

Irish Tourism

A STRATEGY FOR JOB CREATION AND ECONOMIC GROWTH



IRISH
HOTELS
FEDERATION

“With the right recovery plan, tourism can be an engine for growth – creating an additional 20,000 jobs and generating over €6.2 billion in annual revenue for the economy.”



Paul Gallagher
President, Irish Hotels Federation

Irish Tourism

Irish tourism has been in serious decline over the last three years. Since 2007, we have lost a third of our overseas visitors (down 2.2 million) and €1.7 billion in revenues (down 33%). The effects are being felt in every community throughout Ireland and by the 180,000 people employed in the industry.

The Irish Hotels Federation (IHF) believes that, despite these difficulties, tourism could be a major engine for sustainable economic growth and job creation in Ireland provided decisive actions are taken NOW. We believe recovery throughout our sector hinges on addressing four key challenges – effective marketing of Ireland abroad, greater cost competitiveness within the economy, appropriate financial support from the banking industry and the removal of excess hotel capacity.

As a candidate in the General Election, the IHF calls on you to encourage debate on the issues identified in this document which impact on the hotel and guesthouse sector and the tourism industry as a whole.

“Tourism needs decisive political action to survive the current crisis. A co-ordinated approach from Government can restore Ireland’s position as a key tourist destination, allowing tourism to play a significant role in Ireland’s economic recovery.”



There are four key challenges facing the industry which need to be addressed by the next Government to ensure the survival and future of Irish tourism and its return to viability and economic success. These include:

1. MARKETING IRELAND ABROAD

– An intensive, co-ordinated campaign is needed to promote ‘Brand Ireland’, involving the Government, state agencies and high profile personalities. This must be backed up by increased marketing funds to enable Ireland to compete effectively with other international destinations.

2. COMPETITIVENESS

– Urgent measures are required to increase cost competitiveness within the tourism sector, including:

- Immediate action to achieve the €551 million in savings identified by the Local Government Efficiency Review Group in July 2010.
- Introduction of an interim emergency provision for a 30% reduction in Local Authority rates applicable to hotels and guesthouses.
- Abolishing the Joint Labour Committee (JLC) system in order to restore competitiveness, remove anomalies and encourage greater flexibility in the labour market.
- Accelerated liberalisation of the energy market to address unsustainable increases in the cost of electricity and gas supplied by state-controlled companies.

3. CREDIT AVAILABILITY

– A loan guarantee scheme must be introduced to assist small to medium sized enterprises gain access to adequate levels of appropriately priced credit, which is now critical.

4. REMOVAL OF EXCESS CAPACITY

– A high level inter-departmental group must be established to work with the IHF to address hotel oversupply and related issues to ensure sustainability of the accommodation sector.



4 key action points for sustaining & growing tourism...

1. MARKETING IRELAND ABROAD

- Ireland needs a co-ordinated and sustained marketing effort over the coming 12 months using Ireland's embassies abroad and high profile Irish personalities in the arts, sports, media and other life spheres to recover Ireland's damaged reputation around the world.
- A new 'Brand Ireland' identity for use by all state agencies and businesses abroad is recommended to provide a common promotional platform.
- The recovery of the British market together with achieving greater penetration of the next top three source markets – USA, Germany and France – is essential if Irish tourism is to return to growth. This focus on gaining market share in the more productive markets needs to be reflected in a transparent re-allocation of resources, budgets and personnel as well as a fundamental re-appraisal of the effectiveness of the current marketing approach in each market.
- We therefore call for the next Government to increase the funding of tourism marketing for both Fáilte Ireland and Tourism Ireland. The Government broadly maintained the previous levels of marketing funding for tourism in Budget 2011. However, targeted tourism marketing is a lifeline for maintaining Ireland's visibility as a destination both internationally and domestically. The key focus in 2011 is to reverse the collapse in visitor numbers from Britain and to re-establish our brand.
- Unnecessary barriers to travellers need to be removed and a common visa area for Ireland and Britain introduced.
- The next Government must maintain the 'over 66 free rail travel scheme' for overseas tourists travelling with Iarnród Éireann and remove the unnecessary requirement for a limited period trekker ticket.

2. COMPETITIVENESS

- A pro-active approach is required from Government to reduce all costs imposed by state owned agencies (electricity costs, water, licensing etc.) and to defer proposals for carbon tax increases until the economy recovers. In particular, urgent action must be taken to address Local Authority rates and charges, wage costs and energy costs.

Local Authority Rates and Charges

- The next Government must immediately set about achieving the savings (€511 million) identified in the Local Government Efficiency Review Group published in July 2010. A substantial amount of the savings achieved must be passed on to businesses as a reduction in Local Authority rates.
- 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.
- Legislation needs to be enacted to overhaul and streamline the property revaluation process and introduce equity in to the method of valuing hotels and guesthouses taking into account both income and expenditure.

