Report of the Tourism Policy Review Group

Report of the Tourism Policy Review Group to **John O'Donoghue T.D.** Minister for Arts, Sport & Tourism

New Horizons for Irish Tourism

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An Agenda for Action

September 2003

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JOHN O'DONOGHUE T.D.

Minister for Arts, Sport & Tourism

Dear Minister

I have the honour to submit to you, on behalf of the Tourism Policy Review Group, our Report on the Review of Irish Tourism. We have completed the Review under the title New Horizons for Irish Tourism: An Agenda for Action. The Report has been completed in accordance with the terms of reference you provided to us.

Yours sincerely

Chairman
30th September 2003

Preface

John Travers
Chairman

Irish tourism has been a major success story - perhaps the most successful sector of Irish-owned enterprise since the foundation of the State. Its contribution as a major source of foreign earnings with a low import content, as a powerful instrument of national and regional development and as a source of entrepreneurial opportunity has not always been fully acknowledged and recognised.

The Review Group draws attention to a number of important facts about the tourism industry in Ireland. Employment in tourism over the past 10 years, has increased at a faster pace than even the unprecedented high rates of employment increase in the economy generally over that same period. Today the sector employs more people than the totals employed in either Irish-owned or foreign-owned manufacturing industry. Tourism is by far the largest, Irish-owned, internationally-traded services sector in the economy. It is a sector firmly rooted in the natural and built environment and in the people and culture of Ireland. As a product, therefore, it cannot relocate to another country. But, by the same token, its customers, both domestic and overseas, can. International analyses indicate that, despite the post-2001 slowdown, the future prospects for international tourism over the next 20 years are good and similar to the high growth rates of the previous 20 years.

It is not certain, however, that despite the strong opportunities, Irish tourism will, over the next 10 years, enjoy the same growth and success as it has over the past decade. The sector is at a significant turning point in its development. Competitiveness has been lost in recent years. A certain complacency, the fruit, partly of success, has set in across many parts of the industry. And this is happening at a time when the expectations and requirements of the potential customers of Irish tourism have become more demanding and when the alternative choices of high visitor attraction and good value for money available to them have greatly increased.

It is, therefore, certain that the policies and actions that have delivered strong performance in Irish tourism in the past will not suffice to do so in the future. The way in which the changes now required are anticipated, managed and put in place will determine the future success of Irish tourism as a sector of investment opportunity, innovation and enterprise and as an instrument of Government development policies.

Regaining the competitiveness lost in recent years is central to the new strategy for the development of Irish tourism set out in this Report. This is the fundamental challenge which the industry itself must face and overcome.

There are also important challenges for the Government – none more so than the recognition through relevant, practical and systematic actions of the central role that the tourism industry plays as a major instrument of national and regional development. This will only come about if the scope of tourism policy formulation and implementation is extended beyond its traditional ambit to encompass all areas of Government policy that impact in a significant way on the development of tourism.

The Report of the Review Group acknowledges and articulates the constructive and positive role which tourism policy has played in supporting the significant growth achieved by the industry over the past decade and more. It concludes, however, that the major international and domestic changes affecting Irish tourism at the present time and those anticipated in the foreseeable future, now require urgent and fundamental changes in the policies and actions of both the Government, and of the tourism industry itself, if the success of the industry over the past decade is to be replicated in the future.

This Report, therefore, sets out a new strategy for Irish tourism which is comprehensive, coherent and challenging for the industry itself and for Government. We believe that if it is followed through to implementation with conviction, energy and commitment that it will make a real and lasting contribution to the development of Irish tourism in the years ahead and to the complementary objectives of national and regional development.

I wish to record my appreciation and thanks to my colleagues on the Review Group for the individual talents, wisdom and contributions they brought to the work and deliberations of the Group. I want to express the thanks of the Group to Mary Jackson for her commitment and professionalism as Secretary to the Group and to her colleague Gráinne Ní Néill for her dedication and support. I also wish to extend our appreciation to Malcolm Connolly, Deirdre O'Keeffe, Brian Maher and Eileen Gallagher of Fáilte Ireland and to Mark Henry of Tourism Ireland who provided much of the analytical and administrative support underlying the work of the Review Group.

Finally, I would like to thank John O'Donoghue, Minister for Arts, Sport and Tourism, for the opportunity afforded to the Review Group to make a contribution to the development of such an important sector of national and regional development and to the Secretary General of the Department, Philip Furlong, for his support and advice.

John Travers

Chairman
30th September 2003

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Executive Summary

1. Tourism Worldwide – An Overview

International tourist numbers will double over the next 20 years but the profile and requirements of customers are changing rapidly and competition is becoming more intense.

1.1 The growth in international tourism has been one of the most remarkable economic and social phenomena of the past century. 700 million international trips are now made worldwide each year. Tourism is a major economic sector generating over €500 billion in annual receipts, sustaining in excess of 70 million jobs and accounting for almost 4% of global GDP. The industry has outpaced general economic growth, since 1975, by a factor of 1.3. Tourism growth has been driven by a number of key factors, including economic wealth, mass communication, affordable travel (especially by air), availability of leisure time and the travel opportunities opened up by new technologies.

International Tourist Arrivals
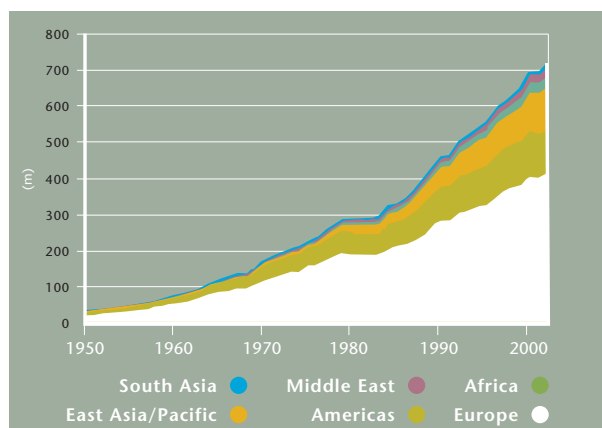
Source: World Tourism Organisation (WTO)

1.2 After a prolonged period of uninterrupted growth, tourism has stalled over the past two years. As of autumn 2003 it is recovering slowly from the post-2000 global economic downturn, terrorism, the war in Iraq and the impact of the SARS virus. And future prospects are good. According to World Tourism Organisation projections, the number of international arrivals is expected to double over the next 20 years to almost 1.6 billion – a rate of growth in tourism similar to that of the past 20 years. While current economic conditions and uncertainties may continue to depress demand in

the immediate future, travel and tourism is firmly established in the lifestyle and discretionary spending pattern of the developed economies pointing to an eventual resurgence in demand.

1.3 In common with all internationally traded services, global tourism is experiencing significant change. A vast array of product offerings are becoming available, encompassing traditional leisure pursuits, new entertainment and retail complexes, simple back-to-nature and health-related activities, cultural and heritage experiences and combinations of different product offerings. Many new tourism destinations are opening up providing increasing choice to customers. Easy access to these destinations is becoming common place and cheaper. Customer characteristics are changing rapidly including shorter and more frequent trips, greater use of e-commerce, later bookings, more tailored holiday experiences and growth in the *older people* share of the market. Tourism will, in future, be increasingly demand driven with greater emphasis being placed on value for money, personal fulfilment, unique experiences, authenticity, emotional involvement and travel convenience.

1.4 In general, tourism policy internationally is being given increased weight and emphasis in the range of Government policies aimed at national and regional development.

2. Ireland's Tourism Industry: Economic Contribution, Structure and Policy

Irish tourism is a major economic sector of enterprise, and of national and regional wealth creation. The industry at present generates €4 billion in foreign revenue earnings, supports 140,000 jobs and is by far the largest, Irish-owned internationally-traded sector of the Irish economy.

2.1 Tourism is highly important to the Irish economy. It delivers the following major benefits

Benefits of Irish Tourism

- **€4 billion in annual foreign earnings**
- **€1 billion in annual domestic earnings**
- **140,000 jobs**
- **Up to €2.2 billion in tax receipts each year**

- **4.4% of GNP**
- **A major instrument of national and regional development**
- **A sector of major opportunity for Irish-owned enterprise**

Employment grew in the sector by more than 70% between 1990 and 2002 - a rate of growth considerably above the 50% growth in employment generally in the economy over that period. To put the annual foreign revenue earnings of €4 billion from tourism in perspective, it is equivalent to more than 50% of the total value of exports by Irish-owned manufacturing industry or more than twice the value of exports of Irish-owned internationally-traded services.

2.2   Tourism embraces a wide range of businesses and services in thousands of enterprises, predominantly Irish-owned and small and medium in size, distributed throughout the country. It is a complex, diverse sector of economic activity. It has a well-structured representative system which works with Government Departments and State Agencies in a productive partnership arrangement to promote the development of the industry. However, notwithstanding its size and well-established representative structures, the sector has had difficulty in ensuring that the value of its economic and social contribution is fully acknowledged at Government level and more widely.

2.3   Government involvement in the development of tourism has been of long-standing duration. This reflects the importance of the industry to national and regional development and the *market failures (i.e. the likely returns not justifying private sector investment)* intrinsic to a highly-dispersed industry made up of small and medium sized enterprises operating in a sophisticated internationally-competing services sector. Today, the focus of Irish tourism policy is on supporting sustainable growth in visitor expenditure, with an emphasis on a wider regional and seasonal spread of business. The fundamental components of policy encompass:

- a Government Department (the Department of Arts, Sport and Tourism) which promotes and represents tourism as an important instrument of national and regional development and source of foreign earnings within the general Government decision-making process

- a number of State Tourism Agencies which have recently been restructured to support both the international marketing of the island of Ireland as a tourist destination and the development of the sector across its many facets in locations throughout Ireland

- a strong regional organisational structure for the promotion of tourism exercised through the State Tourism Agencies, the Regional Tourism Authorities and Shannon Development, County Tourism Committees, Product Development Management Boards, County Enterprise Boards and LEADER Groups

- a number of evolving partnership arrangements between the State Tourism Agencies and private sector representatives of the industry

- the periodic statement and re-statement of the vision, targets and objectives guiding tourism development in Ireland by the Department and the State Agencies which operate under its aegis

- a range of State fiscal, financial and advisory supports – both Exchequer and EU funded – for the promotion of tourism operating generally, but not exclusively, under the aegis of the Department of Arts, Sport and Tourism.

2.4   The first comprehensive statement on tourism policy in Ireland was set out in a Government White Paper in 1985. Government policy statements have gone through a number of iterations since then in response to changing national and international circumstances and the underlying organisational structures have evolved in keeping with these changes. This period of more structured policy development and implementation has coincided with a substantive take-off in the development of tourism in Ireland. A number of factors underlie the rapid expansion of tourism here. These include a major international increase in demand driven by the rising real income levels in many parts of the world, the falling cost of communications and transport and currency developments favourable to Irish tourism. Central to the strong performance of Irish tourism in a favourable international market environment has been the intrinsic attractiveness of the landscape, culture and people of Ireland as a visitor destination together with the energy, enterprise and increasing professionalism of the people in a largely Irish-owned service industry. It is also reasonable to conclude that improvements in policy formulation and implementation in Ireland played their part.

2.5 Led by the private sector, with Exchequer and EU support, total capital spending on tourism-related products amounted to €4.3 billion over the 1990s. The direct Exchequer spend on tourism amounts to €107 million in 2003, of which approximately €80 million is related to marketing and associated costs. In addition, it is estimated that the industry spend on marketing was of the order of €134 million in 2001.

3. Ireland's Tourism Industry: Overview of Performance 1990-2002

Visitor numbers to Ireland and tourism receipts throughout the 1990s grew well ahead of global trends, benefiting all regions of the country. Irish tourism gained market share in most markets in which it competes. While visitor experience generally has consistently met or exceeded expectations for over 90% of visitors, the perception of good value for money has fallen significantly in recent years.

3.1 Visitor numbers to Ireland grew well ahead of global trends throughout the 1990s, increasing by an average of over 7% each year compared with a corresponding world figure of 4.3%. In terms of receipts, Ireland's performance also exceeded European and global growth rates in the eleven years up to 2001. The best performance source markets for Irish tourism have been the US and Britain.

