



**IHF ANNUAL REPORT 2009  
PRESIDENT'S OVERVIEW**



### **Matthew Ryan, President, Irish Hotels Federation**

As my two years as President of the Irish Hotels Federation come to a close, I reflect on a period of unparalleled change in both the economic environment of Ireland and of the stability of the Irish hotel industry. When I came into this role, it was at a time of GDP and consumer expenditure growths of approximately 6%. This has since changed dramatically with both personal expenditure and GDP likely to have decreased by over 7% in 2009 and recent CSO estimates indicated that the value of retail sales declined by 13.1%.

Hopefully, we have now reached the bottom of the economic trough. Due to the steep decline in the economy over the last two years, it is likely that recovery when it emerges will be gradual and modest. Most of 2009 was overshadowed by serious difficulties in the Government's public finances, but it was encouraging that a very focused budget in December appears to have made a solid start in effectively dealing with the public finances. However, as clearly indicated in a recent Central Bank comment, a reversal in wage competitiveness losses will also be key to our economic recovery.

It is sobering to note that Irish tourism revenues declined by 17% in 2009 to €5.2 billion, its lowest level since 2004. This reduction is principally due to a 12% decline to 6.5 million in overseas visitor numbers and the resultant reduction of €900 million to €3.9 billion in the value of foreign exchange earnings from tourism.

For the first time in many years, the number of hotels in Ireland reduced slightly by eighteen to 903, with a total of 60,199 rooms. This was only a 1% reduction in bedroom capacity. Notwithstanding this negligible reduction in capacity, the national hotel occupancy rate fell to an estimated 54% from 58% in 2008 (having been 64% in 2007). This is the lowest hotel occupancy level since the early 1980s. The important room yield and hence revenue per available room continues to fall, and it is conservatively estimated that the revenue per available room in 2009 will have fallen by well over 20% from 2008.

The encouraging performance in 2009 was the domestic market which in volume terms would have been on a par with 2008, albeit yielding lower room rates. Again, the overseas markets continued to disappoint, with British arrivals to the Republic of Ireland showing a reduction of 16%, and the US and Continental Europe -7% and -9%

respectively. The continuations of these weakening overseas markets and the serious overcapacity in hotel bedrooms have created a major economic challenge for the Irish hotel and guesthouse industry. The Irish hotel sector is also burdened with almost €7 billion in bank borrowings which translate into an average debt per bedroom of over €111,000. This level of debt is clearly not sustainable.

With these facts becoming evident, in August, we convened an emergency general meeting to inform the members of the seriousness of the situation and to seek their views. We sought to establish the priorities of the members and focus on those. In addition to overcapacity the issues that emerged as being of greatest concern were local authority charges, working capital and credit facilities, labour cost and government recognition of our industry.

This report absolutely shocked me and it took us a number of days to actually absorb the reality that was presented to us. The report has caught the attention of government, economic commentators, banks and the media. It is of vital assistance to case making and I believe it influenced the framing of the 2010 budget which was supportive of tourism and recognised the value of the industry to the national economy.

The “Bacon Report” quantified at between 12,300 and 15,300 rooms, the level of overcapacity in the Irish hotel bedroom stock. It highlighted the need to immediately work on a strategy aimed at reducing this overcapacity in order to preserve the long term viability of the industry of a whole. This report has provided us with a solid basis with which to make our case to Government and Financial Regulators on the need to address both the overcapacity in the hotel sector and the excessive and irresponsible lending by many financial institutions to unviable hotel enterprises. This is a process I have actively been involved in since the report was published and which I know the incoming President will continue.

The big achievement for the Irish Hotels Federation, in 2009, was to negotiate, through the JLC system, a reduction of the Sunday Premium from double time to time and a third. This achievement was the removal of an unreasonable burden on the hotel sector which existed since the early 1970s. Its achievement was difficult, involved an enormous amount of patience in negotiations with SIPTU and I also must acknowledge the enormous part played in the process by IBEC and in particular, its Director of Industrial Relations, Brendan McGinty.

Throughout the year I had a number of meetings with An Taoiseach, An Tanaiste, and Minister for Finance, Minister for Arts, Sport and Tourism and Ministers of State in the Department of Labour. At all these meetings, I expounded the challenges facing the hotel sector; the difficulties being created by unreasonable labour legislation, the shortage of bank credit and the need to facilitate a reduction in the country’s hotel capacity. The Minister for Arts, Sport and Tourism addressed our September Council Meeting and I am pleased that An Taoiseach will address our National Conference in Galway.

Having reached a workable solution on the Sunday premium issue, the two largest challenges now facing the hotel sector are maintaining the financial viability of hotel businesses and reducing the enormous burden of local authority charges, particularly rates. The anomaly of the rates system has been made clear by the results of the revisions of rateable valuations in South County Dublin and Fingal which have yielded

upwards of 30% savings in the rates paid by hotels. The unbelievable slow roll out of the national revisions, envisaged in the Valuation Act of 2001, and which to date has only completed two of the 88 local authorities in the country appears to be an enormous injustice in the hotel sector. The slow roll-out of the national revision of rateable valuations a fundamental injustice contained in the 2001 Valuation Act which removed the right of ratepayers to seek a revision of their valuations in circumstances of seriously deteriorating economic circumstances. This is a priority matter for which we will continue to achieve a resolution.