- It is now nine years since the Valuation Act 2001 came into force and only three of the 88 rating areas in the country have had the revisions carried out by the office of the Commissioner of Valuation. At this rate, it will take over twenty years to complete the process in all rateable areas notwithstanding the intention in the legislation that the revised valuations would be further revised every five to ten years. In the areas that have been re-valued, hotels have received reductions in the order of 30%.
- We call on the next Government to introduce interim emergency provisions for a 30% reduction in Local Authority rates applicable to hotels and guesthouses until such time as properties have had their rateable valuations revised as provided for in the Valuation Act 2001.

Wage Costs

- Irish tourism and hospitality is a labour-intensive industry and wage costs represent over 40% of a hotel's or guesthouse's turnover. It is a major factor impacting on delivering competitiveness in the tourism industry.
- The IHF maintains that radical changes to Ireland's economic and regulatory environment over the past century have made the Joint Labour Committee (JLC) system obsolete, particularly in light of the National Minimum Wage Act 2000, which has provided Ireland with one of the highest gross minimum wage rates in Europe.
- The JLC system should be abolished and all employment law should be created by legislation introduced by the Oireachtas alone and be applicable to all employments. It should not be created by organisations such as the JLC or the Labour Court.
- The current Hotels Employment Regulation Order dictates that hotel workers are paid a minimum wage ranging from €9.09 to €10.26 per hour, which is 19–34% higher than the current minimum wage at €7.65 per hour.

Energy Costs

- There needs to be an acceleration of the liberalisation of the electricity market.
- Unsustainable increases in the cost of electricity and gas being supplied by state-controlled companies are eroding competitiveness in tourism.
- The Commission for Energy Regulation's decision to increase electricity costs through the Public Service Order levy in October 2010 results in additional costs of up to €7,000 per annum being imposed on individual hotels.
- The next Government needs to review the functions of the Commission for Energy Regulation and ensure that, in reaching its decisions, priority is given to national competitiveness.
- Ireland's electricity prices for industry are the fifth highest in the EU. The cost and availability of energy is a crucial issue for the Irish hotels sector, particularly in an environment where increasing operating costs are threatening competitiveness.



3. CREDIT AVAILABILITY

- Failure to provide credit to viable businesses in the tourism sector is limiting their capability to invest in marketing and operational quality standards. This has major implications for the ongoing potential of tourism in Ireland.
- We are calling on the Government, as a matter of urgency, to introduce a business loan guarantee scheme similar to that in operation in the UK and elsewhere. Under such a scheme, at least 50% of qualifying loans to viable businesses are guaranteed, with borrowers paying a small (2%) premium to support the scheme.
- Lack of working capital is further compounded by the issue of overhanging debt and the withdrawal of a major foreign bank. We are calling on state-owned banks to look at flexible restructuring options to address the capital base of viable hotels. We are calling for the establishment of a reconstruction and development bank or a special division within an existing bank to address this problem.

4. REMOVAL OF EXCESS CAPACITY

- Overcapacity has the potential to destroy the short-term viability of the overall hotel sector and requires urgent attention.
- We are calling for the establishment of a high level inter-departmental group to work with the IHF to address hotel oversupply and related issues to ensure sustainability of this vitally important accommodation sector.
- Recent reports by Economic Consultants Peter Bacon & Associates and Fáilte Ireland identify between 7,000 and 15,000 rooms excess to capacity in the industry.

Irish Tourism – Top Line Facts

- 180,000 jobs in the tourism and hospitality sector or one in every 10 jobs in Ireland today.
- Potential to create over 20,000 additional jobs by 2015.
- Total tourism revenue for 2010 (overseas plus domestic) stood at €4.6 billion.
- Potential to generate €6.7 billion in annual revenue for the economy by 2015.
- Overseas visitor numbers have declined from 6.5 million in 2009 to 5.6 million in 2010. This represents a decline of 2.2 million compared with 7.7 million arrivals in 2007.
- The most serious market reversal has been from Britain, with 1.3 million fewer visitors in 2010 compared with 2007.
- Revenue from overseas visitors in 2010 is estimated to have dropped by about €600 million to €3.3 billion. This represents a drop of €1.6 billion since 2007, when €4.9 billion was earned.
- €1.3 billion in taxes was earned by Government from tourism annually, representing 3.7% of tax revenue.
- The average hotel room rate declined by 30 % since 2007 and is now at 1999 levels.
- It is estimated that the Irish tourism industry is made up of about 15,000 businesses, mostly micro, small and medium sized.



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) 497 6459 or info@ihf.ie. Further information is also available on www.ihf.ie

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