Visitor Numbers and Foreign Revenue Earnings 1990 - 2002

	1990	1995	2000	2001	2002
Britain	1,785	2,285	3,428	3,340	3,452
Mainland Europe	744	1,101	1,435	1,336	1,378
France	198	234	283	280	298
Germany	178	319	319	285	288
Other Europe	368	548	834	771	792
North America	443	641	1,056	903	844
USA	402	587	958	829	759
Canada	41	54	98	74	85
Other Overseas Areas	124	204	261	261	245
Total Overseas	3,096	4,231	6,181	5,840	5,919
Foreign Revenue Earnings (€million)	1,112	1,749	2,824	3,115	3,267
Receipts paid to Irish air and sea carriers (€million)	334	383	813	807	718
Total Foreign Revenue Earnings	1,446	2,132	3,637	3,922	3,985

3.2 Travel to Ireland by those whose main purpose for visiting was a holiday has grown slightly ahead of the trend in overall visitor numbers. Irish tourism has increased its market share of visitors from the US, but latterly has seen a decline in its share of an expanding British market and has been losing market share from Germany and France. All regions of Ireland have benefited from the growth of Irish tourism in recent years. Dublin and the South West have achieved the highest rates of growth nationally. The strong Dublin performance has been boosted by the significant increase in the number of visitors on short city breaks. The lowest growth rates were recorded for the Shannon, the West and North West regions. Most activity holidays showed considerable growth in the late 1980s and early 1990s but have recorded declines since then.

Regional Distribution of Overseas and Domestic Tourism Revenue

	1990 €m	2002 €m	Real Growth 1990-2002	As a % of 1990 revenue	As a % of 2020 revenue
Dublin	356	1,257	151%	22%	30%
South West	290	793	94%	18%	19%
Midlands/East	159	414	85%	10%	10%
South East	169	434	82%	10%	10%
Shannon	198	433	55%	12%	10%
West	276	596	53%	17%	14%
North West	175	284	15%	11%	7%
Total	1,623	4,211	84%		

Source: Fáilte Ireland

Domestic tourism remains a bedrock for the Irish tourism industry, contributing almost half of all visitor numbers seeking accommodation in 2002 and representing a fifth of the overall revenue generated by tourism.

3.3 Survey analysis shows that the core tourism appeal of Ireland is characterised by *people, place and pace*. Visitors to Ireland are motivated principally by the expectation of a warm and welcoming people, the perception of beautiful unspoilt scenery and the relaxed pace of life. The holiday experience of visitors to Ireland has met or exceeded expectations in the case of over 90% of visitors.

Important Factors when Choosing to Holiday in Ireland and Satisfaction Ratings

	Very Important (%)	Rating - % Very Satisfied				
		1997	1999	2000	2001	2002
Friendly, hospitable people	87	88	88	89	88	90
Beautiful scenery	86	89	89	89	89	91
Memorable experience	82	83	82	83	84	82
Natural, unspoilt environment	81	83	77	79	79	83
Safe and secure	77	76	77	78	79	80
Easy, relaxed pace	74	83	83	82	82	82
Suitable for touring	66	76	72	73	73	71
Attractive cities/towns	64	59	62	66	64	65
Overall Satisfaction Rating		94	91	94	94	93

Source: Fáilte Ireland Visitor Attitudes Surveys 1997-2002

4. Tourism in Ireland Today – An Assessment

Irish tourism is, arguably, the most successful sector of Irish-owned enterprise since the foundation of the State. The industry today has strong foundations which underpinned its success in the 1990s. It is, however, at an important turning point in its evolution. Recent years have seen a significant loss of competitiveness which, if not redressed, will undermine the capacity of the industry to benefit from the strong growth envisaged in international tourism in the years ahead.

4.1 The Irish tourism industry today has strong foundations based on a substantial and increased customer base, high overall customer satisfaction ratings, competent and experienced staff, many highly successful business enterprises and the quantity and the generally good quality of its accommodation, restaurants, leisure facilities and visitor attractions. The industry has also a successful record in meeting challenging investment, revenue earnings and employment targets set under successive national plans and EU Operational Programmes for Tourism. These provide a solid base to address with confidence the new challenges facing the sector.

4.2 Today, the industry is at a turning point in its development. It faces a major challenge in regaining competitiveness in the light of reducing customer satisfaction ratings, in particular as regards delivering good value for money. There has been a noticeable

drop in recent years in the perception of good value for money by overseas visitors, which has declined from 63% in 2000 to 45% in 2002. This is mainly price-related.

Overseas Holidaymakers Rating of Value for Money
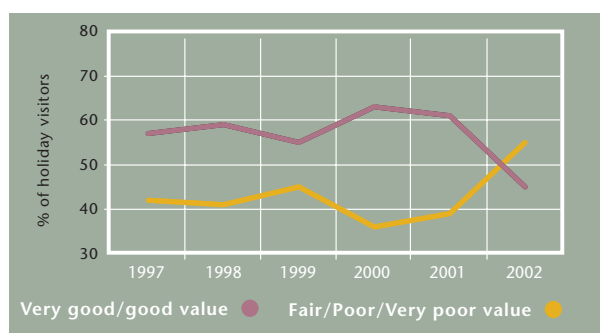
Source: Fáilte Ireland/Survey of Overseas Travellers

For visitors, the price issue relates not so much to the cost of access and accommodation, which is generally pre-booked, but to the price of eating out, drink, food in shops and the general cost of living when they get here. While resolute action by the Government is essential to help reduce inflation, the tourism industry itself has the primary role in driving down costs in the industry. Reforms in the Irish taxation system over the past decade have resulted in substantial gains for businesses generally, but comparatively high VAT rates and excise duties contribute to unfavourable price differentials in certain key tourism products in Ireland in comparison with other eurozone countries. High insurance costs are also a particular concern, pointing to the need to accelerate the Government's insurance reform programme to reduce premiums.

4.3 The range of tourism products and services, including tourist accommodation, has increased greatly in quantity and improved significantly in quality in recent years. There are at present, however, indications of underutilised capacity and falling margins which, if not redressed, could threaten reinvestment and the maintenance of standards in the future. Some remaining gaps exist in tourism infrastructure, most importantly the development of a National Conference Centre and a National Sports Stadium. There is also a need for an enhanced emphasis on product innovation and the better marketing and promotion of tourism products to meet changing customer requirements.

Environmental conservation must become a central element of tourism policy and its implementation. Air and sea access to Ireland has seen major improvements during the 1990s. But changes which enhance competitiveness in transport policy and the further improvement of access infrastructure – in particular at Dublin Airport and in serving the wider catchment needs of Cork and Shannon airports – hold significant potential to generate increased visitor numbers at both national and regional level.

4.4 The professionalism, friendliness and quality of services provided by people are essential success factors in Irish tourism. A greater level of investment is needed in human resource development to upgrade skill levels and to address staff retention and other problems. While there is a strong funding commitment to tourism marketing and promotion by the State and the tourism industry, actions are required to improve the efficiency and effectiveness of spend in this area. The ability of the Department of Arts, Sport and Tourism, the State Tourism Agencies and the tourism industry to more effectively shape and influence Government policy in the wider issues that impact on tourism, will be a key influence in determining the future success of the sector. The Department's policy formulation and implementation role and capability requires to be strengthened and developed in line with the new tourism strategy set out in this Report.

5. A Strategy for Irish Tourism 2003-2012

The New Vision for Irish Tourism is that of a dynamic, innovative, sustainable and highly-regarded sector - offering overseas and domestic customers a positive and memorable experience beyond their expectations. Assuming reasonably favourable international economic and geopolitical circumstances, the Review Group has set a challenging target to double overseas visitor spend to €6 billion over the 10 year period to 2012, with an associated increase in visitor numbers from just under 6 million to 10 million.

5.1 **Irish Tourism at a Crossroads:** Irish tourism in 2003 is at a crossroads. It requires a new strategy to chart the way forward at a pivotal point in its evolution. It has come through a period of major development and success in the 1990s – probably the most successful decade in its history. Today, it faces major changes in the international economic and geopolitical environment very different to those which helped to underpin its success in the 1990s. Significant changes have emerged in the profile of its customer base, both at home and abroad. The competition that it faces from traditional competitors has intensified in the face of a downturn in world tourism and some uncertainty about the immediate future. At the same time new competitors from Eastern Europe and further afield have entered the market in which Irish tourism has traditionally competed.

5.2 **Competitiveness Threat:** All of this is happening at a time when the competitiveness of Irish tourism has deteriorated and is under further threat. This arises from a combination of price pressures and from a certain complacency at industry and Government levels that the good performance of the past can, on the basis of an out-dated approach, be sustained in a changed international and domestic environment. Congestion factors have arisen following a decade of both economic and tourism growth faster than had been anticipated and faster than the capacity of many elements of infrastructure to adjust to the increased demands.

5.3 **Public Finance Constraints:** It is also clear that the significant levels of financial support for the development of the industry from the EU and Government, widely available in the 1990s and to the present time through direct grants, taxation incentives and infrastructural supports, will not be available at anything like the same level in future years.

5.4 **Irish Tourism – An increasingly Self-Reliant, Agile and Adaptable Sector of Successful Enterprise:** A successful Irish tourism industry in the years ahead will be an industry that is more self-reliant, agile and adaptable to change in the market place. The industry has shown, over the past decade and more, its capacity to adapt. It has many strengths including, and beyond, those available when the industry started on an extraordinarily successful development path in the 1990s. Among these strengths are its proven track record of meeting customer needs and a deep knowledge of customer requirements associated with that success, a capital stock based on recent investment that is modern and efficient across all segments of the industry and a *people in tourism* resource to which visitors have consistently awarded the very highest accolades. Arguably tourism represents the most successful sector of Irish-owned enterprise since the foundation of the State.

5.5 **Competitiveness – The Key to Success:** Central to the success of Irish tourism in the years ahead will be a recovery of the competitiveness that has been lost in recent years.

5.6 **A New Strategy for Irish Tourism – Key Components:** To address these issues a new strategy for Irish tourism is needed which clearly sets out a new way forward in the context of the fundamental changes now affecting the industry. Such a strategy has been developed by the Review Group. It encompasses:

Components of a New Strategy for Irish Tourism

- a clear vision of where Irish tourism wants to go
- an understanding of the underlying forces that are shaping the industry at present and those that will continue to do so in future
- the establishment of challenging targets and objectives for the industry going forward
- a knowledge of the factors that will drive success in the industry
- an enhanced capability to innovate and respond effectively to unforeseen circumstances
- a decision-making framework that facilitates the formulation of such a strategy and its implementation through consistent and decisive actions at Government level and across the different sectors of the industry itself.

The new strategy for Irish tourism can be represented diagrammatically as follows:

5.7 **A New Vision for Irish Tourism:** The new vision for Irish tourism set out in this Report is of a dynamic, innovative, sustainable and highly-regarded sector, offering overseas and domestic visitors a positive and memorable experience beyond their expectations.

Vision for Irish Tourism

Ireland will be a destination of choice for discerning international and domestic tourists which:

- provides a tourism experience that exceeds customer expectations in terms of friendliness, quality of environment, diversity and depth of culture

- has a range of high-quality, world-class, competitive products and services widely distributed throughout all the regions of the country

- is a vibrant source of foreign and regional earnings throughout the year

- respects the natural and built environments and supports their conservation and enhancement

- provides attractive career opportunities in tourism for people with a range of skills and employment needs

- provides the opportunity for people working in tourism to enhance their skills through experience, training and life-long learning

- respects and supports Irish culture in all its diversity

- provides a positive international profile of Ireland.

5.8 **International Prospects:** The medium and long-term prospects for tourism worldwide remain strong despite the recent deceleration in the underlying growth rates since 2000 because of economic and geopolitical uncertainty. The fundamental drivers of change affecting tourism internationally are expected to result in strong growth rates which, over the next 20 years, are projected to be similar to the doubling of tourist traffic that occurred over the period 1980-2000. Tourism development will continue to be largely determined by the rate of global and regional economic growth and associated increases in the disposable incomes of a wide distribution of individuals. The developed countries will remain the largest source and destination of tourism numbers in absolute terms but new markets for Ireland are emerging including those from Eastern Europe and the Far East.

5.9 **Key Markets and Determinants of Success:** For Ireland, the tourism markets of most importance will continue to be in Britain, the US, the larger countries of Mainland Europe and the domestic market. But the customer profile is changing rapidly, driven by technology, demographics and societal changes such as better education, increasing interest in cultural experiences, increased leisure time, multiple but shorter holiday breaks, greater interest in health enhancing tourist experiences and increasing empathy with environmental conservation. Developments in access transport are of fundamental importance in facilitating tourism development. The quality, price, frequency and routes of air and sea carriers have improved during the 1990s. In particular, low fare airline services have transformed the market for travel between Ireland, Britain and Mainland Europe. The potential for additional route development in these services, and on transatlantic air routes, remains strong. The upgrading of internal transport services will be important for the regional spread of visitors. Measures to optimise the use of new information and communication technologies throughout the tourism sector are also of key importance.