At last year's conference, we called for the extension, to overseas visitors, of the free travel scheme for persons aged over 66. It was very encouraging that in the Minister for Finance's Budget Statement, he indicated that discussions were ongoing with Irish Rail to ensure that this incentive would be rolled out for the 2010 tourist season. I understand that progress is being made to in this process in what would be a major boost to our overseas tourism marketing efforts.

Budget 2010 also acknowledged the important part tourism has to play in the recovery of the Irish economy and I am confident that our lobbying influenced the Minister for Finance to provide €44.25 million to the tourism marketing fund. This will enable the level and value of investment in overseas marketing of Ireland to be maintained in real terms in 2010. Better value for money in purchasing advertising space, currency advantages and once-off expenditure in 2009 will ensure that there is no adverse impact from the nominal reduction in the 2010 allocation.

During the year we also called for the extension of the Government Employment Subsidy Scheme to the hotel sector and we were encouraged when An Tanaiste announced such an extension and applicants from the hotel sector that can benefit from this scheme are currently being considered.

In view of the difficulties being experienced by many hoteliers that run potentially viable businesses in obtaining additional seasonal working capital, we lobbied the Government to consider the introduction of a loan guarantee scheme to provide for additional working capital by banks. In recent weeks, An Tanaiste announced that her Department is examining the possibilities of introducing such a scheme. I sincerely hope that such a scheme, similar to that which applies in the United Kingdom, will shortly be introduced and go some way towards helping alleviate the major difficulties being experienced, particularly by small and medium enterprises in accessing additional working capital.

In discussions with the Minister of State at the Department of Labour, we made a strong pitch for the introduction of an inability to pay provision within the JLC system and it is again encouraging that the Attorney General is currently working on the drafting of the amendment to the Industrial Relations (Amendment) Bill to facilitate such a procedure.

During 2009, I continued to be a member of the Tourism Renewal Group, which published its final report in October. This group, under the chairmanship of Maurice Pratt, set out to develop a framework of action for the tourist industry in the years 2009-2013. It acknowledged the unlikely recovery in the economy before 2011 and recognised the uncertainties facing the industry and the need to deploy scarcer resources and drew up an action plan which describes a path for survival, recovery and

growth. It highlighted that making the right decisions on crucial issues in the short term will underpin the revenue and market share targets in the longer term. It listed and forcefully set the priorities to be urgently addressed as; maintaining the investment in the Irish tourism brand, the reduction of access costs, including the reversal of the recently introduced air access charge, the absolute necessity to provide additional working capital and to highlight tourism's role in an economic recovery. Tourism accounts for 4% of the country's GNP and the Report clearly states that if it receives the recognition and support which its scale deserves, it stands ready to play its part in the country's journey to economic recovery.

In spite of an increased workload on the Executive of the Federation in dealing with the escalating and urgent challenges facing the industry, the staff at Northbrook Road have put in an enormous effort in supporting the members and carrying out their normal activities including marketing, employment services and general advice to members.

Despite a difficult year, Irelandhotels.com is now returning to growth and while the online reservations system for 2009 produced €3.8 million worth of revenue for IHF members, the early indications for 2010 are for a return to growth for this important website. As many aggressive commercial websites exploit the weakness of the market and the overcapacity of the supply of bedrooms to seek ever reducing room prices and substantially increased commissions and guaranteed allocations, it is essential that Irelandhotels.com website which is operated solely for the benefits of members at a low cost continues to be supported by our members particularly by making available on it the most attractive room rates.

Through our involvement in HOTREC, the association representing hotels, restaurants and cafes in Europe, I attended General Assemblies in Stockholm and Barcelona. Membership and active participation in this important European association keeps the Federation in touch with important EU developments and gives an effective platform through which to influence the framing of EU directives and regulations.

I thoroughly enjoyed and got enormous personal stimulation by my two year as President and I sincerely express my appreciation to all those who assisted me. I was fortunate in having Julieann Brennan and Paul Keenan as Vice-Presidents during my first year and Philip Gavin and Stephen McNally as Vice-Presidents during last year. Each of these was always willing to assist whenever called upon.

I also appreciate the guidance and help given by the National Council of the Federation, the Management Committee and other subcommittees who were more than supportive and diligent in carrying out their functions.

As I visited most branches throughout the country, I genuinely appreciate the advice and experiences conveyed to me and the support expressed by the general membership. This solidarity is particularly important in the current difficult times where the promoting of shared industry objectives is essential.

I also acknowledge the enormous commitment by all the staff at Northbrook Road, whose unlimited support at all times contributed to the effectiveness of my Presidency.

After completing fourteen years as Chief Executive, John Power has indicated his intention to retire during the coming summer. I wish to pay particular tribute to the commitment and leadership which John showed over this period and wish him every success in his retirement. I am currently chairing a group which was set up by the National Council to seek a successor for John and I will continue in this role until the recruitment is completed.

Finally, I wish every success to our incoming President who I know that with the support of the National Council and the general membership will continue to lead the Federation to further achievements and substantially influence the recovery of our industry and also the national economy.

A handwritten signature in black ink, appearing to read 'Matthew Ryan', with a large, sweeping flourish extending to the right.

**Matthew Ryan**  
**President**