



**IHF CHIEF EXECUTIVE  
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Early indications for 2006 are that the Irish tourism industry had a record year, with overseas visitor numbers increasing by 9% to 7.4 million, with revenue including Irish carrier receipts amounting to approximately €4.66 billion. When this figure is combined with an estimated 11% growth in revenue from domestic trips, the total tourism earnings were €5.9 billion. The government earned a massive €2.7 billion through taxation on tourism expenditure from which approximately €2.3 billion came from foreign tourism. Tourism is now Ireland's most important indigenous industry, accounting for 3.1% of GNP annually.

## Membership

The Irish Hotels Federation has 955 members, made up of 697 hotels and 258 guesthouses.

## The Irish Hotel and Guesthouse Industry

There are at present 873 hotels with 52,618 bedrooms and 383 guesthouses with 4,433 bedrooms on the statutory registers of hotels and guesthouses. There are 57,000 people employed in hotels and guesthouses.

## Employment Issues

The National Understanding 'Towards 2016' negotiations were completed in June 2006. The Federation, through its involvement in ITIC, was involved in the discussions of the non-pay aspects of this agreement and through its membership of IBEC expressed its views on the pay and conditions of employment matters. The agreement involved the 27 month pay agreement incorporating increases of 3% for the first six months, 2% for the next six months (except for those employees on an hourly basic rate of €10.25 or less where there was a 2.5% increase), 2.5% on the next six months and 2.5% on the final six months of the agreement.

We expressed the view that for an industry with such a high labour cost, now approximately 40% of turnover, the pay increase elements of this agreement were at the absolute

limit if we were to have any chance of retaining competitiveness. A worrying aspect of the Understanding was that no agreement was reached on the quantum of an increase in the national minimum wage rate, other than it would be implemented with effect from 1st January 2007, and that efforts would be made separately to agree such an amount. In the absence of such an agreement, as was the case, the case was referred to the Labour Court. This mechanism is most dissatisfactory, is not transparent and the Labour Court is not obliged to explain how it reached its ultimate recommendation. The Federation made a detailed submission to the Labour Court, suggesting that the maximum increase in the National Minimum Wage Rate should not exceed the increases as negotiated in the 'Towards 2016' agreement. However, despite this, and similar representations from IBEC and other employer organisations, the Court recommended that the national minimum wage rate be increased to €8.30 an hour with effect from 1 January 2007 and to €8.65 with effect from 1 July 2007. This 13% increase in the National Minimum Wage Rate places Ireland within 2 cents of Luxembourg as having the highest minimum wage in the EU, seriously undermining our competitiveness, particularly in an industry such as hospitality where wage rates are now running at about 40% of turnover. It also undermines the whole process of social partnership agreements when it comes to negotiating pay and conditions.

The Hotels JLC agreed to implement the first phase of the 'Towards 2016' increases and these came into effect on 16th January. It is anticipated that further meetings will take place in the early months of 2007, to negotiate subsequent adjustments in the JLC and every care should be taken to ensure that the increases do not, in any circumstances, exceed those provided in 'Towards 2016.'

## Work Permits

The Employment Permits Act 2006 revised the current work permit application process, introduced a 'Green Card' system and new protection for migrant workers.

It is based on three pillars as follows;

1. A 'Green Card' system for a wide range of occupations with a salary of over €60,000 and for specific occupations with skill shortages and salaries between €30,000 - €60,000.
2. A work permit system, similar to the current one, for a very restricted list of occupations with salaries up to €30,000 and for those occupations above €30,000 not eligible for pillar one.
3. A temporary trans-national management transfer.



The revised work permit system requires that work permits will still be required for the listed occupations in the €30,000-€60,000 range and for a limited number of occupations with salaries below €30,000 where there are significant labour shortages. Work permits will continue to be labour market tested in order to show that the position could not be filled from within the EEA.

The Federation, in conjunction with the RAI and Failte Ireland commissioned Dublin City University Business School to prepare an economic paper which was submitted to government departments, making the case for chefs to be included in the skilled categories to which work permits may be issued.

The new work permit guidelines included chefs in the category of employees for whom work permits may be obtained, and we are presently seeking confirmation that they will also be included in the category with salaries of less than €30,000, which may also receive permits.

### Quality Employer Programme

Throughout 2006, the Quality Employer Programme has remained a crucial tool for any employer who wishes to remain up to date on aspects of employment law and new trends in best practice and HR procedures.

One of the main reasons for the programme's inception in 1996 was to change unfavourable perceptions of the industry as an employer and the programme mainly focused on helping our members to implement a HR system which was tailored to the hospitality industry. Throughout the last 10 years the criteria laid down in the programme has been expanded to not only reflect new legislation, but it has also evolved to include other areas concerned with employment practices such as cultural diversity and the management of the work permit process.

In other industries, companies may pay substantial sums to consultants to set up a HR system similar to the Quality Employer Programme. The Federation offers this programme to its members, free, as a benefit of membership.

In recent years there has been a considerable increase in new labour legislation. This may lead to confusion, even among HR experts. Full implementation of the QEP ensures that premises are fully compliant with all existing employment legislation. Also they will be brought up to date with any future changes.

It would therefore make sense for all Irish Hotels Federation properties to implement and become accredited as a Quality Employer Programme property.