5.10 **Tourism Development Targets 2003-2012:** Ambitious but realistic targets for key indicators of performance are an essential component of Irish tourism strategy. Strategic targets, few in number, provide a sense of direction for tourism policy and facilitate the prioritisation of actions to support the development of the sector. Assuming reasonably favourable international economic and geopolitical circumstances, **the Review Group has set a challenging target to**

double overseas visitor spend from €3 billion to €6 billion over the 10 year period to 2012, with an associated increase in visitor numbers from just under 6 million to 10 million. Targets are also being set

- to increase the share of *promotable* segments (holiday, conference, language study and incentive travel) from 45% to 50% of total visitor numbers

- to increase the number of domestic holiday trips from 3 million to 4.3 million, with associated revenue earnings increasing from €0.6 billion to €1 billion

- to double the number of overseas *promotable* visitors staying at least one night in the Border Midland and Western (BMW) region.

Overseas Revenue and Visitor Number Targets to 2012

Revenue (€ million 2002 prices)	2002 Actual	2006 Target	2012 Target	Av. Annual Growth % 2002-2012
Overseas Visitor Spend[1]	3,088	3,835	6,000	6.9%
No. of visitors (m)				
Britain	3.5	4.1	5.5	4.8%
Mainland Europe	1.4	1.7	2.3	5.3%
North America	0.8	1.0	1.8	7.6%
Other areas	0.2	0.3	0.5	6.3%
Total	5.9	7.0	10.0	5.4%

[1] Excluding receipts paid to Irish air and sea carriers & revenue from Northern Ireland visitors

Overseas Visitor Number Targets to 2012

Overseas Visitor Revenue Targets to 2012 (2002 prices)
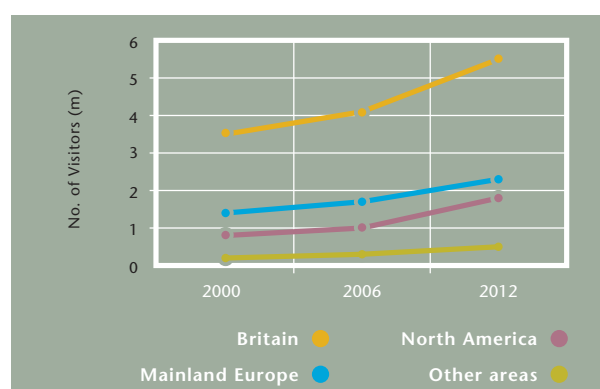
Overseas Visitor Spend ●

5.11 **The Drivers of Success:** The key strategic drivers of success for Irish tourism in the future which will determine the achievement of the targets set are as follows:

Key Drivers of Success

- **Business Environment**
- **Competitiveness & Value for Money**
- **Access Transport**
- **Information and Communication Technologies**
- **Product Development & Innovation**
- **Marketing & Promotion**
- **The People in Tourism**
- **The Government Sector**
- **Information, Intelligence & Research**

The impact of these factors on Irish tourism in the future are set out in detail in the main Report.

5.12 **An Agenda for Action:** The tourism development strategy set out by the Review Group provides a clear framework and set of actions to support the further development of tourism in Ireland and its regions. The specific actions required are clearly set out together with the reasons for taking them, the bodies responsible for implementing the actions and the timeframe within which the actions should be accomplished.

5.13 **Implementation Group:** In order to reflect the action orientation of the report a small, high-level Implementation Group should be established, for a two-year period with high-level representation from the private and public sectors. The Group should report directly to the Minister for Arts, Sport and Tourism. The task of the Implementation Group will be to oversee the implementation of the recommended actions in the Report and to revise them as necessary in consultation with the bodies responsible for their implementation. A strong, ongoing process of consultation with the industry is a critical component of the follow-up to the report of the Review Group.

6. **Implementing the Strategy – the Actions Required**

The policies and actions that have delivered strong performance in Irish tourism in the past will not suffice to do so in the future. The way in which the changes now required are anticipated, managed and put in place will determine the future success of Irish tourism as a sector of investment opportunity, innovation and enterprise, and as an instrument of Government development policies.

6.1 The Irish tourism industry is a highly complex and diverse sector of interdependent, economic activities within the domain of both the private and public sectors. The actions now required to implement the new strategy for Irish tourism outlined in the Report are equally diverse and wide-ranging. They encompass many different decision makers in both the private and public sectors.

6.2 In identifying the key actions needed to deliver the strategy outlined, the Review Group was guided by three fundamental principles

Fundamental Principles Guiding Recommended Actions

- tourism growth is driven by private sector enterprise, innovation and investment
- the need for a consistent framework of well chosen actions across all areas of Government activity
- targeted public sector interventions to be confined to *market failure* in close partnership with the industry.

6.3 Substantive change is required in key areas of Government policy, in the delivery of that policy by the State Tourism Agencies, in the work of the industry representative bodies, and, importantly, at the level of individual enterprises throughout the industry. The effectiveness and efficiency with which the changes required are anticipated, managed and delivered will determine the future success of Irish tourism as a sector of private sector investment opportunity, innovation and enterprise, and as an instrument of Government social and economic development. The fundamental components of that change require

- a new policy framework and set of related actions that continue to promote strong, self-reliant, profitable, innovative, customer-focused tourism enterprises

- an industry that itself anticipates and embraces the changing needs of its customer base – both domestic and overseas visitors – and offers to each customer a product, service and experience which surpasses that available from alternative providers both at home and abroad.

6.4 The specific actions required to be taken under each of the key drivers of a successful Irish tourism industry are set out in Chapter 6. The actions focus on the period 2003-2005. To attempt to recommend today what actions will require to be taken beyond 2005 is not realistic. What is required, instead, in an increasingly volatile tourism environment, is a process of frequent review of strategy, at two-yearly intervals, and the adoption of a series of rolling 2-3 year action plans which reflect changing circumstances, the periodic review of strategy and the immediately preceding action plan.

6.5 The set of actions recommended in the Report may, accordingly, be regarded as t*he first rolling action plan* for the development of Irish tourism over the next decade. It sets out

- the rationale underlying the identification of the particular driver of success in Irish tourism

- the objectives which the actions recommended seek to attain

- where primary responsibility lies for undertaking the actions recommended

- the timeframe within which the actions recommended should be accomplished.

The longer term strategy and more immediate action plan set out in this Report provide a coherent framework of actions for the development of Irish tourism, at this stage of its evolution, particularly taking account of the fact that the majority of businesses are small and medium in size. The strategy and action plan will facilitate the ongoing review process recommended as an inherent element of the development process for the industry going forward. The review process will be led by the Department of Arts, Sport and Tourism, and will encompass the State Tourism Agencies, other Government Departments and State Agencies whose policies and actions significantly affect tourism and, importantly, representatives of the key sectors of the industry itself.

chapter one **1**

Tourism Worldwide - An Overview

"International tourist numbers will double over the next 20 years but the profile and requirements of customers are changing rapidly and competition is becoming more intense."

Summary of Main Conclusions

International tourism:

- is a major economic sector generating over €500 billion in tourism receipts, accounting for almost 4% of global GDP and sustaining close to 70 million jobs

- has outpaced general economic growth, since 1975, by a factor of 1.3

- continues to be driven largely by affordable travel, especially by air, and the travel opportunities opened up by new technologies

- is, today, recovering slowly from the economic downturn, terrorism, the war in Iraq, and the impact of the SARS virus on travel in the first half of 2003

- is experiencing significant changes in customer trends, including shorter and more frequent trips, greater use of e-commerce, later booking, more tailored holiday experiences and growth in the *older people* share of the market

- will, in future, be increasingly driven by more demanding customer requirements, with greater emphasis being placed on value for money, personal fulfilment, unique experiences, authenticity, emotional involvement and travel convenience

- is projected to experience a doubling in the number of international arrivals over the next 20 years to almost 1.6 billion

- is being given increased weight and emphasis in the range of Government policies aimed at national and regional development.
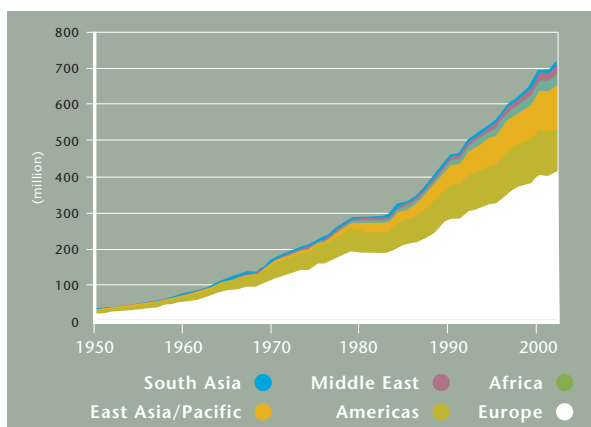
1.1   A Global Industry

The phenomenal growth in tourism activity worldwide marks the sector out as one of the most remarkable economic and social phenomena of the past century.

A record 715 million international trips were made worldwide in 2002[1]. Tourism receipts in 2001 generated approximately €518 billion. International travel and tourism contributes 3.7% to global Gross Domestic Product (GDP), while sustaining over 70 million jobs or 2.6% of the world's employment[2]. The industry has an impressive record of sustained growth with the number of international trips increasing, on average, by 7% a year over the past 50 years. Global revenues from tourism also grew consistently by 11% annually in real terms up to 2001.

In 2001, Europeans accounted for 58% of international arrivals (or 403 million arrivals) – which reflected a 4% annual growth rate in the 1990s. Within Europe, intra-regional travel accounts for 350 million arrivals (87% of the total), with leisure/holiday representing nearly two thirds of this number. The Americas and Asia/Pacific are the next largest source markets for international travel, generating 124 million and 121 million trips per annum respectively. Despite an above average rate of growth in the incidence of inter-continental travel in recent years, 80% of all trips are intra-regional

reflecting the importance of close to home markets.

Tourism has not only seen significant growth but also a continued diversification in geographic spread and in the range of products and experiences on offer. Europe's share of worldwide tourism has been declining. Over the past decade the Asia Pacific region and the former Eastern European countries have been fast growing destinations. Arrivals in Asia/Pacific grew at an average rate of 7.2% per annum, at a time when, overall, world tourism was growing by 4.3% each year and European tourism by 3.6%.

Transatlantic travel is the largest inter-regional traffic flow in the world. In 2001, 25 million Americans travelled east and 20 million Europeans visited the Americas. The next largest flow is between Europe and the Asia/Pacific region, with between 12 and 13 million visitors going each way respectively.

Leisure, recreation or holiday travel accounts for some 60% of international trips. However, throughout the 1990s, international business travel grew at a faster rate than leisure trips. Trips to visit family and friends or for religious or health purposes, account for almost 25% of all travel. While air travel and sea cruising are each fast growing sectors, road transportation continues to be used by almost half of all international travellers worldwide.

Figure 1.1
International Tourist Arrivals 1950 - 2001

Source: World Tourism Organisation (WTO)

Figure 1.2
Share of Worldwide Arrivals by Global Region 2001

Source: WTO

1   According to World Tourism Organisation (WTO) statistics. The WTO, based in Madrid, is an international governmental organisation that serves as a forum for tourism policy and issues. Its membership includes countries, territories and affiliate members from the public and private sectors.
2   Estimates from the World Travel and Tourism Council – the Forum for business leaders in travel and tourism, based in London.
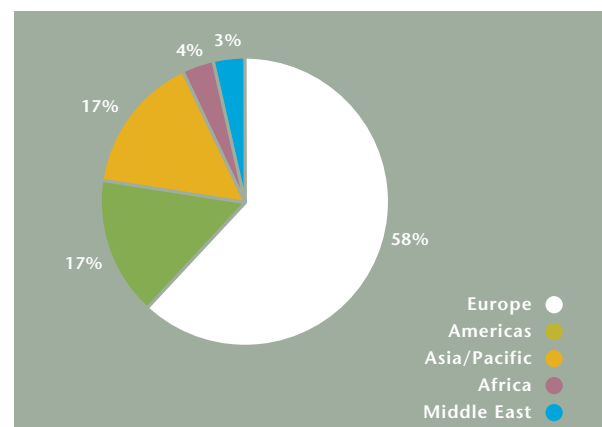
Despite the rapid growth in international travel, domestic tourists outnumber international visitors in most developed nations around the world. Accordingly, the domestic market represents a very important component in the viability of enterprises engaged in tourism. However, in more developed economies, the rate of growth in international travel tends to exceed that of domestic trips.

