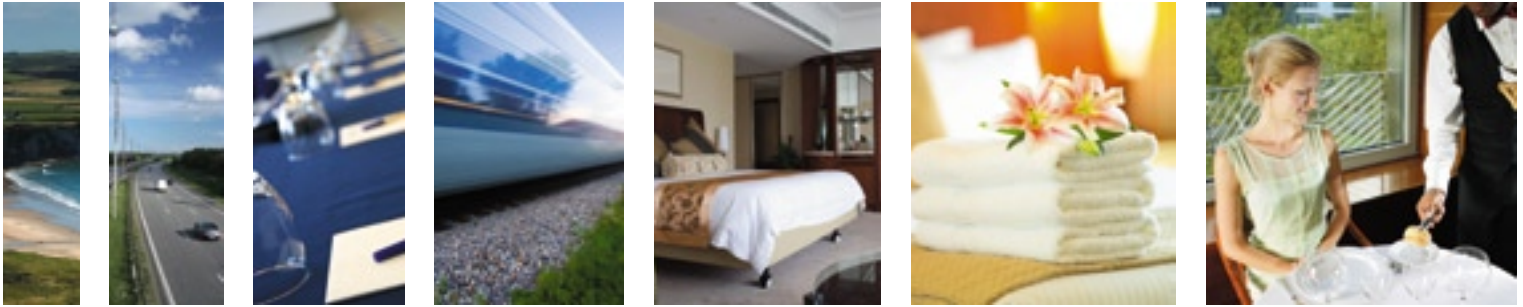


# Irish Tourism



A focus on  
**competitiveness**

A policy for  
**sustaining growth**



## ***Irish Tourism***

Irish tourism is a tremendous success story and is now the largest indigenous employer in Ireland – providing jobs in every town, village and city across the country. While tourism has witnessed exceptional growth in the last 15 years, it continues to compete in a highly cluttered international tourism market where new emerging markets are vying to win a greater share of tourists.

In order to maintain and further build on our success to date, a number of key national measures must be urgently addressed by the next Government. As a candidate in the forthcoming General Election, the Irish Hotels Federation (IHF) calls on you to encourage debate on the fundamental issues potentially impacting on Ireland's continued tourism success and its major contribution to the Irish economy.



Annette Devine  
President, IHF



**Tourism is ideally positioned, if given a favourable domestic cost base, to be a leader in restoring the recovery of Ireland's international competitiveness.**

There are core issues facing the industry which need to be addressed by the next Government and which will have a significant impact on the future of Irish tourism, its continued viability and economic success.

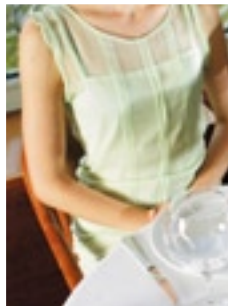
These include:

- 1 Control of Wage Costs** – full commitment needed to National Partnership Agreements. Safeguards need to be in place to ensure that wage increases are not in excess of those provided in national agreements. Otherwise, wages will escalate further out of line with European countries and undermine national competitiveness.
- 2 Marketing Funds** – increasing tourism marketing funds so Ireland's international campaigns can compete effectively with international competitors and new emerging markets vying for tourists.
- 3 Energy Costs** – barriers to achieving a more competitive energy market must be removed in order to reverse the serious cost increases for energy supply to which the industry has been subjected in recent years.
- 4 Local Authority Funding** – a new method of funding needs to be put in place immediately to broaden the base for funding the local authorities and replace the inequitable rates and charges currently applied to businesses.
- 5 Delivery of Infrastructure** – prioritised for delivery on time, without regulation or planning obstacles impeding their progress. Terminal 2 at Dublin Airport to be completed by 2009 and Transport 21 road improvements to be delivered speedily to enable easy access throughout the country.
- 6 VAT** – must be reduced to bring Ireland's rate of VAT on hotel accommodation in line with the rest of Europe. Currently, Ireland has one of the highest VAT rates on hotel accommodation in Europe.
- 7 PIAB** – a mechanism is required to reduce the incidence of Personal Injury Assessment Board awards being referred to the Courts and thus protect the benefits already achieved from reduced insurance premiums.

## **Irish Tourism – Top Line Facts**

- Largest indigenous sector in Ireland – outstripping agriculture as the lead employer.
- 145,000 Irish jobs or one in every 14 jobs in Ireland today.
- €2.7 billion went to the Exchequer in direct and indirect taxes from tourism in 2006.
- Irish tourism generates over €6 billion in revenue. This is equal to 3.1% of Ireland's Gross National Product.
- Hotels and guesthouses are the largest employer in the tourist industry.
- 1,250 hotels and guesthouses located in every town and village in Ireland employing over 57,000 people.
- Irish earnings from tourism have grown by over 39% in real terms over the past decade.
- The Government and exchequer are the main beneficiaries from tourism with 52 cent of every euro spent by overseas tourists going to the exchequer.
- Every €1 spent on Government funded tourism marketing programmes results in a €60 return to the state.
- The number of overseas visitors to Ireland in 2006 was 7.4 million – an increase of 9% on 2005.

