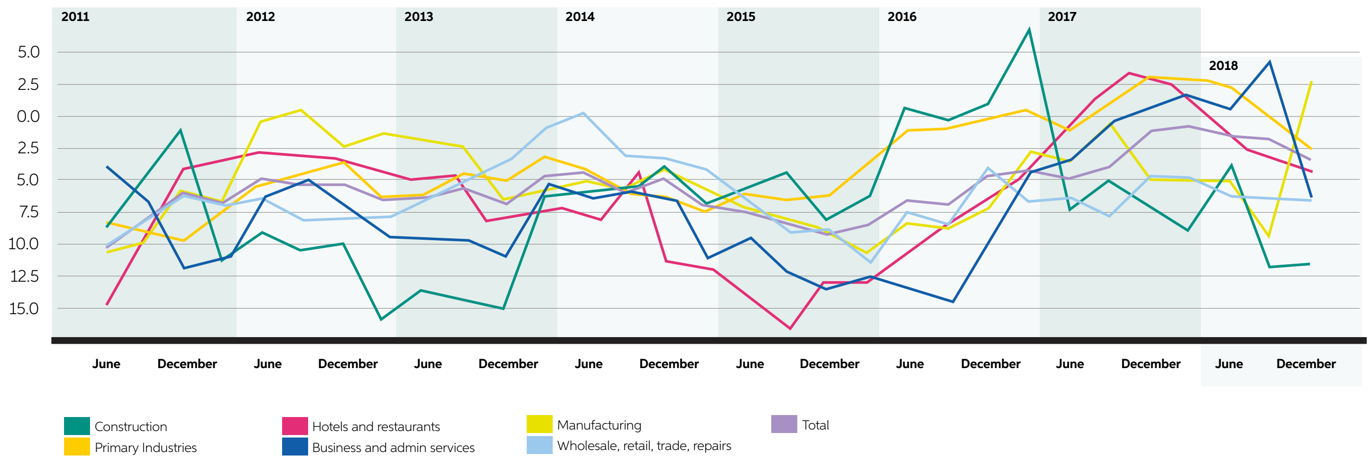
5

Credit and financial costs

While access to credit has improved since 2014, as rejection rates on loans and overdraft applications from SMEs in Ireland declined and converged with euro area averages, the cost of credit for Irish tourism businesses is significantly higher than their counterparts in other Eurozone countries. Small loan interest rates in Ireland are substantially above euro area averages with Interest rates on new loans below €0.25 million in Ireland in January 2019 at 5.7%, versus 2.5% across the Eurozone. Furthermore, the interest rate gap between small and large NFC loans in Ireland is higher than elsewhere in the Eurozone. The gap between the relative cost of finance appears to have widened over the past 5 years to the disadvantage of Irish businesses.

A recent report from the Central Bank[17] shows that gross new lending to SMEs in the hotel and restaurant sector increased by 19.6% in 2018 suggesting a dynamic sector. As working capital continues to be the most common reason for credit applications from SMEs in Ireland the interest rate is a contributing factor to competitive disadvantage when compared to similar enterprises in competing destinations. The total value of outstanding credit for SMEs within the hotel and restaurant sector is estimated at €2.4 billion.

Annual net SME credit growth by sector, Q3 2011 - Q4 2018



[17] SME Market Report, April 2019
[18] Central Bank of Ireland Credit, Money and Banking Statistics (graph above)

6

The cost of compliance

Demands arising from the growing regulatory burden are an increasing cost of doing business for the sector. Compliance costs arise from the requirements of the regulatory system, including the administration and paperwork costs, which also may adversely influence business' productivity and competitiveness.

With many components of the tourism industry being highly regulated, the issue for businesses is the efficiency of the oversight process. It is estimated that tourism enterprises are required to interact with up to 20 statutory public and regulatory bodies with an oversight remit in the operation of tourism businesses. In addition, there are a number of state appointed commissioners responsible for the regulation of the sector, including competition and pricing, which impinge on the tourism sector.

The three components of costs for individual firms include processing payments made to national and local governments and other public agencies and bodies; the time costs of internal staff on collecting, maintaining and understanding regulatory requirements; completing forms and preparing the necessary information; and dealing with the relevant public authorities; and the financial costs of external professional advisors.

Reports from across the tourism and hospitality sector highlight not only the increasing level of administrative compliance but also the high incidence of inspection visits. It would appear that there is considerable room for efficiency in rationalising the role of inspectors to carry out more than one function per visit and thereby lessen the burden on business operators. Inconsistency in the interpretation of the regulations and standards between inspectors, for example by fire officers, can lead to increased cost burdens on operators.

It is estimated that tourism enterprises are required to interact with up to 20 statutory public and regulatory bodies with an oversight remit in the operation of tourism businesses.