### Irelandhotels.com & Be Our Guest

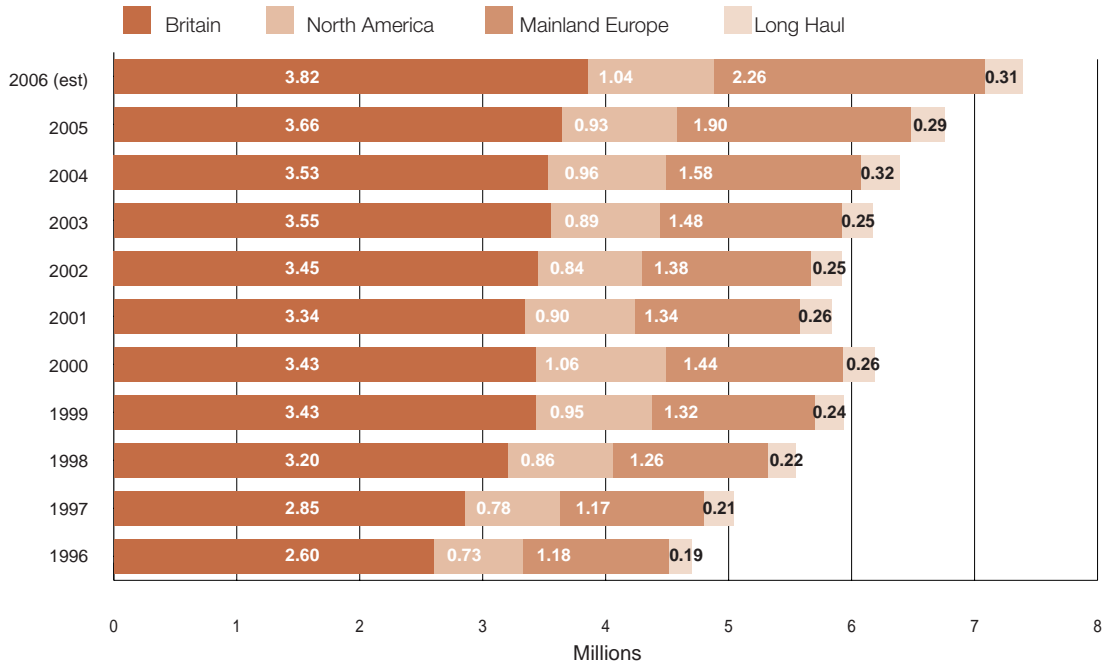
The Be Our Guest guide continues to be the leading and most comprehensive guide to guesthouses and hotels in Ireland. In 2006, 340,000 copies were distributed in Ireland and overseas. Entry into the Be Our Guest guide ensures automatic appearance on the Irelandhotels.com website and its on-line reservations system.

The value of business booked on the Irelandhotels.com website continues to grow. In the 2006 calendar year, the volume of bookings on the site increased by 35% to 18,365 with the value of these bookings increasing by 29% to over €4 million. Benefiting from a successful promotional campaign with Ryanair for three weeks during January 2007, the value of bookings on Irelandhotels.com in this period was more than double the January 2006 level. This promotion is continuing throughout February and showing a similar level of success.

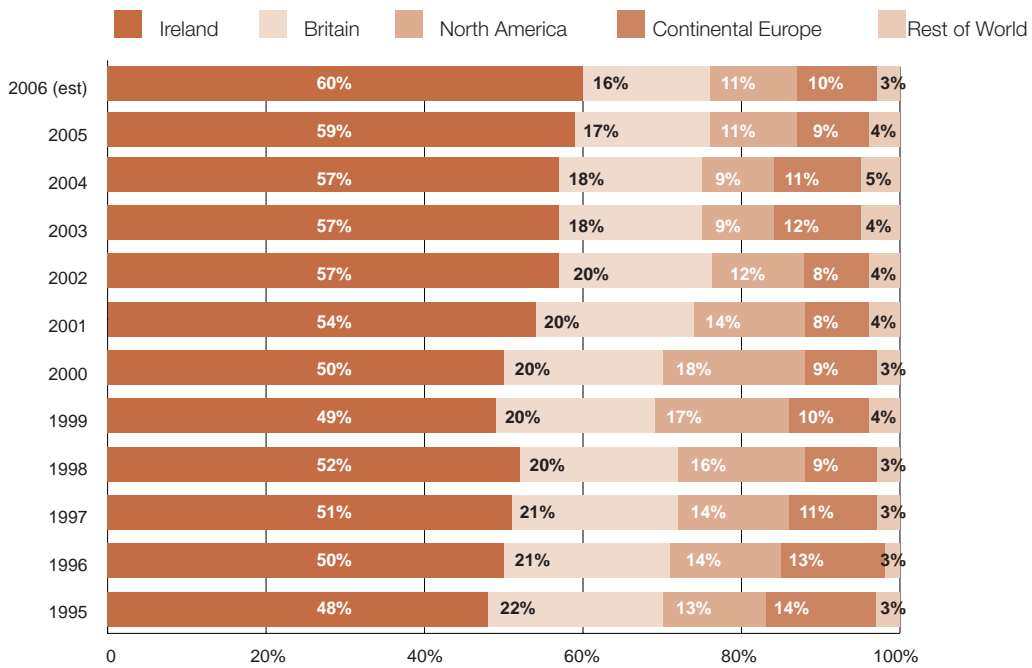
The partnership with In1Solutions continues to be extremely fruitful and has produced over €9.5 million worth of business since its inception in April 2004.