1.2 The Underlying Forces Driving Worldwide Tourism

Worldwide tourism growth has been driven by a number of key factors, including economic wealth, mass communication, information and communication technologies, socio-political stability and availability of leisure time.

- A strong underlying relationship exists between the level of consumer disposable income and travel. International tourism significantly outpaced the growth of economic output (GDP) between 1975 and 2000, growing on average 1.3 times faster, as shown in Figure 1.3.

- Increased leisure time, with more holiday entitlements and flexible working conditions, has stimulated a widespread desire for travel and together with strong economic growth in developed economies in recent decades has generated the *cash rich time poor* population segment seeking to maximise the use of available recreational time.

- A major driver of tourism growth has been the increasing availability of affordable transportation, especially air travel. Travel costs have fallen sharply in real terms in recent decades at a time when capacity and routes have dramatically increased. Medium and long-haul air travel has become significantly more affordable, while the low fare airlines have revolutionised short-haul journeys within North America, Europe and Australia.

- The reduction in travel and border formalities (e.g. visa entry requirements, customs and currency restrictions) has also contributed to the growth of international travel.

Figure 1.3
Growth of GDP and International Tourist Arrivals
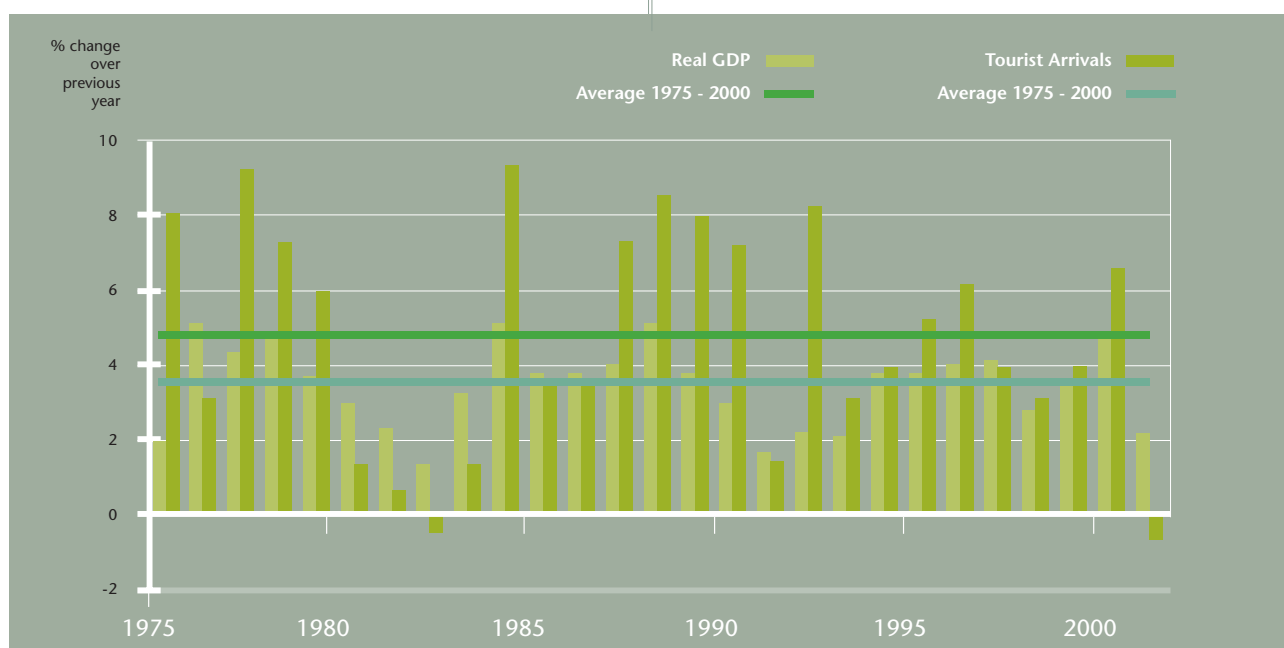
Source: WTO/International Monetary Fund (IMF)

- The application of new information and communication technologies has dramatically broadened people's access to information and travel opportunities. The result has been a transformation in the way people plan and book travel. Online travel sales, estimated at €55 billion in 2003, are projected to almost double over the next two years.

- The importance of a stable socio-political environment for travel to grow is amply demonstrated in the downturn in travel to destinations affected by conflict and terrorism. More recently, concerns on the part of travellers about safety, security and health issues are increasingly influencing travel patterns.

1.3 Key Trends in International Tourism and Travel

The international tourism and travel industry is a highly dynamic sector of activity characterised by continuous change. Significant changes in recent years include shifts between markets, in customer profiles and preferences, together with changes in the structure of the industry, its management and the way it does business. The principal customer trends to emerge, over the past decade or so, have included:

- shorter and more frequent trips

- greater consumer use of modern information and communication technologies

- more experienced travellers with heightened quality and value expectations

- a trend towards later booking

- mass marketing giving way to more individually tailored holidays

- growth of the *older people* share of the total market, as this group now represents the wealthiest segment of society in Europe, the US and Japan.

Sun holidays, city breaks and touring holidays together account for almost 70% of all international holidays taken by Europeans.

The way people make their holiday arrangements is also changing. Internet use has had a major impact on travel and the tourism industry. More than 6 in 10 US households currently research their leisure travel online. In Europe low fare air carriers have pioneered online booking for travel and, also, for a wide range of travel-related services. While Europe has some way to go before the Internet is as significant a distribution channel as it is in the US, it has already had a radical impact on consumer holiday decision-making in all of Ireland's main markets and its influence is continuing to grow strongly.

1.4 Recent Performance

Growth in international travel has stalled only twice in the past 50 years - in 1982, following the oil crises, and in 2001. Weak demand due to economic conditions in the early part of 2001, the outbreak of Foot and Mouth disease in northern Europe, coupled with the impact of the terrorist attacks of September 11th resulted in a drop of 0.6% in tourism arrivals globally, with earnings falling by 5.2%. However these global figures tend to understate the extent of the severe downturn in travel experienced in the Americas and to a lesser extent Europe, the world's top destination and source markets.

Table 1.1
Outbound Tourism by Region of Origin 1990-2001

	1990	1995	1999	2000	2001	1990	1995	2001	90-00	95-00
	International Tourist Arrivals				(million)	Market Share		(%)	Average annual growth (%)	
World	457.3	551.7	652.3	696.8	692.6	100	100	100	4.3	4.8
From:										
Africa	11.3	13.1	15.6	15.8	16.3	2.5	2.4	2.4	3.4	3.8
Americas	96.2	111.8	130.0	130.6	123.9	21.0	20.3	17.9	3.1	3.2
East Asia and the Pacific	56.5	94.0	110.0	110.1	112.9	12.3	17.0	16.3	6.9	3.2
Europe	274.0	339.7	404.8	404.4	402.8	59.9	61.6	58.2	4.0	3.5
Middle East	8.1	8.3	11.5	12.4	12.4	1.8	1.5	1.8	4.5	8.4
South Asia	4.0	5.3	7.4	7.8	7.9	0.9	1.0	1.1	6.9	8.1
Origin not specified[3]	7.3	-20.6	-26.9	15.5	16.4	1.6	-3.7	2.4		
Same region	362.6	436.6	513.1	546.4	549.9	79.3	79.5	79.4	4.2	4.5
Other regions	79.7	99.8	123.5	134.8	126.2	17.4	18.1	18.2	5.4	6.2

(Data as collected by WTO September 2002)

[3] Countries that could not be allocated to a specific region of origin. As information is derived from inbound tourism data this occurs when data on the country of origin is missing or when a category such as 'other countries of the world' is used grouping countries together that are not separately specified.

Source: WTO

The September 11th terrorist attacks in the US resulted in an unprecedented impact in terms of reduced demand for leisure and business travel and accelerated changes already underway in the structure of the travel and tourism industry and the choice of type and location of holiday travel. The industry, in many countries, experienced job losses and business closures. The more lasting impact included an increasing concern regarding safety and security, a radical restructuring of the global airline industry, changing patterns of travel and significant changes in how destinations and products position are positioned in the marketplace.

Results for 2002 indicated a slow recovery with international arrivals worldwide increasing by over 3% to reach a record 715 million. However, recovery has not been universal. The war in Afghanistan, terrorist attacks on tourists in a number of locations, fear of further terrorist attacks and the anticipation of war in Iraq severely dampened demand in 2002, at a time when low interest rates were stimulating consumer spending. Trips tended to be closer to home while uncertainty and heightened price

sensitivity encouraged later bookings. The business travel sector continued to be severely depressed. Within the airline industry, only low fare airlines recorded healthy volume and profit growth, while sea cruise tourism recovered largely on the basis of heavy discounting.

The position for 2003 is that soft economic conditions in most of the main source markets, the conflict in Iraq, terrorist attacks and the outbreaks of Severe Acute Respiratory Syndrome (SARS), have combined to depress demand for discretionary and business travel. This has been reflected in a decline in international air travel and tour operator holidays during the early months of the year. Many airlines, tour operators and other tourism businesses continue to issue profit warnings as the combined impact of global events on tourism continues to threaten future earnings. While the war in Iraq mainly affected forward bookings and traffic flows on transatlantic, Middle East and eastern Mediterranean routes, fears about the SARS epidemic have had a significant impact on global travel, especially to and from the Asia/Pacific region.

Some recovery is anticipated in bookings for leisure travel for the remainder of the year, with the European market likely to show greater buoyancy than North America, provided that the threat of terrorism decreases and as fears of the SARS virus continue to abate.

1.5 Future Prospects and Determinants of Growth

The short to medium term prospects for international tourism may be summarised as follows:

- a quick return to the buoyant market conditions of 2000 is unlikely. However, international arrivals worldwide are forecast to continue to increase in the immediate future, although at a slower rate of growth than that experienced in the 1990s. According to WTO projections, the number of arrivals is expected to double over the next 20 years to almost 1.6 billion, an outturn which, if achieved, would be broadly in line with the rate of growth experienced over the previous 20 years. The current conditions and uncertainties caused by the economic downturn will continue to depress demand in the immediate future but the underlying trends suggest a resurgence in demand in the medium and longer term. Travel and tourism is firmly established in the lifestyle and discretionary spending pattern of the developed economies. The market of experienced international travellers has expanded greatly, and there is increasing potential, in several important source markets such as China and Central and Eastern Europe

- travel recovery will lag somewhat behind an uneven and slow economic recovery, particularly for business travel. Economic recovery and a stable geo-political environment are both inextricably intertwined as major determinants of future demand for travel and tourism. While worldwide GDP is forecast to increase from 3% in 2002 to 3.2% in 2003 and 4% in 2004, according to IMF estimates, consumer confidence is vulnerable and wide areas of business are likely to continue to retrench. Consumer spending is expected to slow down even if interest rates remain low. Any weakening in the US dollar, while good for the global economy, has a dampening demand on external travel, particularly transatlantic. Overall, as

long as the threat of terrorism and war persists, the short-term prospects for intra-regional travel remain better than for inter-continental travel

- while leisure demand will continue to increase, markets will become more competitive. The ageing population in the developed world, especially within Europe, presents significant new challenges and opportunities for tourism, relating to changing travel patterns, different customer needs and demand for more customised products and services. In addition, factors such as the increasing number of single person households, changing work and career patterns, an emphasis on personal well-being and evolving value systems, will all influence the volume, type, frequency and duration of leisure trips in the future

- the US as a source of international tourists has been hardest hit by the threat of terrorism and will take longest to recover. Asia/Pacific is set to become the fastest growing region for tourism with a decline in the relative share of global tourism in Europe and North America

- the factors that determine demand for travel will continue to change with greater emphasis being placed on value for money, personal fulfilment, unique experiences, authenticity, emotional involvement and travel convenience. Security, health and environmental issues, and increased competition from new destinations and products, will continue to influence demand patterns

- greater consolidation within the industry, particularly in the airline sector, and increased integration along the tourism supply chain is envisaged. Although liberalisation and deregulation have radically altered the face of commercial aviation over the past decade, the structure of the airline industry is set to change further. The traditional business model for full service network airlines no longer appears to be sustainable with the global airline industry cumulatively losing US$31 billion over the past two years. While growth in air travel will continue to be a function of economic growth, pricing and deregulation, the continuing decline in fares is not guaranteed. The availability of air services will change with low fare point-to-point carriers predominating in the short haul markets

and a rationalised structure of long haul services by a more limited number of network airlines

- the expansion of internet technology - applications, functionality, and accessibility – will continue to revolutionise how travel businesses operate and interface with a more knowledgeable, price and value aware customer

- effective marketing and communications will continue to be important motivators of travel in the future. Integrated marketing campaigns, meeting specific customer needs, will become increasingly powerful generators of discretionary travel in a more competitive environment.