Selected sectoral issues which place Ireland at a competitive disadvantage compared to some other EU destinations

1

Business tourism represents an important and growing share of the Irish tourism market and is a key driver in terms of economic impact. From an international perspective, the conferencing market is highly competitive and price sensitive. Because of the current interpretation of the VAT legislation, stand alone conference venues, such as the Convention Centre Dublin and the RDS, are obliged to charge 23% VAT. This puts such venues at a competitive disadvantage compared to the VAT regime governing conference venues in other countries, as it often represents an additional irrecoverable cost to the customer of holding an event. Furthermore, the different VAT rates that apply to the hire of conference facilities in Ireland – 13.5% rate to the supply of conferencing facilities in hotels and no VAT charge at certain sports venues – places CCD and other venues at a further competitive disadvantage.

2

The VAT regime in Spain and Portugal allow for the reclaim on business expenditure associated with **conference and incentive travel.**

3

Car rental companies in Ireland face higher fleet acquisition costs, compared to competitors in other European countries, due to Vehicle Registration Tax (VRT). A VRT relief had been available to car rental companies since 1993. The relief was based on a refund of the VAT payable on the VRT element of the car price and was introduced in 1992. Without any consultation this relief was removed in budget 2019.

4

Coach operators in Ireland are VAT exempt, and as such cannot reclaim VAT paid on inputs. The sector is competitively disadvantaged compared to operators in other EU member states, as Ireland is only one of two member states where coach hire operators are VAT exempt. Furthermore, coach operators in selected European countries can avail of grants and/or capital allowances.

> The sector is competitively disadvantaged compared to operators in other EU member states, as Ireland is only one of two member states where coach hire operators are VAT exempt.

Recommendations: a framework to improve competitiveness

The evidence of the correlation between tourism competitiveness and performance is unassailable. Improved competitiveness is reflected in strong tourism demand and employment growth across the sector and regions. Competitiveness is the key to success in international markets and helping businesses to improve their competitiveness must remain a key focus for the industry and the National Tourism Development Authority - Fáilte Ireland.

Global trade has weakened, geopolitical tensions have heightened, trade wars are intensifying and fuel prices have risen significantly resulting in a fast changing and highly competitive trading environment for international travel. In addition, tourism businesses in Ireland are facing continuing uncertainty surrounding Brexit at a time when the costs of doing business in Ireland are rising faster than in competitor European destinations. Brexit, in particular, has underlined the importance of building competitive advantages and the need to uplift Ireland's export tourism competitiveness to drive growth through market diversification.

Tourism has the potential to generate an additional €3 billion in annual export earnings by 2025, enabling employment to increase by 40,000, as well as delivering an extra €700m annually to the Exchequer.

4

Recommendation 1

Government must prioritise tourism as an indigenous growth industry

For Ireland's tourism sector to improve its competitiveness the Government must preserve fiscal sustainability, maximise investment in infrastructure and talent, maintain cost competitiveness, and drive innovation and productivity across the economy. Policies which help to build economic resilience through competitiveness are more important than ever especially in the light of Brexit. The record growth achieved by the tourism sector in recent years demonstrates the success of the private sector businesses' resilience, agility, and investment in product, human capital, productivity gains, and innovation.

Ireland, as a mature tourism destination scoring at the upper end of global rankings, needs to increase investment to grow and to get high impact competitive advantage. In addition to providing an enterprise friendly environment for tourism businesses, Government needs to address the under investment by the state in enabling infrastructure. Priority investments in infrastructure to facilitate further tourism growth include:

1

Increase investment in tourism product development budget to €600m from the current €300m allocated within the National Development Plan 2018-27.

2

Implement the Project Ireland 2040 providing for significant improvement in the enabling infrastructure for tourism, including public transport.

3

Expedite the roll out the National Broadband Plan to unlock new opportunities for entrepreneurship and delivering improved productivity performance of the rural businesses and communities .

4

Improve the use of technology across the public sector administration to achieve greater efficiencies and productivity gains, and a reduction in the cost burden on businesses.

5

Green credentials in tourism represent a potential competitive advantage in an era of changes in customer demands and expectations. Unfortunately, Ireland is not projected to meet its 2020 or longer term emissions reduction in respect of climate change which could result in significant loss of tourism competitiveness. A major programme for change is required at national policy level as well as at cost effective actions at sectoral level to ensure that the tourism sector is not competitively disadvantaged in competing for international tourists. A programme of actions and incentives for the tourism sector is urgently needed to support enterprise investment to increase its energy efficiency.

6

Tourism proofing of all Government legislation, regulation and other initiatives in a transparent process to minimise the potential negative impact on tourism competitiveness, together with a properly phased timescale for the introduction of new regulatory regimes, most especially any involving price increases.