### Overseas Visitors 1996-2006 (millions)



### Nationality of Hotel Guests 1995 - 2006



## Tourism Ireland

Tourism Ireland - the joint North / South agency responsible for the promotion overseas of the Island of Ireland estimates that the visitor arrival figures in 2006 was 8.8 million - an increase of 8.5% on 2005. An estimated 7.4 million visitors came to the Republic of Ireland, with a projected 3.8 million (+4% on 2005) visitors from Great Britain, 2.3 million (+17%) visitors from mainland Europe and visitors from North America reaching the million mark for the first time since 2000 (+11%). Preliminary results suggest that holidaymaker growth is forecasted to be 10%, well ahead of expectations.

Tourism Ireland estimates that a more balanced spread of tourists was achieved, with overseas revenue expected to contribute over €2.3 billion to the regions in 2006. The notable increase in North American visitors was welcomed as, being the most important market in terms of spend, it is of vital importance for the continued buoyancy of the tourism sector.

A major review of the North American market was carried out by Tourism Ireland in 2006, which revealed some insights and changes over the last five years. The findings revealed that the consumer is ever changing; with an increasingly fragmented market, an increase in communication channels, the declining effectiveness of traditional media and a constantly expanding distribution network. These are just some of the changes evident in the North American market, and indeed in others across the world.

In order to address the issues highlighted in the Review i.e. changes in visitor profiles, the fact that our best prospects for growth lie with the better educated, more affluent frequent travellers to Europe, and the limited knowledge of 'things to do and see' in Ireland, Tourism Ireland launched the 'Discover Your Very Own Ireland' multi-media advertising campaign in January. It is interesting to note that in Great Britain, the ad was listed in the UK Marketing magazine's Adwatch column as being one of the top 20 most recalled ads by British TV viewers. The ad campaign reflects the core strengths of the island of Ireland: beautiful scenery, the warmth of the people, the living and historic culture as well as providing information about what a holiday in Ireland could involve.

In the short to medium term, Ireland's core markets will continue to be Great Britain, United States, France and Germany. Tourism Ireland has developed a series of opportunities for industry to maximise their profile and sales in these markets.

## Plans and Priorities for 2007

In 2007, Tourism Ireland aims to continue to grow tourism to the island of Ireland at a higher rate of growth than international tourism. It has set a target of €4.6 billion (8.5%) in tourism revenue, driven by 9.3 million visitors (+5.6%) and forecasts that Mainland Europe (+252,000) and Great Britain (+151,000) will be the strongest contributors to growth, followed by North America (+52,000) and New and Developing Markets (+27,000). In order to market Ireland strategically through its comprehensive programme of activities in 2007, it expects funding in the region to €67 million, the highest ever level of funding for frontline marketing from Governments both North and South.

## Fáilte Ireland

The Federation continues to work in strategic partnership with Fáilte Ireland and many meetings and workshops took place in 2006 on a number of issues including the development of people and business skills, the provision of practical business supports to industry, standards and the promotion of best practice, innovation and product development, effective advertising of home holidays, product promotion, regional marketing and the maintenance of vigilance on environmental issues likely to affect tourism.

Fáilte Ireland invested €4.3 million in promoting domestic tourism in 2006. 6,000 people trained for careers in tourism in 80 locations throughout the country including 11 Institutes of Technology. Major sporting events supported by Fáilte Ireland included the highly successful Ryder Cup and the Dublin Horse Show. Fáilte Ireland also provided financial assistance to numerous festivals including the St. Patrick's Festival and the Connemara International Marathon.

There was a significant recovery in the number of visitors engaging in active pursuits such as golf, cycling and walking, following the disappointing numbers recorded in 2005. In 2006, Fáilte Ireland launched 31 looped (shorter, higher quality, circular) walks throughout the country. It is hoped that a further 40 will be launched in 2007. Fáilte Ireland also worked with SUSTRANS, a leading UK sustainable transport charity to identify and develop a cycling route network in Ireland. Six new hub areas ideal for cycling holidays will be launched in 2007.



## Business Tourism

The Business Tourism Forum was established by Fáilte Ireland in 2004. Under the chairmanship of Peter Malone, it met on a number of occasions throughout 2006 in order to promote Ireland as a destination to those visitors whose prime purpose for travel is for business reasons, and where the destination choice is discretionary and open to influence.

The Business Tourism website - [www.irelandinspires.com](http://www.irelandinspires.com) went live in May and an integrated database was rolled out in all markets, allowing corporate and incentive leads to be followed up effectively by Tourism Ireland, Fáilte Ireland and the regional convention bureaux. A new business tourism brand was launched in 2006 and one of the primary objectives in 2007 is to increase the awareness of Ireland as a destination for Incentive travel and corporate meetings through the roll out of this new Business Tourism Brand. Business Tourism stands were at major incentive shows throughout the year; including Motivation in Chicago and EIBTM in Barcelona thus creating platforms for Irish Industry. Through a dedicated strategic marketing campaign, incorporating the use of e-zines, promotions, print advertisements, website development and direct mail campaigns, the Business Tourism Forum will continue to ensure Ireland is front of mind amongst key influencers/decision makers on a continuous basis.