1.6   Tourism and Government Policies Internationally

As an increasingly important source of wealth-creation, employment and foreign earnings from external and domestic sources, Governments worldwide have put in place a wide range of policies – both direct and indirect – to support the development of their tourism industries. Within these policies a number of key features and trends are apparent:

- an increasing emphasis on the sustainability of tourism development in environmental and societal terms

- closer linkages between tourism policy and other policy areas including those dealing with national economic development, regional development, transport, arts and culture, sport, conservation and environmental planning

- greater involvement at local political and community levels in the development and implementation of policies relating to tourism

- stronger industry associations taking increased responsibility for developing networks and initiatives to support their members and the industry and in working with Government bodies

- widespread initiatives by both Government bodies and industry associations to strengthen the use of information and communication technologies in developing tourism

- increasing focus on high standards of public health, workplace conditions and general training.

In general, tourism policy internationally is being given increased weight and emphasis in the range of Government policies aimed at national and regional development.

1.7   Overview/Conclusions

In summary, while the nature and structure of international tourism is undergoing fundamental change, the future prospects remain highly promising and positive according to the projections of the most authoritative sources, including the WTO. As set out later in this Report, the Irish tourism industry has demonstrated a strong record of success, particularly over the past fifteen years, in attracting visitors and gaining share in a number of important areas of the tourism market. The challenge for the tourism industry in Ireland over the next decade and beyond is to build on that success and to respond effectively to the changes underway in international tourism as set out in this Chapter. Chief among these changes are the greater competition between destinations and changing customer profiles in economic status, age, discernment and value-consciousness.

Ireland's Tourism Industry: Economic Contribution, Structure and Policy

"Irish tourism is a major economic sector of enterprise, and of national and regional wealth creation. The industry at present generates €4 billion in foreign revenue earnings, supports 140,000 jobs and is by far the largest, Irish-owned internationally-traded sector of the Irish economy.

Summary of Main Conclusions

- Irish tourism in a major sector of successful enterprise and a significant instrument of national and regional economic and social development

- Six million overseas visitors spent €4 billion in Ireland in 2002, while Irish people took close to six million trips in the country, spending almost €1 billion.

- To put the annual tourism receipts of €4 billion from overseas visitors in perspective, it is equivalent to

  - more than 50% of the total value of exports by Irish-owned manufacturing industry, or

  - more than twice the value of exports of Irish-owned internationally-traded services.

- The Irish tourism industry embraces a wide range of diverse small and medium sized enterprises that are predominantly Irish-owned.

- The industry supports some 140,000 jobs or one in 12 of all jobs in the economy. Employment grew in the sector by more than 70% between 1990 and 2002 – a rate of growth considerably above the 50% growth in employment generally in the economy over that period.

- Tourism generates as much as €2.2 billion in tax receipts and contributes 4.4% of GNP.

- The public and private sectors play joint and complementary roles in the development of tourism in Ireland with organisational structures in place to promote partnership, particularly in relation to marketing.

- Total capital investment in tourism during the 1990s amounted to €4.3 billion.

- The direct Exchequer spend on tourism amounts to €107 million in 2003, of which approximately €80 million is related to marketing and associated costs, while the industry spend on marketing was of the order of €134 million in 2001.

2.1 Tourism's Contribution to Economic, Social and Regional Development

Tourism is a major and largely Irish-owned sector of enterprise, and of national and regional wealth creation delivering the following very significant benefits to the economy:

- expenditure (including receipts of over €700 million paid to Irish air and sea carriers) by the 6 million overseas visitors to Ireland in 2002 amounted to almost €4 billion. The equivalent figure in 1990 was approximately €1.5 billion. In real terms, when inflation is taken into account, this represents a doubling of revenue since 1990. Domestic expenditure amounted to approximately €1 billion in 2002, making tourism in total a major €5 billion turnover industry

Figure 2.1
**Tourism Revenue
1990 & 2002 (€m)**
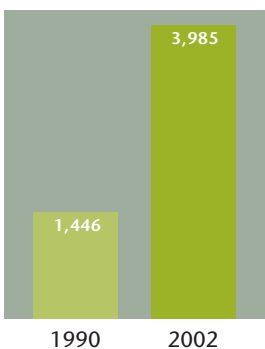
Figure 2.2
**Overseas Visitor Numbers
1990 & 2002 (m)**
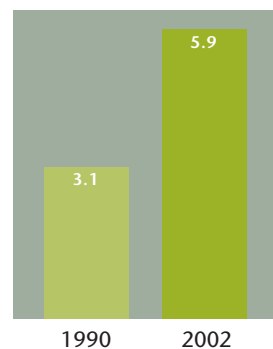
Source: Fáilte Ireland

- to put the 2002 tourism receipts of €4 billion from overseas visitors in context, it is equivalent to

  - more than 50% of the total value of exports by Irish-owned manufacturing industry, or

  - more than twice the value of exports of Irish-owned internationally-traded services.

- Tourism goods have low import content in comparison to other exports

- tourism supported approximately 140,000 jobs in 2002 – up from 82,000 jobs in 1990. With an estimated 1,765,000 people at work in Ireland in 2002, tourism spend supported 8% of employment, equivalent to one in 12 of all jobs in the economy. The equivalent proportion in 1990 was 7%. The 70% growth in jobs in the sector was considerably above the 50% growth in employment generally in the economy – notwithstanding that general employment growth was at unprecedented high levels

- it is estimated that each million euro of overseas tourism expenditure supports 30 jobs and every million euro of domestic tourism spend supports 23 jobs

- it is estimated that, in 2002, the Government earned as much as €2.2 billion through taxation of tourism expenditure in VAT, excise duties and income tax receipts – €1.9 billion of which came from foreign tourists

- tourism made a direct contribution of 4.4% to GNP in 2002

- tourism is a major instrument of regional development. Many tourism enterprises are situated in areas where other employment options are limited

- local communities benefit from investment in facilities for tourists such as leisure and sporting facilities and in associated infrastructure including access transport and roads

- a vibrant tourism industry contributes to the viability and sustainability of a wide range of local enterprises

- tourism promotes an enhanced awareness and positive appreciation of local traditions, way of life and cultural facilities

2.2 The Structure of the Tourism Industry

The Commercial Sector

Tourism is not easy to categorise as a readily definable sector within the economy. It embraces a wide range of different activities in both the private and public sectors. It comprises thousands of individual businesses. Indicative of that fact are the some 10,000 members in the Regional Tourism Authorities (RTAs). The tourism industry in Ireland comprises predominantly Irish-owned, small and medium sized enterprises (SMEs). Table 2.1 contains estimates of the number of establishments/operations in certain key sectors.

There is also an important range of State-owned facilities including visitor information centres, museums and heritage attractions, national monuments and national parks. A limited number of large commercial enterprises, including publicly listed companies and State-owned corporations, are important providers of transport and accommodation. A number of foreign-owned air and sea carriers also provide transport links to and from Ireland. Most foreign involvement in hotels is through use of franchise and management contract arrangements under leading international brands. There has been a trend for Irish-owned *family groups* to increase their share of the stock of hotels over recent years.

Table 2.2 describes the tourism related enterprises within the main sub-sectors of the industry. The right hand column of the table indicates the ownership structure of the industry. The predominance of SMEs is very apparent.

**Tourism Industry Representative Bodies
(The Irish Tourist Industry Confederation)**

Over the past 20 years the Irish tourist industry has formed into a number of sectoral representative groupings, many of which have come together under an umbrella representative body - the Irish Tourist Industry Confederation (ITIC). Established in 1984, ITIC is the national representative organisation for the tourism sector encompassing membership from both the public and private sectors. Current membership includes the Irish Hotels Federation, the key B&B Groups (Town and Country Homes Association, Irish Farm Holidays Association), the Irish Tour Operators Association, Restaurants Association of Ireland, Coach Tourism and Transport Council of Ireland, Car Rental Council of Ireland, Irish Boat Rental Association, Irish Caravan Council, MEI (Marketing English in Ireland) - RELSA and a number of other interests as well as air and sea carriers. The purpose of the Confederation is to act as a single voice for tourism, to address strategic issues critical to the success of the sector, to influence the regulatory/legislative environment and to influence Government and EU tourism policies. The Confederation pursues its objectives through a strategy of influencing policies that impact on tourism, through professional case making and by seeking industry representation on State bodies which deal with tourism. However, the diversified nature of the sector and the preponderance of SMEs have challenged the ability of the industry to highlight at national level in a fully effective way, and to highlight, the scale of its importance in economic and social terms.

Table 2.1
Number of Establishments/Operations by Sector 1996-2002

Sector	1996	1998	1999	2000	2001	2002
Hotels	716	775	826	844	854	860
Guesthouses	356	427	475	481	495	488
Restaurants	1,619	1,890	1,987	2,120	2,129	2,115
Licensed premises	8,694	n/a	8,071	8,100	8,110	8,000
Tourism Services & Attractions	2,012	n/a	2,680	n/a	3,074	3,018

Source: Fáilte Ireland

Table 2.2
Main Sub-sectors, Services and Structure of Tourism Industry

Sub-sector	Services	Structure
Transport	Airlines & Shipping Companies, Air & Sea Ports, Internal Transport–Bus, Rail Services, Car Hire, Coach Tours	Mainly public and larger companies, except in case of coach and car hire
Accommodation	Hotels; Guesthouses; B&B's; Self-catering; Hostels; Caravan & Camping Parks; University Campus; Host Homes	Mainly SMEs although larger hotel groups are growing in number
Food	Accommodation providers; Restaurants; Pubs; Fast Food Outlets; Shops	SMEs apart from larger hotel groups
Facilities/Amenities	Historical sites; Houses; Gardens; Museums; Art Galleries; Theatres; Entertainment; Pubs	SMEs & State enterprises
Activities	Golf; Walking; Angling; Cycling; Cabin Cruising; Equestrian Activities; Events; Sailing; Other Water Based Pursuits; Shopping; Language Schools and Genealogy	SMEs almost exclusively except in the case of cabin cruising
Basic Services	Petrol Stations; Banking; Communications; Tourist Information; Other Retail Outlets	Mainly SMEs but including major companies in banking services and petrol distribution

Source: Fáilte Ireland

The Public Sector

In addition to its role in helping to develop the tourism sector through direct support for product development, marketing and training/education, the public sector is also responsible for a number of activities that are essential to the development of tourism. These include:

- the provision of infrastructure and services, in particular those relating to access transport, roads and telecommunications

- the protection and maintenance of natural, cultural and heritage resources

- the regulation of building and site development and environmental protection

- the regulation of business and the labour market

- the determination of fiscal policy.

Responsibility for the formulation of national tourism policies rests with the Department of Arts, Sport and Tourism. Its goal is to facilitate the continued development of an economic and environmentally sustainable and spatially balanced tourism sector, through formulating, monitoring and reviewing a range of supporting policies and programmes, particularly within the framework of the National Development Plan and North/South co-operation. Policy is implemented by State-sponsored bodies and executive agencies, operating under the aegis of the Department. The principal State Agencies are Fáilte Ireland, Tourism Ireland, Shannon Development and the Regional Tourism Authorities.

The functions of the two principal State agencies involved in tourism at national level are as follows:

• **National Tourism Development Authority** – **Fáilte Ireland**: Established by legislation in May 2003, the new agency's mission is to foster sustainable and competitive tourism development by working in partnership with the industry and State bodies to achieve world-class standards of excellence in the products, services and marketing of the sector, thereby contributing to wealth creation and employment in the economy of Ireland and its regions. The new agency is intended to streamline the State's support services to tourism by incorporating the services and programmes previously carried out by Bord Fáilte and CERT. Fáilte Ireland has responsibility for supporting the tourism industry in the areas of:

  • product development
  • marketing of domestic tourism on the island of Ireland
  • training and education
  • research and strategic planning
  • niche/specialist product marketing and promotions
  • implementation of special initiatives to attract international sports events to Ireland and to support the marketing of festivals and cultural events.