Recommendation 2

Competitiveness indicators for tourism

Understanding Ireland's competitiveness in tourism is a major consideration for policy makers and a major challenge for professionals in providing evidence to inform decision making. Despite widespread acknowledgment of the critical importance of competitiveness for sustainable tourism growth, the industry lacks a comprehensive set of robust indicators to monitor the competitiveness of Ireland's tourism. The factors influencing and determining Ireland's competitiveness can change quickly – a challenging dynamic pointing to the need for on-going research and development on reliable indicators. While the quality, relevance and integrity of Irish tourism data, collected by the CSO and Fáilte Ireland, on tourism performance and trends is extremely high, the industry lacks a comprehensive set of competitiveness indicators. Data and research has the potential to deliver a competitive advantage.

1

Tourism Satellite Account (TSA), internationally considered as a reliable tool to gauge the economic weight of tourism within an economy, is long overdue. Scoping work on the development of a TSA by the CSO needs to be accelerated. A comparison of change over years can provide a key metric of tourism competitiveness.

2

While competitiveness of the Irish tourist offering is perhaps the most important variable in performance, there is scant data currently available to monitor Ireland's competitive positioning in its main source markets. The development of an index of Ireland's competitiveness as a holiday location compared to a competitor set of destinations across the main source markets is proposed. The competitor price metric would provide an absolute and over time a relative benchmark of Ireland's positioning against defined competitors and on how price competitiveness is changing, taking into account key purchase components, ease of access and exchange rates, based on a potential visitor's expectations.

3

Competitiveness benchmarking for businesses through the provision of an easy to access online tool whereby businesses in the sector could measure and monitor over time the relative competitiveness of their enterprise compared to other businesses, including best in class, in their sector. Enterprise Ireland's Company Health Check could serve as a model for the development of such a tool for tourism businesses.

Recommendation 3

Alleviating labour cost pressures

The competitiveness of tourism businesses would benefit from a greater focus on ameliorating labour cost increases by reform of income taxes and adjustment of social insurance structure for lower paid workers. In addition, in the light of a tightening labour market and increasing competition to maintain a high service quality across the sector, it is essential to improve productivity and to upskill through continuous training to gain competitive advantage.

1

Future increases in the minimum wage need justified on the basis of evidence in respect of equity and sustainability of employment and competitiveness.

2

SOLAS to convene a Training and Retention Summit with key industry representatives to review the needs of the sector, assess the effectiveness of investment from the industry training levy system, and design a new comprehensive training and continuous education strategy for the tourism and hospitality sector.

3

ITIC and member organisations to adopt a more pro-active promotion of recruitment and training programmes.

4

Introduce incentives and specialist advisory services to increase investment in knowledge-based capital (e.g. intellectual property, software, organisational changes and training) with the aim of improving overall competitiveness and bridge the productivity gap between the most productive and successful enterprises and lagging businesses in the sector.

Recommendation 4

Insurance reform

Progress on promised reform has been extremely slow and the delay represents a serious threat to the viability of many businesses in the sector. The high level of awards and the absence of consistency is making the sector less attractive to insurers resulting in a diminishing number of insurers providing cover for the tourism sector reducing competition and driving up costs. There is an urgent need to address the reform of the current system to deliver the promised reduction in the cost of liability and insurance. The tourism sector calls for:

1

Recalibration of the Book of Quantum to reflect international norms and those already established by the Court of Appeal.

2

Funding for insurance specialists within the proposed Garda Fraud Unit.

3

Greater transparency on how premiums are calculated and claims settled.

4

Progress the Law Reform Commission's draft fifth programme of law reform which includes capping damages in personal injuries litigation.

5

The CSO to include tourism and hospitality sectors in its proposal, in response to a request from the CIWG, to track premium quotations for a small number of sectors.

6

Funding to ensure the urgent and effective establishment of the Judicial Council as necessary.

Recommendation 5

Commercial rates

The tourism and hospitality industry is a major source of income to local authorities accounting for 20% of revenue from commercial rates in 2016. Reform is needed to support Irish tourism competitiveness.

> Introduce a rates alleviation scheme for tourism businesses in areas with a highly seasonal pattern of demand.

1

Expedite the revision of rateable valuation, and introduce greater transparency, conducted by the Valuation Office.

2

Provide relief by way of a 30% waiver for hotels in Local Authorities areas where valuation revisions have yet to be completed.

3

Introduce a rates alleviation scheme for tourism businesses in areas with a highly seasonal pattern of demand.

Recommendation 6

Taxation

Ireland's tourism industry is heavily taxed. According to Fáilte Ireland 23cent of every euro spent by a tourist is returned to the exchequer in direct tourism related taxes. Improved tax competitiveness measures are vital to ensure sustainable growth of Ireland's tourism industry.

> "The Government to introduce increased capital allowances to encourage reinvestment in refurbishment and upgrading of tourism facilities and attractions."