Dublin Convention Bureau (DCB), a joint initiative funded by the IHF Dublin Branch, the Association of Irish Professional Conference Organisers, Dublin City Council and Dublin Tourism, under the chairmanship of Clive Brownlee had a very busy 2006, promoting Dublin as a venue for international conferences, corporate meetings and incentive business. Its Chief Executive, Jean Evans, regularly communicates with all the members of the Bureau on the level of activity and action. In recognition of its work, the DCB was awarded the 2006 HSMAI Overall Sales & Marketing award in November. Due to the close co-operation between the Dublin Convention Bureau and Fáilte Ireland, which will release further resources to promote the objectives of the Bureau, the impact in 2007 will be greatly increased.

Business tourism worldwide has a value of about €40 billion (with 870 international association conferences taking place in Europe). However, Ireland's share is less than 1%. The Fáilte Ireland Business Tourism Forum, which was set up to develop a strategy for developing business tourism in Ireland, aims to increase business tourism to 470,000 delegates by 2012, generating revenues of €555 million.

Ireland loses out on a substantial amount of international business tourism due to the lack of a dedicated conference centre and the inability of business delegates to reclaim the VAT paid on their accommodation costs while attending conferences. The Government has now positively addressed these issues with the Finance Bill 2007 providing for a reclaim of this VAT with effect from 1 July 2007 and hopefully delivering on the national conference centre by 2010.

It is estimated that when the National Conference Centre is operational, an additional 19 major international conferences would be held in Ireland each year, attracting an additional 44,000 delegates, equalling 153,700 delegate days and adding more than €50 million annually to the Irish economy.

## Sports Tourism

In the wake of the hugely successful Ryder Cup, the Federation strongly welcomed the announcement by UEFA that the new-look Lansdowne Road stadium will play host to a Champions League or UEFA Cup final in the future. This was a major coup for Ireland and for the tourism sector, and a further endorsement of Ireland as a host country for major events. However, the Federation warned that adequate infrastructure is vital to Ireland being able to attract large international events, and urged the timely completion of the Lansdowne Road project and the National Conference Centre.

In December, the Minister for Arts, Sport & Tourism announced that Ireland had secured the 2011 Ladies Professional Golf Association (LPGA) Solheim Cup, which will be held at Killeen Castle, Co. Meath.

## Budget 2007

In September, the Federation submitted its Pre-Budget Submission to the Government. The Federation focused on four main issues which, it believed, required immediate attention in order to provide a reasonable economic environment for sustainable growth in Irish tourism. These were;

- The major competitive disadvantage caused by the non reclaimability of VAT on hotel costs by international corporate conference delegates
- The burden of local authority charges and taxes on industry and particularly the hotel and guesthouse sector which must be reduced

- That the Exchequer should provide an extra €10 million to Fáilte Ireland and Tourism Ireland to enable them and the industry to effectively market the Irish tourism experience with the aim of returning to growth in the number of holidaymakers and increasing the number of days which overseas tourists spend in the country
- That a 'Hotel Energy Efficiency Programme' should be introduced with financial support for training and education, awareness and investment requirements for participating hotels.

The Book of Estimates allocated €153.7 million to tourism services. This was an increase of 9% on the 2006 provision and signified the Government's commitment to developing the Irish tourism sector. The Tourism Marketing Fund was also increased by 12.5% to €45 million.

The Federation expressed its strong appreciation at the announcement of Minister Cowen's strong pro-tourism Budget in December, with Minister Cowen allowing VAT refunds on hotel costs for conference visitors. This positive change in the treatment of VAT on business expenditure in hotels will ensure that Ireland is placed on a more even playing field with other EU countries when competing in the business tourism market. It will also enable Ireland to be successfully positioned as one of the key locations on the international conference map.

In addition, the Federation was appreciative of the increase in the existing threshold regarding Retirement Relief on Capital Gains Tax, which increased from €500,000 to €750,000 on 1st January 2007.

The Federation also acknowledged the 1% cut in the top rate of personal income tax and the raising of tax credits and tax bands, as it believed these measures would contribute to maintaining the level of domestic disposable income which is so important in continuing the growth in the Irish economy, and which is a major driver in the continuous growth of domestic tourism.

The Finance Bill 2007 just finalised also provided for the introduction of tax incentives to develop tourism attractions and facilities in the mid Shannon region. These fiscal provisions reflect Minister Cowen's very positive view of tourism. This was also very evident in the three meetings which we have had with Minister Cowen during 2006.

## New Classification System

An Extraordinary General Meeting of the Federation held in January 2007 formally endorsed and ratified a new hotel and guesthouse classification system. The system was

developed over the last two years and involved many meetings of the classification sub committee of the Federation. Meetings were also held with the Executive, Chairman of the Classification Review Group, Richard Bourke and senior executives and Registrar of Fáilte Ireland.