  It also has statutory functions for registration and grading of certain tourism accommodation, the co-ordination of activities of the Regional Tourism Authorities and the promotion of sustainable tourism. In carrying out these functions, Fáilte Ireland provides a range of supports to the tourism industry, including those that support the building of business capability, improve the quality of product which the industry offers and enhance its competitiveness.

• **Tourism Ireland:** As part of the Agreement reached in the Multi-Party Negotiations concluded in Belfast in April 1998, tourism was designated an area for co-operation under the North/South Ministerial Council. In December 1998, the parties to the Agreement decided that a publicly-owned limited company would be established jointly by the Northern Ireland Tourist Board (NITB) and the then

Bord Fáilte to carry out functions aimed at promoting tourism to the island of Ireland. Tourism Ireland was incorporated in December 2000 and has taken over responsibility with effect from the 2002 season, for the overseas marketing of the island of Ireland as a tourist destination. In exercising its overseas marketing activities, Tourism Ireland has taken on a number of functions including ownership and management of the tourism brand for Ireland, strategic all-island destination marketing in all markets outside the island of Ireland and responsibility for the overseas office network. Tourism Ireland is also responsible for the international delivery of product/regional marketing programmes on behalf of both Fáilte Ireland and NITB. **Appendix D** sets out a brief outline on *Tourism Policy on the Island of Ireland*.

In addition to Fáilte Ireland and Tourism Ireland, a number of other State Bodies as set out in **Appendix E**, have functions associated with the development of tourism. The number and range of such bodies has given rise to some concerns about the risk of overlap and duplication in the delivery and efficiency of services. While there has been a recent major restructuring of bodies at national level, regional and local structures have remained largely unchanged.

Tourism Marketing Partnerships

While the concept of partnership has existed within the tourism industry for many years, it is only in recent years that formalised structures have been put in place to facilitate the mutual engagement of the private and public sectors in the design and implementation of tourism marketing and development plans and programmes. In the mid 1990s, a new industry-led joint marketing body, the Overseas Tourism Marketing Initiative (OTMI), was formed and operated on an all-island basis. The tourist boards from both Northern Ireland and the South were members of OTMI and its board included industry representation from both jurisdictions. In 1995, the island of Ireland theme was used to advertise Ireland. The use of a branded approach to marketing Ireland emerged during this time, culminating in the development of Tourism Brand Ireland (TBI). TBI was adopted by the tourism industry in both jurisdictions and by OTMI. In 1996, for the first time, an all-island branded advertising campaign was used to promote holidays to Ireland in the four main markets i.e. US, Britain, France and Germany. The Tourism Marketing Partnership (TMP)

structure has succeeded the OTMI to facilitate, in a formal way, co-operation between the public and private sectors in formulating marketing policies and plans. There is an all-Island TMP group under the aegis of Tourism Ireland and individual TMPs in the South and Northern Ireland operating in association with the tourist boards.

2.3   Tourism Policy

The Components of Tourism Policy

Government policy for the development of the tourism sector in Ireland has focused on supporting sustainable growth in visitor expenditure with an emphasis on a wider regional and seasonal spread of business.

The Agreed Programme for Government 2002, recognises that "the tourism industry will continue to be a vital industry requiring sustained support and investment in the coming years". The Programme sets out 10 priority measures relating to marketing, access transport, product development and standards, the role of local authorities and environmental management, the creation of a new National Tourism Development Authority, and the construction of a state of the art National Conference Centre. The Government regards the maintenance of top class standards and services, and a continued focus by the industry on value for money, as imperative for the continuing success of the tourism industry.

Key policy measures in the recent past have supported:

- product development: principally through use of EU funded Tourism and Regional Operational Programmes and selective fiscal incentives for investment

- overseas marketing: through annual funding from the Exchequer, together with funding under earlier EU Operational Programmes for Tourism

- human resource development/training: primarily focused on the provision of educational, basic training and recruitment services, in the past largely funded from EU sources.

Evolution and Trends in Irish Tourism Policy 1980 - 2002

The Government White Paper on Tourism Policy 1985 was the first comprehensive statement on tourism policy in Ireland and set the following objectives:

"To optimise the economic and social benefits to Ireland of the promotion and development of tourism both to and within the country consistent with ensuring an acceptable economic rate of return on the resources employed and taking account of tourism's potential for job creation; the quality of life and development of the community; the enhancement and preservation of the nation's cultural heritage; the conservation of the physical resources of the country; and tourism's contribution to regional development."

The White Paper gave rise to a response from the key industry representative groups. The industry recommended ambitious targets for the sector which were subsequently adopted by Government. Since the late eighties, the prime objectives of national tourism policy were clearly articulated in successive national partnership development plans, and within the EU Community Support Framework for Ireland. Key developments included are set out below.

- *The Programme for National Recovery 1988 - 1993* identified tourism as a major instrument of national and regional economic and social development and set out a number of measures to encourage investment in tourism, including through the Business Expansion Scheme (BES). Initiatives were also taken at that time to open the airline industry in Ireland to competition with far-reaching beneficial consequences for airfares and tourism numbers subsequently.

- *The Operational Programme for Tourism 1989 - 1993*, with EU grant support, resulted in some €980 million being invested in tourism over the period of the Programme. This was more than the total investment over the previous 20 years.

- *The Tourism Task Force 1992*, appointed by Government, made a number of recommendations to support the development of the sector including the liberalisation of the Shannon stop requirement, greater co-operation between industry and Government and special initiatives to address seasonality and product development.

- *The National Development Plan 1994 - 1999* set out ambitious growth targets for the industry. Ireland's competitiveness improved during this period with economic buoyancy, falling inflation, favourable currency developments, the further liberalisation of air service regulations, and an improving political situation in Northern Ireland.

- *The Operational Programme for Tourism 1994 - 1999*, with support from the EU, introduced a number of measures designed to extend the tourism season, to secure large scale *anchor* projects, to develop cultural and heritage projects, to encourage co-operative marketing, to build marketing skills in tourism enterprises and to improve training and human resource development within the industry.

- *Bord Fáilte's* role was re-defined, following a review carried out for the Government by consultants A.D. Little in 1995. The new emphasis was on international marketing, product development and strategic research, with the outsourcing of non-core functions. This in turn led to the development and launch of the *Tourism Brand Ireland* project, under which Ireland was marketed internationally in line with modern brand practice.

- *Overseas Tourism Marketing Initiative 1995* was the first ever all-island destination marketing campaign structured on a public/private sector partnership basis, with funding from the Operational Programme for Tourism, the public sector North and South and commercial enterprises.

- *Tourism Ireland,* the jointly funded all-island tourism destination marketing organisation, was incorporated in December 2000 as a co-operation body under the terms of the Agreement reached in the Multi-Party negotiations concluded in Belfast in April 1998.

- *The National Development Plan 2000 - 2006 (NDP)* shifted the prime tourism policy objective from job creation to sustained foreign revenue earnings with a growing emphasis on sustainable and spatially balanced development, reflecting the need to ensure the benefits are distributed throughout the country while alleviating any negative environmental impacts. The NDP included provision for the first ever multi-annual Tourism Marketing Fund, with a budget of €190 million over the period of the plan.

- The Tourism Product Development Scheme 2000 - 2006, funded under the two Regional Operational Programmes, was established with a total budget of €130 million, including €55m in EU funding, to support a range of new product developments, with the emphasis on regional spread, cluster development, specialist niche market products and environmental sustainability.

2.4 Industry, Government and European Union Expenditure on Tourism

Capital Investment

Led by the private sector and assisted by EU and Exchequer funding, spending on tourism-related capital projects increased substantially during the 1990s. Total capital spending on physical investment in Irish tourism-related projects amounted to €4.3 billion over the years 1989 to 1999, according to estimates prepared by the economic consultants Fitzpatrick Associates. The scale of tourism investment in physical assets on an annual basis is set out in Table 2.3.

Table 2.3
Capital Investment in Irish Tourism 1989-1999 (€m)

Year	EU/International Fund for Ireland	Private Sector	Exchequer	Total
1989	1	105	22	128
1990	14	135	50	198
1991	34	185	76	296
1992	44	193	79	316
1993	41	207	69	316
1994	29	137	42	208
1995	22	151	47	220
1996	34	274	89	397
1997	70	368	240	678
1998	44	532	196	772
1999	31	420	164	615
Other[1]	0	91	84	175
Investment 1989-1999	**364**	**2,798**	**1,156**	**4,319**
% Total 1989-1999	**8%**	**65%**	**27%**	**100%**

Source: Fitzpatrick Associates   [1] Investment unallocated by year in 1998 and 1999

Exchequer Expenditure

The current direct annual Exchequer spend on tourism through the Vote of the Department of Arts, Sport and Tourism is budgeted at €107 million for 2003. Approximately €80 million of this budget relates to general marketing activities, including the administrative costs of the key Tourism State Agencies. Details of expenditure over the period 1997 to 2003, in current terms, are set out in Table 2.4. The substantial increase in Exchequer funding from 2000 onwards took into account the scaling down in EU funding after completion of the Operational Programme for Tourism, 1994 - 1999.

Table 2.4
Tourism Agency Funding from Exchequer

	1997 €m	1998 €m	1999 €m	2000 €m	2001 €m	2002 €m	2003[2] €m
Bord Fáilte	33.3	44.8	46.7	57.6	87.0	51.1	46.4
CERT	4.2	4.4	15.0	19.2	21.2	21.0	20.6
National Tourism Development Authority - Fáilte Ireland	-	-	-	-	-	-	0.6
Tourism Ireland	-	-	-	-	1.7	34.0	38.6
Shannon Development	1.3	1.1	2.3	1.2	0.9	0.9	0.9
Total	**38.8**	**50.3**	**64.0**	**78.0**	**110.8**	**107.0**	**107.1**

Source: Department of Arts, Sports and Tourism

[2] 2003 Estimates provisions - the establishment of Fáilte Ireland in May 2003 will impact on the outturn for the year by Agency

European Union Investment

EU investment support for tourism under the Operational Programme for Tourism, 1994 - 1999 amounted to approximately €431 million, details of which are set out in Table 2.5.

Under the current EU Community Support Framework, 2000 - 2006, EU co-funding for tourism is confined to the Tourism Product Development Measure under the two Regional Operational Programmes. By mid-2003 no grants had been allocated to specific projects although consideration of applications, under an open bid process, had been well advanced. The Product Development Scheme provides for €55 million in EU funding under the European Regional Development Fund over the life of the Programme.

Industry Investment in Marketing

The ITIC Marketing Expenditure Survey of February 2002 estimated that the Irish tourist industry spent €134 million on marketing in 2001. The industry spent a total of €35 million on advertising, a further €38 million on promotional campaigns and brochures with the balance of expenditure attributed to marketing staff and associated overheads.

2.5   Overview/Conclusions

Tourism is a major sector of economic and social development in Ireland. Employment grew in the sector by more than 70% between 1990 and 2002 – a rate of growth considerably above the 50% growth in employment generally in the economy over the same period – notwithstanding that general employment growth was at unprecedented high levels.

The structure of the Irish tourism industry is predominantly that of Irish-owned small and medium-sized enterprises (SMEs) in hotels, guesthouses, restaurants, licensed premises and tourism services and attractions. The industry has a well-structured representative system that works well with Government Departments and State agencies in a generally productive private-public partnership to promote the development of the industry.

Government involvement in the development of tourism has been of long-standing duration reflecting the importance of the industry to national and regional development and the *market failures (ie. the likely returns not justifying private sector investment)* intrinsic to a highly-dispersed, small scale industry operating in a sophisticated internationally-competing services sector. Today, Irish tourism policy is focused on supporting sustainable growth in visitor expenditure, with an emphasis on a wider regional and seasonal spread of business. The fundamental components of policy encompass:

- a Government Department (the Department of Arts, Sport and Tourism) which represents tourism within the general Government decision-making process

Table 2.5
EU Investment in Tourism 1994-2001

EU Funding	1994 €m	1995 €m	1996 €m	1997 €m	1998 €m	1999 €m	2000 €m	2001 €m	Total
Product Development	6	18	29	47	44	41	46	22	252
Marketing	5	11	13	12	11	11	8	-	72
Training	15	16	16	18	19	20	4	-	107
Total	26	45	57	76	74	72	58	22	431

Source: Department of Arts, Sport and Tourism

- a number of Tourism State Agencies which have recently been restructured to focus on the overseas marketing of the island of Ireland and the development of the sector

- a strong regional organisational structure for the promotion of tourism exercised through the Tourism State Agencies, the Regional Tourism Authorities and Shannon Development, County Tourism Committees, Product Development Management Boards, County Enterprise Boards and LEADER Groups

- a number of evolving partnership arrangements between the Tourism State Agencies and private sector representatives of the industry

- the periodic statement and re-statement of the vision, targets and objectives guiding tourism development in Ireland by the Department and the State Agencies which operate under its aegis

- a range of State fiscal, financial and advisory supports – both Exchequer and EU funded - for the promotion of tourism operating generally, but not exclusively, under the aegis of the Department of Arts, Sport and Tourism.