1

Review of current tourism VAT rate level to ensure competitive position versus rest of Eurozone.

2

Action to address aspects of the current VAT regime whereby tourism businesses in Ireland are currently competitively disadvantaged, including the interpretation as applied to MICE, and conference venues.

3

The establishment of a working group of industry representatives and Government to take advantage of the major changes in the European VAT regime due to come into effect in 2021 (Digital Single Market) and 2022 (VAT Action Plan). The reforms, the first in over 25 years, allow more autonomy for member states to choose their own rates, including the adoption of additional reduced rate (up to 5%). In addition, some simplification can be put in place to help create a environment conducive to SME growth and the lower of VAT obligations.

4

The Government to introduce increased capital allowances to encourage reinvestment in refurbishment and upgrading of tourism facilities and attractions.

5

Improve the competitiveness of tourism relating to car rental in Ireland. Amendment of Finance Act 2018 section 134 and section 141 of Finance Act 1992.

6

Excise taxation levels should be moderated and reviewed to close competitiveness gap with rest of Europe.

Recommendation 7

Enterprise supports

Pro enterprise focus by Government and its Agencies is needed for Ireland's largest indigenous industry and biggest regional employer. This is more important than ever in light of Brexit implications.

> The inclusion of tourism businesses in the Future Growth Loan Scheme (€300m) as announced in Budget 2019 to support capital investment over 10 years.

1

Fáilte Ireland to adopt a greater pro-enterprise focus including a client company based approach in dealing with the industry, similar to Enterprise Ireland's approach, to deliver a more focus and measurable outputs.

2

The immediate introduction of a Brexit support grant scheme as currently available to other export sectors of the economy. The purpose is to assist businesses reliant on the British and Northern Ireland markets to implement a market diversification strategy.

3

Fáilte Ireland to increase promotion of the €300m Brexit Loan Scheme supporting the working capital needs of companies impacted by Brexit.

4

The inclusion of tourism businesses in the Future Growth Loan Scheme (€300m) as announced in Budget 2019 to support capital investment over 10 years. [Dept. of Agriculture, Food and the Marine in partnership with the Department of Finance, the Strategic Banking Corporation of Ireland (SBCI) and the European Investment Fund (EIF)]

5

The development of practical support and mentoring programmes to advance the digital competency within the industry

Recommendation 8

Marketing

The reach and effectiveness of Brand Ireland's message in overseas markets is a critical enabling factor for success and can support Ireland's tourism industry.

> "Continuous investment in Brand Ireland, and the sub-brands Wild Atlantic Way, Dublin, Ireland's Ancient East and Ireland's Hidden Heartlands, is required to deliver a major tool in differentiating the country's tourism offering and an essential component to maintain and enhance global competitiveness."

1

An increased marketing budget allocation to Tourism Ireland. The agency currently struggles to maintain share of voice in established markets while striving to make meaningful investment in new source market opportunities. Currently Ireland's investment in both established and emerging markets is less than adequate and is losing out to competitors which will have longer term negative impacts for Ireland unless rectified.

2

Continuous investment in Brand Ireland, and the sub-brands Wild Atlantic Way, Dublin, Ireland's Ancient East and Ireland's Hidden Heartlands, is required to deliver a major tool in differentiating the country's tourism offering and an essential component to maintain and enhance global competitiveness.

3

Introduce a marketing grant support scheme for businesses engage in export marketing, similar to that available to competitor business in Northern Ireland and Britain.

A REPORT BY THE IRISH TOURISM INDUSTRY CONFEDERATION
AUGUST 2019

ABOUT ITIC

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

This report on Irish Tourism's Competitiveness identifies challenges to industry from weakened cost competitiveness and outlines recommendations that need to be implemented by Government and agencies to support Ireland's largest indigenous industry and biggest regional employer.

A competitive tourism sector delivers growth.

MEMBERS

Aer Lingus
AIPCO (Association of Irish Professional Conference Organisers)
AVEA (Association of Visitor Experiences & Attractions)
B&B Ireland
Car Rental Council of Ireland
CIE Tours International
Coach Tourism & Transport Council
Convention Centre Dublin
Dublin Airport Authority
Dublin Institute of Technology
Dublin Port Company
Emirates
Fáilte Ireland (Associate Member)
Guinness Storehouse
Heritage Island
House of Waterford Crystal
Incoming Tour Operators Association-Ireland
Inland Fisheries Ireland
Ireland's Blue Book
Irish Boat Rental Association
Irish Caravan & Camping Council
Irish Ferries
Irish Heritage Trust
Irish Hotels Federation
Irish Self Catering Federation
Jameson Visitor Centres
Kildare Village
Killarney Tourism
Office of Public Works
Restaurants Association of Ireland
Shannon Group plc
Stena Line
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