A very active and participatory communication of the new system to our members continued throughout 2006 and this exercise ensured that most of the issues raised by members were taken into account in the final scheme. Going forward, liaison meetings will continue between the Federation, Fáilte Ireland and also involving Tourism Accommodation Management Services (TAMS). It is now important that the modern, transparent and internationally acceptable system is rolled out in a positive manner. The incorporation of self assessment is an example of our members taking responsibility in complying with classification criteria and will also facilitate a reduced level of inspections, with those inspections focusing on verifying the information provided by the hotelier/guesthouse operator.

The classification system will also utilise modern technology in that the classification and the means by which each establishment achieves the classification will be available and accessible to the public on a website. Great care was taken throughout the process to ensure that the function of a classification scheme and a quality scheme were not confused and that a classification scheme's function is to quantify the availability of facilities and services but not the quality of these facilities and services.

The new classification system will be mandatory from January 2008.

## Air Access / Transport

In March, the Federation welcomed the publication of IBEC's report *Embracing the Challenges and Opportunities of Ireland-US Open Skies*, and stated that the findings underline calls already made by the Federation to ensure that the Shannon region is not disadvantaged by the Open Skies developments. The Federation reiterated the need for an effective strategic plan to be developed, supported by state funding, to sustain and increase the current level of direct transatlantic air traffic to Shannon airport and that it must include a specific ring fenced marketing provision of €10m per year for at least five years to target Shannon's offering to the North American market.

The Federation stressed the need to prioritise infrastructural road improvements for the region with immediate action required on upgrading the Atlantic road corridor between Galway and Limerick, investing in the rail network and completing the Dublin to Limerick motorway as per the



Government's Transport 21 plan. This would facilitate the movement of visitors around Ireland, quickly and easily. The Federation also supported IBEC's recommendation that an investment in product development for the region be made in the form of a major venue, which would assist attract visitors to the region.

The Federation acknowledged that there was serious concern at the potential detrimental impact the new air agreement would have on the growth viability of economic and tourism sectors in the region in the absence of concrete proposals and plans to support transatlantic traffic and ease of intercity travel. The Federation thus called for the following to positively address the challenges ahead for the Shannon Region:

- A specific Shannon region marketing fund to be allocated, which would support the emerging 'Ireland-West' tourism brand abroad and help to market air routes into the region;
- That Aer Lingus be given increased exposure to promote US-Shannon fares in the US;
- A focused marketing campaign in all key overseas destinations that have direct flights into Shannon;
- Urgent acceleration of Transport 21 elements impacting on the Shannon region to include finishing the Dublin - Limerick - Shannon motorway/dual-carriageway and the Atlantic road corridor.

The Federation welcomed the re-negotiation of the US-Ireland bilateral air agreement, which, subject to the EU and US agreeing an Open Skies policy, would allow for increased air routes and new gateways from the US to Ireland. The finalisation of this agreement would have given Ireland the potential to double, to two million, the number of US visitors to Ireland by 2012. Unfortunately, the implementation of this agreement has been delayed, but we hope that the every effort is made by the Irish Government to influence its implementation.

## Salmon Drift Netting

The Federation welcomed the Cabinet's decision to end salmon drift net fishing in light of advice from the Independent Expert Group. The Federation commended the decisiveness of the announcement and stressed that the decision created a foundation to rebuild the salmon angling tourism product to the levels enjoyed in the late 1990s.

With angling tourism worth €55 million to the economy each year, the Government's decision to ban salmon drift net fishing is very important development in terms of preserving Ireland's salmon stocks and rebuilding our regional tourism product which has been under some pressure in recent years.

## Liquor Licensing

In May 2005 the Minister for Justice, Equality and Law Reform published the general scheme for a new Intoxicating Liquor Bill and having considered the contents of the proposed bill, the Federation prepared a detailed submission to the Department addressing areas of concern, many of which were technical. We urged the Minister to provide that persons under 18 should be allowed in the bar areas of hotels after 9pm (10pm from May to September), when accompanied by their parents or guardians, for the purpose of consuming a substantial meal or attending family suitable entertainment. We again drew attention to the unreasonable and impractical requirement, in the absence of a system of mandatory identity cards, the requirement prohibiting persons aged between 18 and 21 from the bar areas of licensed premises after 9pm unless they produce an evidence of age document. We welcomed the provision which removes the need for hotels to purchase and extinguish an existing bar license in order to operate a public bar. It was anticipated that the Intoxicating Liquor Bill would be published in the latter part of 2006. Unfortunately, it now seems unlikely that the Bill will be published before this year's General Election.

## Implementation Group – New Horizon's Strategy

The Federation welcomed the announcement by Mr. John O'Donoghue T.D., Tourism that he would appoint a high level Implementation Group under the chairmanship of John Travers to monitor and shape, on a partnership basis the next stages in the evolution and implementation of the New Horizons strategy. This will be a major driver in ensuring that Government departments, State agencies and the tourist industry continue to focus on and are urged to take the appropriate action necessary to achieve the demanding targets of doubling to €6 billion, in the ten years to 2012, the value of overseas tourism earnings as set out in as set out in the Report of the Tourism Policy Review Group, *New Horizons for Irish Tourism - An Agenda for Action*.