The first comprehensive statement on tourism policy in Ireland was set out in a Government White Paper in 1985. Government policy statements have gone through a number of iterations since then in response to changing national and international circumstances and the underlying organisational structures have evolved in keeping with these changes. This period of more structured policy development and implementation has coincided with a substantive take-off in the development of tourism in Ireland. A number of factors underlie the expansion of tourism here, including a major international increase in demand driven by the rising real income levels in many parts of the world, the falling cost of communications and transportation and currency developments favourable to Irish tourism. But it is also reasonable to conclude that improvements in policy formulation and implementation in Ireland played their part, as did the entrepreneurship of an Irish-owned industry rooted in the natural and built environment, and in the culture and people of Ireland.

chapter three 3

Ireland's Tourism Industry: Overview of Performance 1990-2002

"Visitor numbers to Ireland and tourism receipts throughout the 1990s grew well ahead of global trends, benefiting all regions of the country. Irish tourism gained market share in most markets in which it competes. While visitor experience generally has consistently met or exceeded expectations for over 90% of visitors, the perception of good value for money has fallen significantly in recent years."

Summary of Main Conclusions

- Visitor numbers to Ireland grew well ahead of global trends throughout the 1990s, increasing by an average of over 7% each year compared with a corresponding world figure of 4.3%.

- In terms of average annual tourism receipts, Ireland's performance (5.8%) is also ahead of European (4.4%) and global (5.3%) growth rates over the period 1990-2001.

- The best performing source markets for Irish tourism have been the US and Britain while performance from Germany and France was below average.

- Travel to Ireland by those whose main purpose for visiting was a holiday has grown slightly ahead of the trend in overall visitor numbers.

- Irish tourism has increased its market share of visitors from the US, but has been losing market share from Germany and France and has seen a decline latterly in its share of an expanding British market.

- All regions of Ireland have benefited from the growth of Irish tourism in recent years, with Dublin and the South West benefiting most while Shannon, the West and the North West regions have recorded the lowest growth rates.

- Domestic tourism remains a bedrock for the Irish tourism industry contributing almost half of all visitor numbers seeking accommodation in 2002 and representing a fifth of the overall revenue generated by tourism.

- Survey analysis shows that the core tourism appeal of Ireland is characterised by *people, place and pace*.

- The holiday experience of visitors to Ireland has met or exceeded expectations in the case of over 90% of visitors.

- There has been a significant drop in the perception of good value for money among visitors in recent years.

3.1 Tourism Performance – Visitor Numbers and Revenue

Overall Performance 1990-2002

Visitor numbers to Ireland grew well ahead of global trends throughout the 1990s, increasing by 7.3% per annum from 1990 to 2000. This compared with a world annual average increase of 4.3% over the corresponding period. Because of Foot and Mouth disease and the impact of the terrorist atrocities of September 11th, Ireland's relative performance worsened somewhat in 2001. Table 3.1 illustrates comparative trends, taking the latest year for which estimates are available.

Average Annual Growth (%) in Overseas Visitor Numbers and Receipts 1990-2001

	Visitor Numbers	Tourism Receipts
World	3.8%	5.3%
Europe	3.2%	4.4%
Northern Europe	3.4%	2.3%
Ireland	6.1%	5.9%

Source: Fáilte Ireland

Tourism receipts in WTO comparative data are measured in US dollars and, therefore, reflect exchange rate movements. In terms of tourism receipts, Ireland's performance is ahead of European and global growth rates. In local currency, Ireland's revenue earnings have grown ahead of inflation – at an annual rate of 9.5% for the period 1990 to 2001. As set out in Table 3.2, the increase in visitor numbers has been the main stimulus to revenue growth while per capita and per diem visitor spend have increased more slowly – one of the contributing factors being the significant growth in short breaks in Dublin.

Table 3.2
Annual Average Trends in Tourism Performance (% Change)

	Total Revenue	Tourism Visitor Numbers	Per capita spend (per visit)	Per diem visitor spend
2002 v 1990	+9.8%	+5.5%	+4.0%	+3.3%
1996 v 1990	+10.5%	+7.1%	+3.2%	+3.4%
2002 v 1996	+9.0%	+4.0%	+4.8%	+3.2%

Source: Fáilte Ireland

Country of Origin

Total visitor numbers to Ireland increased at an annual average rate of 5.5% over the period 1990 to 2002. The British market matched the overall growth rate over the twelve year period and growth from Mainland European markets other than Germany and France was above average. North American visitor numbers also grew by 5.5% per annum to 2002, having achieved a 9% annual average growth rate up to 2000 prior to the outbreak of Foot and Mouth disease and the impact of September 11th. German and French growth was below average for the period, at 4.1% and 3.5%, respectively. The details are set out in Tables 3.2 and 3.3.

Table 3.3
Visitor Numbers and Foreign Revenue Earnings 1990-2002

	1990	1995	2000	2001	2002
Britain	1,785	2,285	3,428	3,340	3,452
Mainland Europe	744	1,101	1,435	1,336	1,378
France	198	234	283	280	298
Germany	178	319	319	285	288
Other Europe	368	548	834	771	792
North America	443	641	1,056	903	844
USA	402	587	958	829	759
Canada	41	54	98	74	85
Other Overseas Areas	124	204	261	261	245
Total Overseas	3,096	4,231	6,181	5,840	5,919
Foreign Revenue Earnings (€million)	1,112	1,749	2,824	3,115	3,267
Receipts paid to Irish air and sea carriers (€million)	334	383	813	807	718
Total Foreign Revenue Earnings (€million)	1,446	2,132	3,637	3,922	3,985

Source: Fáilte Ireland

Overall tourism receipts are influenced by variations in the market mix. For example, an above average growth in visitors from the American market would tend to drive up average revenue earnings because these visitors generally stay longer, travel more within Ireland and spend more than other visitors. Figure 3.1 shows the share of visitor numbers and revenue attributable to each major market source in 2002.

Figure 3.1
Share of Visitor Numbers and Revenue
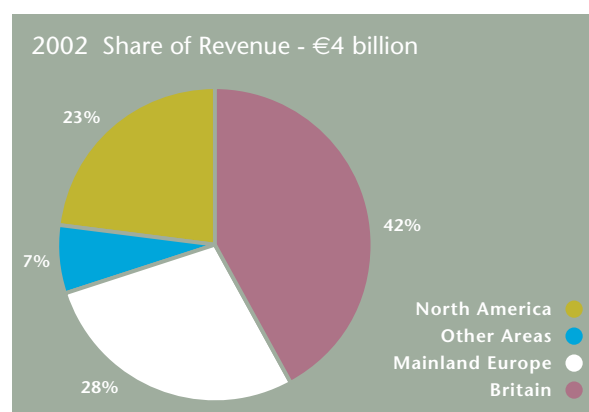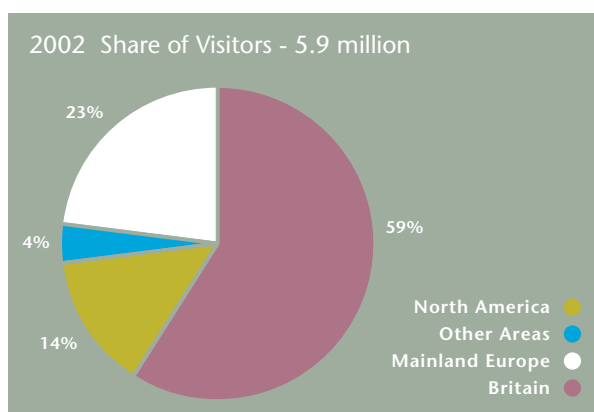
Source: Fáilte Ireland

Britain provides the largest number of visitors (59%) and share of revenue (42%). The share of revenue accounted for by overseas visitors, other than from Britain, is larger than their share of visitor numbers.

Table 3.4
Overseas Visitor Spend per Capita (€) 1990-2002

	1990	1995	2000	2001	2002
Britain	237	279	317	362	372
Mainland Europe	425	447	506	610	629
North America	477	545	652	795	840
Other Areas	483	601	684	801	933
Total Overseas	326	386	434	505	522

Source: CSO/Fáilte Ireland

Table 3.4 shows that North American visitors have a consistently very high level of per capita spend in comparison with Britain and Mainland Europe. As a consequence any downturn in the American market has a disproportionate effect on the overall revenue stream.

Purpose of Visit

In examining visitor flows, it is relevant to distinguish between discretionary and non-discretionary travel. Table 3.5 shows that travel to Ireland by those whose main purpose for visiting was for a holiday has grown slightly ahead of the trend in overall visitor numbers.

Table 3.5
Growth Rates in Visitor Numbers by Purpose of Visit

	Average per annum growth rate %	
	2000 v 1990	2002 v 1990
Total Visitors	+7.2%	+5.5%
Holiday (main purpose of visit)	+8.0%	+6.3%
Business	+9.8%	+7.5%
Visiting Friends/Relatives	+5.1%	+4.8%

Source: Fáilte Ireland

Total holiday visits peaked in 2000 at 2.5 million, but slipped back to 2.4 million in 2002 (the second highest level on record). The highest growth rate over the decade was attributable to business travel, undoubtedly fuelled by strong economic growth in Ireland. In contrast, the lowest increase was evident in the numbers visiting friends and relatives reflecting, perhaps, the fall-off in emigration in the 1990s.

Overseas Holiday Visitors

Despite the problems encountered in 2001 and 2002, overseas holiday visitor numbers grew by an average of more than 6% per annum over the 12 years from 1990. Holidaymakers from Britain recorded the strongest growth at 8.3%. North American holiday visitors grew by 9% per annum up to the record performance in 2000. However, following the setbacks in 2001 and 2002, the annual average growth rate dropped below 6%. Holiday visitors from Mainland Europe grew by almost 4% per annum since 1990 with the major markets, Germany and France, performing below average – at 2.5% per annum for Germany and France registering a reduction of 1% per annum.

Table 3.6 sets out the growth in overseas holiday visitor numbers, broken down between key source markets.

Table 3.6
Overseas Holiday Visitor Numbers 1990-2002

	1990 000s	1993 000s	1997 000s	2000 000s	2001 000s	2002 000s	Annual Average Growth (%) 1990-2002
Britain	466	575	925	1,123	1,112	1,215	8.3
North America	368	262	475	647	563	521	5.7
Mainland Europe	379	535	561	618	571	581	3.6
Germany	112	169	179	172	150	151	2.5
France	127	143	117	116	119	113	-1
Other Europe	140	223	265	330	302	317	7
Other Areas	61	64	111	145	144	127	6.3
Total	1,274	1,436	2,072	2,533	2,390	2,444	6.3

Source: Fáilte Ireland

Overall growth in the absolute number of British holidaymakers to Ireland belies significant changes in the pattern of demand, within that market, that have had a disproportionate impact on the nature of tourism within Ireland, particularly in terms of product usage and regionality. The key changes are set out below.

- British holidays of 1 to 5 nights duration increased by 19% per annum in the 10 years since 1992 when they accounted for 1 in 5 holidays. Today they account for 56% of all British holidays to Ireland. Holidays of 6 plus nights have increased by less than 2% per annum over the same period.

- The number of British holiday visitors not using a car in Ireland has grown by 18% per annum in the past decade while those using a car, either brought or hired, have only grown by 1% per annum.

- Visits to Dublin increased at double the rate of overall British holiday visitors over the 10 year period (13% per annum compared to 7% per annum overall). They have increased more than four-fold since 1996 and account for more than half (52%) of the total increase in British holiday visits since 1996.

- British holiday arrivals by air have grown by 17% per annum over the past 6 years while arrivals by sea have declined.

Within the holiday segment, several other trends of note were:

- a growth in short-stays, mainly in Dublin

- a decline in activity holidays (e.g. angling, cycling, hill-walking)

- strong growth in conference and associated travel up to and including 2000, followed by a severe drop subsequently

- significant growth in the adult English language learning segment.