## **Joined Up Thinking: The Seven Key Actions Required for Irish Tourism...**



### **1 Wage Costs**

- The next Government must introduce measures to ensure that the pay terms agreed in the National Agreements are not exceeded in reviews of the National Minimum Wage Rates.
- Continued increases in the statutory minimum wage, exceeding those agreed in the National Agreement, have a significant negative impact on competitiveness in the hospitality sector.
- Irish tourism and hospitality is a labour intensive industry and wage costs represent over 40% of hotels' and guesthouses' turnover. It is a major factor impacting on delivering competitiveness in the tourism industry.
- Ireland's National Minimum Wage of €8.65 per hour from July 2007 is the 2nd highest in the EU (second only to Luxembourg, which is just 2 cent per hour higher).
- In a competitive international tourism environment, Ireland's wage costs are frequently compared with countries such as Spain and Portugal where the national minimum wage rates are €3.12 and €2.23 per hour, respectively, and the UK, where rates are equivalent to €7.90 per hour.
- Recent reviews of the National Minimum Wage rates of pay agreements are totally at variance with the objective of maintaining competitiveness in the Irish economy and must not continue.

### **2 Marketing Funds**

- Ireland must ensure that its share of promotion and marketing voice internationally continues to be strong and to attract more visitors.
- There needs to be continued investment in marketing and promoting Ireland as a destination to overseas tourists. This is imperative to support the sustainable growth of Irish tourism. The IHF is calling for marketing funds to be increased and for the 2007 spend of €45m to be at least index linked to inflation.
- The 'Open Skies' deal, which will see increased direct air access between Ireland and the USA, must be supported with specific marketing funds to exploit this opportunity to increase US visitors to Ireland. There is potential to see an additional 1 million US visitors to Ireland annually over the next seven years if the correct marketing supports are put in place. This would represent an increase in revenue of €1 billion to the Irish economy. The IHF is calling for a special marketing fund of €5 million per year for five years to promote new US air routes to Ireland.
- To assist the Shannon region adjust to the new 'Open Skies' agreement with the loss of the 'Shannon Stop Over', the IHF is calling for a dedicated €10 million per annum marketing fund over the next five years to promote air routes into Shannon.

### 3 Energy Costs

- Unsustainable increases in the cost of electricity and gas supplied by state controlled monopolies are eroding competitiveness in tourism.
- There needs to be an acceleration of the liberalisation of the electricity market, including prioritisation of the provision of an east–west electricity interconnector.
- Ireland's electricity prices for industry are the third highest in the EU, behind Italy and Cyprus. The cost and availability of energy is a crucial issue for the Irish hotel sector, particularly in an environment where increasing operating costs are threatening the competitiveness of the sector.
- The next Government needs to urgently review the functions of the Commission for Energy Regulation and ensure that, in reaching its decisions, priority is given to national competitiveness.
- Irish businesses face the difficult challenge of reducing costs to remain competitive while still meeting customer requirements. This is not achievable in an environment of unjustifiably high energy costs.

### 4 Local Authority Funding

- The system of Local Authority funding is based on an antiquated taxation system of commercial rates that sees local authorities extract taxes relative to the size of premises without sufficient recourse to the profitability of the business operating in that property.
- The next Government must put in place a more equitable, broader based local taxation method instead of levying an inequitable tax largely based on property size rather than the profits of a business.
- Many businesses and professions generating much greater profits operate out of significantly smaller premises than hotels and guesthouses, thus the hotel and guesthouse sector is disproportionately funding Local Authorities and their services.
- 2.25% of the corporation tax rate should be allocated to Local Authority funding. This, combined with a ring fencing of a portion of personal income, would be a more equitable way of financing Local Authorities than the current rates system.

### 5 Delivery of Infrastructure

- Terminal 2 at Dublin Airport must be delivered on time in 2009 to facilitate greater passenger numbers and to ease congestion. Any delays in this tight deadline will have serious consequences for the development of Irish tourism and the attractiveness of Ireland as a modern, vibrant economy. This is a vital piece of national infrastructure and needs to be funded as such.
- Ease of access to and within the country is fundamental to ensure a more even spread of tourism and to assist all regions of Ireland benefit from Ireland's tourism success. Priority must be continuously given to the timely and successful delivery of the road and rail network as set out in the National Development Plan and Transport 21.

### 6 VAT

- Ireland needs a lower Value Added Tax (VAT) rate on hotel services so that we can maintain a competitive position with our competitors for international tourists.
- Our VAT of 13.5% on hotel accommodation in Ireland compares unfavourably to VAT of 5–7% in significant tourism competitors, such as France and Spain.
- The Euro has resulted in complete transparency for consumers on prices from country to country, so Ireland must reduce its VAT rate to remain competitive and ensure our overseas visitors continue to enjoy value for their spend in this country.

### 7 PIAB

- The establishment of the Personal Injuries Assessment Board was a significant step towards reducing the crippling insurance premiums experienced in the early part of this decade.
- However, its effectiveness is being undermined by the non-acceptance of a large number of PIAB awards with cases then being dealt with through the expensive courts system.
- Long term, this will erode the stability of insurance costs and will again lead to increases in insurance premiums.
- The next Government must ensure a mechanism is established to ensure PIAB awards are made more binding and not undermined.

*On these and other issues, the Irish Hotels Federation is available to you as a resource for information and views during this election. Please contact the IHF on (01) 4976459 or [election@ihf.ie](mailto:election@ihf.ie). Further information is also available on [www.ihf.ie](http://www.ihf.ie)*

**Thank you for reading this material and we wish you success in your campaign.**