At the launch of the Super Regions were (l-r) Shaun Quinn, Chief Executive, Fáilte Ireland; Eamonn McKeon, Chief Executive, ITIC; John O'Donoghue, T.D., Minister for Arts, Sport & Tourism; Paul O'Toole, Chief Executive, Tourism Ireland and John Power, Chief Executive, IHF.

## Regional Tourism Development Boards

The Federation welcomed the announcement of an additional €5 million fund for marketing initiatives to promote tourism in the regions, stating it came at a crucial juncture for the sector. Citing the worrying decline in the regional spread of tourism, which has seen bednights by overseas visitors outside Dublin fall by 9.2 million since 1999, the Federation stressed that the funding was vital to revive overseas tourism in regional areas and to reverse this worrying decline.

The Federation believes the establishment of three new Super Regions for the purposes of overseas promotion is a strategic step in re-invigorating the regions and stated that the strength of communicating compelling reasons to visit the regions by overseas leisure tourists will be the benchmark by which the success of this initiative will be measured. The Federation stressed that the fund should be used to effectively communicate the attractions of our regions and inject a much needed lease of life into regional tourism performance as the regions had a lot of offer visitors.

In 2006, Fáilte Ireland merged with five of the Regional Tourism Authorities in a fundamental reorganisation of the Irish Tourism industry. The five new Tourism Development Boards each consist of 11 appointed members made up of four tourist industry nominees, two county managers, two local authority members and two Fáilte Ireland nominees. Fifteen members of the Federation are also included on the boards of the new regional bodies. The new Fáilte Ireland Director of Regional Development, John Concannon will be a member of each Board. A similar regional tourism development board was set up for the Shannon Region and will mirror the functions and activities of the other five regions.

The key strategic challenge facing each of the boards is to achieve an improved regional spread of visitors so that all areas of the country can share in the benefits of tourism, thereby ensuring a strong and sustainable tourism industry. Each of the new boards will be responsible for developing a multi annual tourism development plan for their respective regions. Each region will operate as an integrated and coordinated unit and will work with their respective boards and industry partners to prepare an in depth strategic plan for the development and marketing of tourism. This strategic planning process commenced in January 2007 and will build upon the new Fáilte Ireland National Product Development Strategy. The General Managers from each region will meet with all of IHF branches throughout January and February to consult as to the best way forward for their region.

The benefits of the new structure include a greater focus on the individual needs of each region at national level and direct involvement for the regions in the development of national policy and tourism strategy. The functions and resources will expand to encompass all key aspects of tourism development including product innovation, enterprise support, training, marketing, infrastructure and environmental management needs of tourism in their respective regions.

The merger has resulted in the creation of a Regional Development Directorate by Fáilte Ireland, underlining the importance it places on its new regional mandate. The Authority has transferred responsibility for some of its key functions to the regional directorate such as management of the Home Holiday Campaign, the Consumer and Trade Show and all press and trade familiarisation trips.

## Irish Tourist Industry Confederation

Throughout the year, Irish Tourist Industry Confederation (ITIC), continued its research and lobbying activities on behalf of the tourist industry in an effort to influence tourism policy and seek specific supports from Government.

With the help of Paul Tansey, economist to the Department of Finance, a major submission was prepared in relation to the National Development Plan 2007 – 2013. Federation President Annette Devine joined ITIC Chairwoman, Catherine Reilly, Chief Executive, Eamonn McKeon and Paul Tansey for a presentation of the plan to the Department of Finance officials.

The Minister for Finance, Brian Cowen T.D., ran two information seminars on the NDP, one in Dublin and one in Tullamore. Eamonn McKeon and Dick Bourke participated in the Dublin meeting while Joe O'Brien and I represented



industry in Tullamore. A strong campaign was run in the media and with politicians throughout 2006 to promote prominence for tourism in the new NDP.

The highlight of this effort was the attendance by An Taoiseach and the Minister for Arts, Sport and Tourism at an ITIC Breakfast Seminar in November. An Taoiseach gave a thoughtful and encouraging address to the large turnout. In relation to the NDP, he had this to say; "We know that the industry can deliver more and I am sure that the next National Development Plan will recognise this potential."

The new NDP, published in January, outlined a very strong commitment to investment in the economy over the next seven years. Almost all of the issues raised by the ITIC submission were addressed. It is heartening to see the Government commitment to international marketing, product development and human resource development. In total €800 million has been committed directly to tourism, while tourism projects can seek support from several other programmes within the plan, such as the Gateway Innovation Fund, the North South programme, Waterways development and the Gaeltacht and Islands development programme. While tourism has come a long way in the last decade, sustaining that growth is now the challenge and a very good start has been made in the NDP.

Last summer, ITIC issued a very important study on the competitiveness of Irish tourism. The Federation had actively participated in the study and welcomed its publication and recommendations. The report is a thorough analysis of the competitive issues facing us. Ireland is an expensive destination but that need not mean that it is uncompetitive.

