Irish tourism industry calls for new Government measures to address cost increases.

New report estimates that tourism and hospitality industry will be hit with additional €1.4 billion payroll costs by 2026 as a result of Government policy

"*Tourism at a tipping point"* according to industry body as capacity constraints act as *"a huge handbrake on growth"*

New Taoiseach will have opportunity *to* reconfigure Departments and move tourism to Enterprise portfolio according to ITIC

21st March 2024: The Irish Tourism Industry Confederation (ITIC) has today warned that Government labour policy will add €1.4 billion to payroll costs of tourism and hospitality enterprises between now and 2026. ITIC has said that mitigation measures are urgently needed to ensure the competitiveness and viability of Ireland's largest indigenous industry and biggest regional employer.

Reacting to yesterday's resignation of the Taoiseach, Elaina Fitzgerald Kane, Chair of ITIC, said "Leo Varadkar's first Ministerial post was in tourism and he is fondly remembered as being proactive and pro-business". Wishing him the best Fitzgerald Kane also said that the incoming Taoiseach should look to move tourism from its current Department saying "*Tourism is a vital economic engine for the country and would be a much better fit within the Enterprise Department*".

In its new report published today, and written by economist Jim Power, ITIC warned that Government labour policy will add €1.4 billion to payroll costs of tourism and hospitality enterprises between now and 2026. ITIC has said that mitigation measures are urgently needed to ensure the competitiveness and viability of Ireland's largest indigenous industry and biggest regional employer.

Fitzgerald Kane said *"With St Patrick's weekend behind us we're now into the tourism season proper and it is clear that the industry is at a tipping point. North America looks strong but other source markets are soft and there is an enormous cost burden being imposed on businesses which is threatening the viability of many".*

Economist Jim Power's report for ITIC entitled "*An Analysis of Government-induced costs on tourism and hospitality enterprises*" argues that labour market measures including the move to a living wage, PRSI increases, pension auto-enrolment, and enhanced statutory sick pay are all adding significant pressure on the sector and will add 6.6% to payroll costs this year alone and 19.4% by 2026. *"Government needs to be* *very mindful that tourism and hospitality businesses operate with very thin margins and mitigation measures will be required to counter the cost increases"* said Power.

The report argues for the restoration of the 9% VAT rate for the sector, changes to employer PRSI rates, and an annual enterprise support package. "*Without these measures, businesses will be under severe pressure*" added Power who said that analysis by the Government itself confirmed that the tourism and hospitality sector will suffer the greatest impact from Government's new labour measures.

Eoghan O'Mara Walsh, CEO of ITIC, stressed the importance of tourism to the national economy saying that "*It is the largest indigenous industry in the country and the biggest regional employer. Tourism can't be taken for granted. Already the sector is facing a handbrake on growth due to capacity constraints as a result of Government policy*. "

O'Mara Walsh pointed out that the cap at Dublin Airport meant that future tourism numbers were jeopardised and criticised the State's over-reliance on the hotel sector for humanitarian purposes. He continued, "*Over 20% of all tourism beds nationally have been taken out of the tourism economy at this stage by the Government. That is having a hugely destabilising effect. We are calling on Government to urgently develop an alternative plan to house Ukrainian refugees and international asylum seekers otherwise this summer there will be tourism towns the length and breadth of the country without an adequate supply of tourism beds and therefore with very little tourism activity."*

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"*An Analysis of Government-induced costs on tourism and hospitality enterprises*" by Jim Power Economics can be seen at www.itic.ie

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Notes to Editor

About the Irish Tourism Industry Confederation:

The Irish Tourism Industry Confederation was founded in 1984 and is the umbrella group representing the leading tourism interests in Ireland. Its members come from key tourism stakeholders across the public and private sector and include Aer Lingus, Irish Ferries, daa, Shannon Group, Irish Hotels Federation, Incoming Tour Operators Association, Guinness Storehouse, Restaurants Association of Ireland, Vintners Federation of Ireland and Association of Visitor Experiences & Attractions amongst others. A full list of member organizations can be seen on www.itic.ie.

Tourism is Ireland's largest indigenous industry and is a critical component of the export economy. Key tourism facts in 2019 (last full calendar year of data) according to the CSO:

- Tourism consumption amounted to **€10 billion** in 2019 – 73% from inbound tourists and 27% from domestic trips.
- Tourism accounted for **4.4% share of Gross Value Added** (GVA) in the Irish economy.
- **284,800 directly employed** in almost **46,000 tourism-related enterprises**, based on full time job equivalents – **13% share of total employment** across the economy. Total employment related to tourism is estimated to increase to **352,000**, when jobs in non-specific tourism businesses are taken into account.
- Tourism generated approximately **€2,000 per head** of population.
- According to Fáilte Ireland, for every euro spent by tourists **23c is generated in tax**.