Competitiveness is a dynamic rather than a static measure, and is based on perceptions of value rather than price. It is OK to be expensive, but at this end of the market there is no margin for error in physical or service standards. While there has been some slippage in Ireland's value for money rating among our overseas holiday visitors, this has primarily been in the general cost of living areas, particularly eating out and the price of alcohol. Accommodation costs still score favourably with visitors. But greater productivity, more effective marketing, and even greater investment in training must all be delivered in order to keep the industry growing. The report is timeless and essential reading. A full copy of the report can be downloaded from [www.ihf.ie](http://www.ihf.ie)

Following intense lobbying from Industry, the Government finally announced plans for Terminal Two at Dublin Airport. This is probably the most urgently needed piece of infrastructure from a tourism perspective. An exciting design has been drawn up and planning permission has been granted by Fingal County Council. But issues remain.

Some airlines are unhappy with the scale and location, while the Dublin Airport Authority is unhappy with the determination of the Aviation Regulator and this determination is currently being reviewed. ITIC has met with the Regulator and underlined the fact that further delay in the construction of Terminal Two cannot be allowed. Present peak time conditions at Dublin Airport are totally unacceptable and ITIC is pushing Government to ensure that the 2009 deadline for completion is not missed.

Following on from the ITIC report of 2005 on the regional distribution of overseas holiday bednights, good progress has been made on a number of fronts. Tourism Ireland and Fáilte Ireland have invested more in regional marketing. The development of the Super Regions for overseas marketing was welcomed as it ensures a sensible use of marketing resources. The restructuring of the RTAs with the Regional Tourism Development Boards was an overdue and welcome development, which will give a new dynamic to regional tourism. For the first time in many years, growth in overseas visitors to the South West, Mid West and the West, exceeded the growth to Dublin in 2006. The new Boards are in place and ITIC was pleased to have four nominations to each region.

ITIC took the view that the work of the Tourism Policy Implementation Group was not complete when their term of office expired. On foot of representations, the Minister appointed another group to see through the recommendations of the New Horizons programme. The Tourism Strategy Implementation Group is chaired by John Travers.

A major review of the important North American market was completed during the year. Its recommendations are prescriptive and wide ranging, and their implementation will be monitored by the Tourism Marketing Partnership. It is thought possible to grow visitor numbers from this key market from their present level of 1 million to 1.6 million by 2013. That assumes the arrival of an Open Skies agreement between the EU and the US, and in this area progress has been painfully slow. March 2007 is the latest deadline for agreement, and it is difficult to be confident of success at this stage. ITIC has urged the Government to pursue a new bilateral agreement in the event of the likely failure of the EU/US talks. This may not be easy, but Ireland needs Open Skies if it is to exploit the full potential of the US market.

Tourism industry concerns are continuously presented by ITIC to a variety of groups including the Tourism Strategy Implementation Group, the Tourism Marketing Partnership, Fáilte Ireland, Tourism Ireland and of course, relevant Government Departments. The IHF actively participates with ITIC in many of its submissions to these groups.

## Copyright Issues

In December, the European Court of Justice issued a judgement stating that “the private nature of hotel rooms does not preclude the communication of a work by means of television sets from constituting communication to the public...” The effect of this is that televisions in hotel rooms could be liable for copyright fees to authors and composers. Arising from this ruling and in conjunction with the ongoing negotiations with IMRO, aimed at revising the copyright fees for featured background music; it is our belief that we will shortly be in a position to communicate to our members a revised tariff for the next five years. It is our strongly held view that this Court ruling does not in any way change the entitlements of related rights holders such as record producers, film producers etc. The case to establish the rights entitlements of these bodies is presently in dispute in some European countries and has also been referred to the European Court of Justice.

Arising from the long running dispute with PPI, a reference was made to the High Court seeking an interpretation on the meaning of ‘admission charge’ as far as it affected PPI tariffs for discos and nightclub operators. This case was heard in November 2006 and we are awaiting judgement.

## Environment and Energy Issues

The Federation has continued to work on a range of environment and energy issues during the past year. In addition we are in the process of developing a strategy on environment and energy issues which will shortly be presented to our members.

### Waste Management

We continued our partnership with the Race Against Waste project management of the Department of the Environment Race Against Waste project with seminars in Cork and Galway. These seminars provided local members with presentations on best practice, a local case study and free CD ROMs on the IHF Waste Management Strategy and the Race Against Waste Guide to managing waste in an organisation / business.

The Federation continued to work with Repak and launched a recruitment campaign which allowed members to join Repak with special arrangements for previous years’ fees. The outcome of this campaign was that 33 additional hotels joined the scheme bringing the total number of hotels to over 170. The Repak Recycling Awards for the Hospitality Sector continue to be keenly contested by our members and the Ferrycarrig Hotel introduced a range of impressive initiatives to win the award for the second year in a row. We continued to support IBAL (Irish Businesses Against Litter)

and negotiated a special rate for members with them. We also continued our support for the Irish Hospitality Institute’s Greening Irish Hotels Programme and participated in their national environment conference in September.



Pictured at the Repak Recycling Awards 2006 were (l-r) Minister Dick Roche T.D., Siobhan O'Rourke and Chris Culleton, Ferrycarrig Hotel and Andrew Hetherington, CEO, Repak.

### Energy

We have negotiated a new exclusive offer for IHF members with Energia, the independent energy supply provider for 2007. This offer provides up to a 15% saving on energy costs Vs ESB tariffs, which will allow members to achieve substantial reductions on their electricity bills.

We continued to work with Sustainable Energy Ireland (SEI) who hosted a workshop for IHF members in November to promote their grant programmes outlining the benefits of Biomass and CHP for hotels in Ireland. We are working with the Power of One Campaign initiated by the Minister for Communications and Natural Resources Noel Dempsey, T.D., to develop a communication campaign for our sector under the ‘Power of One’ banner.

In our Pre-Budget Submission we called for an ‘Efficient Energy in Hotels Programme’ to be introduced. This should include advice and education on energy efficiency and alternative energy as well as financial support for investment costs to adjust to more efficient and/or more sustainable methods. The Budget provided for an extension of an additional €3 million for SEI to support SMEs in assessing their energy usage and measures to enhance energy efficiency.

Our annual conference 2007 includes for the first time an environmental workshop chaired by the dedicated environmentalist Duncan Stewart.



## HOTREC

HOTREC represents the hotel, restaurant and café sector at European level. This sector accounts for 1.4 million businesses covering 7.5 million jobs in the EU. During 2006, HOTREC held two General Assemblies, in Levi, Finland in April and Berlin in October, together with a VAT seminar which the EU Commissioner for Taxation, Mr. Laszlo Kovacs attended in Budapest in January. These events update the member associations on pan European activities and develop strategies to ensure member interests are communicated to the relevant European bodies. Some of the areas dealt with in 2006 include:

### Standardisation

International Organisation for Standardisation (ISO) set up the Technical Committee to develop standards for tourism and related services. Despite the best efforts by HOTREC to have the hospitality and catering industry excluded from the scope of this exercise and due in the main to the Irish representative of the NSAI voting against the proposal, HOTREC's efforts were overruled and work is now progressing in developing a standard for tourism activities. Hotrec will be vigilant in monitoring the developments.

The European standards body – CEN, has over the last year been developing a standard for swimming pools, including pools in hotels. HOTREC, through its participation in a liaison meeting, influenced the exclusion of the setting of a maximum occupancy for swimming pools, regulation of access to pools and supervision from the remit of the proposed European standard. These aspects were designated to be the responsibility of the pool operator.

### Health Issues

HOTREC participated at World Health Organisation (WHO) meetings representing the hospitality sector and submitted its position regarding the concern of the European Union and WHO with regard to the negative effects of alcohol abuse and related harm. HOTREC members continue to share best practice on policies for alcohol related harm reduction and are fully aware of their responsibilities regarding the sale of alcohol. HOTREC strongly supports the Subsidiarity Principle (for national governments and not for the EU) to designate means for tackling alcohol abuse but will continue to monitor the issue at international level in order to support a balanced and pragmatic policy.

### Smoking in Public Places

As with the alcohol issue, HOTREC believes that smoking regulations are a matter for national governments and not a pan EU issue. However, more European countries are now

introducing bans on smoking in public places. In Luxembourg a smoking ban came into effect in September 2006. A ban is already in place in Northern Ireland, Scotland and Wales and a ban will follow in England in July. In February 2007, smoking will be banned in all public places in France with cafés, night clubs and restaurants being given a transitional period until January 2008 to adapt.

### Statistics

Eurostat continues to prepare the text of a European Commission proposal for the harmonisation of European tourism statistics, but this is unlikely to come into effect until 2010 at the earliest.

### Social Affairs

HOTREC is actively involved in social dialogue with trade unions representing the hospitality and café/restaurant sector. In the framework of the European Commission's Legislative and Work Programme 2006, Directorate General Employment & Social Affairs is currently drafting a Green Paper on the Evolution of Labour Law. This discussion document, touching on such issues as employment transitions - assisting workers to move from one status to another, contract work, temporary agency work, transnational operation of businesses and European co-operation in the enforcement of labour law. HOTREC will be submitting its comments on this draft document.

A review of the working time directive is also of enormous importance to an industry such as hospitality and it is necessary to ensure that any new regulations do not hinder or create obstacles for the industry.

### Revision of Package Travel Directive

The European Commission is presently examining the possibility of updating the Package Travel Directive in light of the changing distribution channels within the travel industry, including the development of the internet. HOTREC is monitoring the developments in this area and keeping member associations fully informed.

### Branch Activities

Seminars and workshops took place on issues such as Irelandhotels.com and interpretation of employment legislation. Many branches are very actively involved with other representative bodies in their region and this will continue and be increased in future. Meetings are being arranged for branches to be fully informed of the activities and plans of the Regional Tourism Development Boards and Fáilte Ireland's Human Resources Development Plan.

## Associate Members

We continue to promote associate membership and we currently have 81 members. Their association with the Federation has been of benefit to us and we urge our members to support them where appropriate.

## Appreciation

I wish to thank our President, Annette Devine for the enormous assistance, support and guidance which she has given me and the staff at Northbrook Road during her first year in office. Annette's accessibility, encouragement and willingness to travel in order to lead and support the activities of the Federation serve to inspire and motivate us all.

I also welcome the guidance and support that Federation management and staff receive from Council, Management Committee, subcommittees and general membership of the Federation. The willingness of so many members to actively lobby when requested to do so always helps strengthen the profile and impact of such lobbying.

As usual, the staff at Northbrook Road displayed dedication, patience and support without which my role would not have been effective and for this I am truly grateful.



**John Power**  
Chief Executive