Total *promotable* segments – defined as holiday, conference, incentive[1] and language learning visitors – amounted to 2.68 million in 2002, having peaked at 2.8 million in 2000. Within the promotable category, the greatest growth has occurred in Dublin city breaks. This segment increased from 95,000 in 1996 to 372,000 by 2002 and contributed significantly to overall growth. If Dublin city breaks are excluded, there is no increase in the promotable segments in the 1996 to 2002 period.

[1] Incentive travel refers to reward trips offered by companies to staff and family members for work performance

Market Share Analysis and Trends

Not only has the number of visitors to Ireland increased in recent years but, more importantly, the share of global tourism that Ireland now attracts is higher than in the past and it has outperformed most of its competitor destinations. For example, Ireland has:

- captured 14% of all international tourist arrivals (43 million) in Northern Europe (by 2002), up from an 11% share ten years previously

- attracted 7% of all US visitors to Europe, up from 5% in the early 1990s

- attracted 19% of Australians visiting Europe, almost a doubling of share in a decade

- maintained similar levels of market share of outbound travel to Northern Europe from Italy, the Netherlands and the Nordic countries

- seen a decline latterly in its share of an expanding British market to Europe, now at 7.2% (down from 8% in 1999)

- lost share, compared to the mid-nineties, of the German outbound market to Northern Europe and has been losing share latterly of French outbound travel to Northern Europe.

Table 3.7
Ireland's Share of Outbound Travel to Northern Europe

Ireland's Share (%)	1996	1997	1998	1999	2000	2001	2002
Italy	11.6	11.1	10.9	11.4	13.3	12.1	12.0
France	14.8	15.8	17.8	11.9	8.3	8.8	9.6
Netherlands	8.5	8.9	9.9	8.2	9.5	9.6	8.2
Germany	4.8	5.0	5.0	4.6	4.8	4.6	4.6
Nordics	1.0	1.0	1.1	1.5	1.6	1.4	1.3

Source: Fáilte Ireland

[2] Real growth based on 2002 prices

Market share trends must be seen in the context where it is likely that the worsening economic environment in many of the major source markets increases price sensitivity among consumers. All overseas tourist expenditure in Ireland is, in effect, equivalent to an export and, as such, is highly sensitive to international competition.

Regional Destination within Ireland

Table 3.8 shows that all regions have benefited from the growth of tourism in recent years. The best performing regions have been Dublin – fuelled by the growth in urban and short break markets, and the South West – because of its strong tourism base and international reputation. The weakest regions in terms of growth were the North West, West and Shannon.

Table 3.8
Regional Distribution of Overseas and Domestic Tourism Revenue

	1990 €m	2002 €m	Real Growth[2] 1990-2002	As a % of 1990 revenue	As a % of 2002 revenue
Dublin	356	1,257	151%	22%	30%
South West	290	793	94%	18%	19%
Midlands/East	159	414	85%	10%	10%
South East	169	434	82%	10%	10%
Shannon	198	433	55%	12%	10%
West	276	596	53%	17%	14%
North West	175	284	15%	11%	7%
Total	1,623	4,211	84%		

Source: Fáilte Ireland

Analysis of the regional destination of visitors shows contrasting fortunes for Dublin in trends between the overseas and domestic markets. Dublin enjoyed the strongest growth of all regions from overseas tourism of 9.1% per annum since 1990 compared with 6% nationally. In contrast, Dublin showed only a 1% increase per annum from domestic trips against an overall growth for domestic tourism of 3.6% per annum. All other regions recorded a growth of less than 4% per annum since 1990 in overseas visitor numbers.

Activity Holidays

Most activity holidays showed considerable growth in the late 1980s and early 1990s but as shown in Figure 3.2, have recorded declines since then. This is of concern given Ireland's comparative strength in this area over a number of years. In the case of angling, the decline is attributable to a combination of a declining interest in angling as a leisure pursuit, increasing competition and product deterioration in Ireland.

Golf is holding up better than most niche activities but has reached a plateau since 1997. It should be borne in mind that outdoor pursuits were adversely affected in 2001 by Foot and Mouth restrictions. However, a number of products were in decline before 2001, notably walking, cycling and angling. Preliminary results for 2002 do not show any reversal of this decline.

Breakdown of Expenditure by visitors

Tourism, both international and domestic, impacts on a wide range of sectors, including food and drink, retail and distribution, internal transport and personal services, as set out in Figure 3.3.

Figure 3.3
Breakdown of Out-of-State Visitor Expenditure 2002 (€million) - Total €4 billion
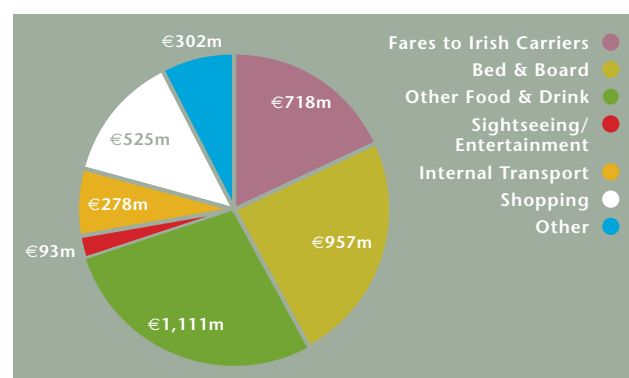
Source: Fáilte Ireland/CSO

Figure 3.2
Overseas Holidaymakers Engaging in Outdoor Activities 1990-2001
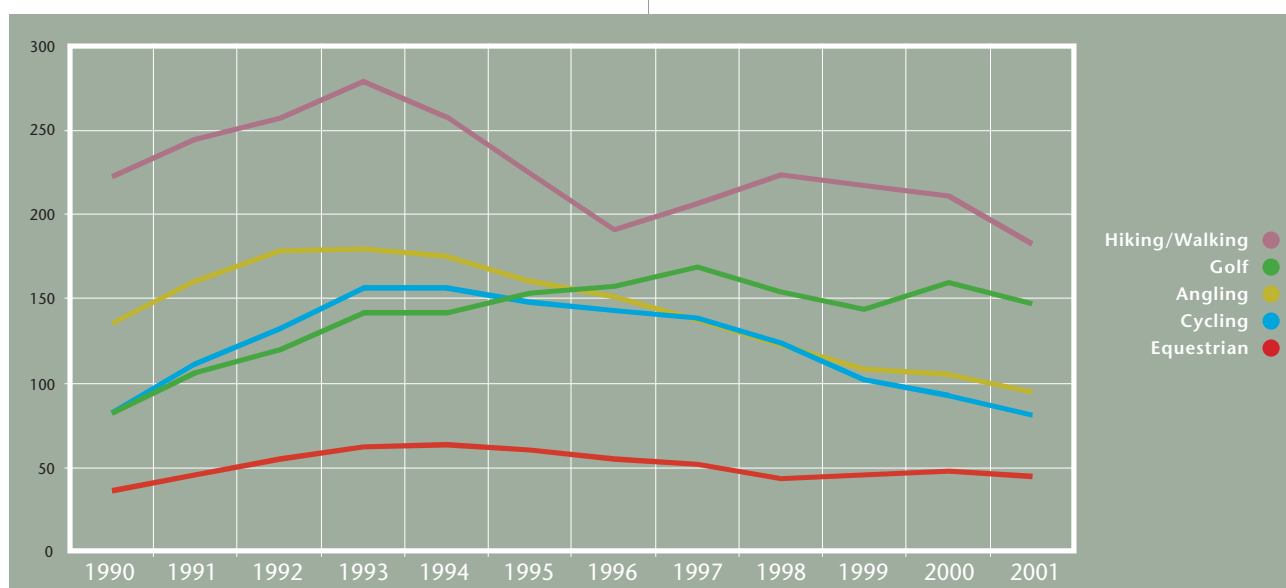
Source: Fáilte Ireland

Domestic Tourism

Domestic residents spent almost €1 billion on close to 6 million trips, of at least one night away from home, within Ireland during 2002. Domestic holidays accounted for 3 million of these trips and were worth an estimated €640 million. Holidays of 1 to 3 nights duration constituted 2 million trips while almost one million were holidays of 4 or more nights. Details in relation to the number and associated expenditure of domestic trips are set out in Figures 3.4 and 3.5.

Figure 3.4
Number of Domestic Trips 1995-2002
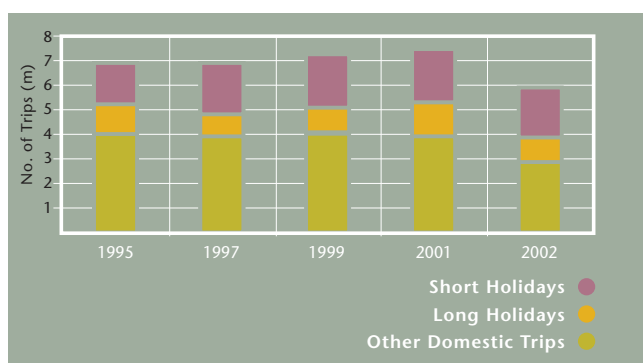
Source: Fáilte Ireland

Figure 3.5
Expenditure on Domestic Trips 1995-2002
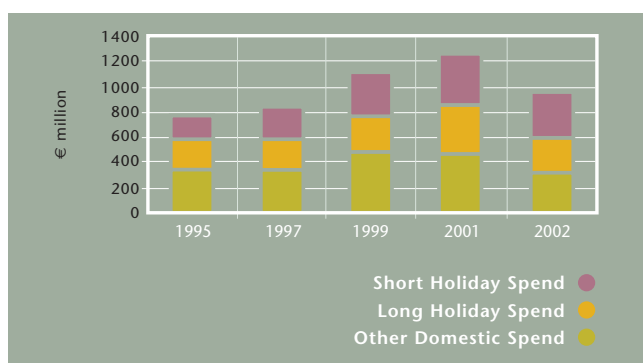
Source: Fáilte Ireland

Irish tourists have long been an important bedrock for the tourism industry. They are particularly important for certain sectors of the industry, for particular areas and at off-peak times. Hotels are the most popular type of accommodation for domestic holidaymakers accounting for 45% of all bed-nights on short holidays. The South West Region consistently accounts for some 25% of all domestic holidays, while the West and the South East each account for a further 20%. In addition, some 30% of all short break holidays are taken between January and April. In 1990, Irish residents took some 5 million trips – at a time when the number of overseas visitors was 3.6 million. In per capita terms, domestic holidaymakers do not spend as much as overseas visitors. In 1990, although they accounted for 58% of tourist numbers, they contributed a quarter (or €0.5 billion) of the overall revenue generated by tourism (€2 billion). The comparative figures for 2002 show that domestic tourists accounted for 48% (or 5.9 million) of overall tourist numbers and generated less than 20% (or €0.9 billion) of tourism earnings.

In 2002, against the expectations of the industry, the number of domestic trips recorded – at 5.8 million – represented a 21% decrease on 2001 performance (7.5 million trips) and a 10% decrease on 2000 (6.4 million trips). Figure 3.6 illustrates, by purpose of trip, the pattern of domestic tourists from 1995 to 2002.

Figure 3.6
Domestic Visitors by Purpose of Visit 1995-2002
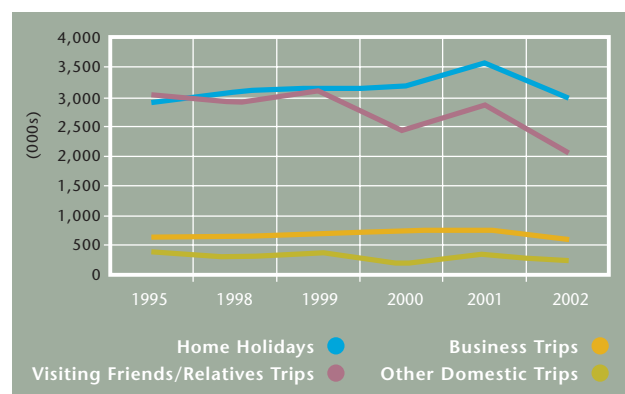
Source: Fáilte Ireland

3.2 The Irish Tourism Experience

Identifying and analysing the Irish tourism experience – i.e. the experience of the customers of Irish tourism - is of primary importance in the formulation of Ireland's tourism policy and in shaping the competitive position for the industry. From a supplier viewpoint, there is a natural inclination to define tourism through the perspective of a particular product. While analysis along product lines can be useful, and provide valuable, if partial, insights, it is essential that overall analysis of the industry is undertaken from a customer perspective and that the tourism *product* is defined accordingly. From this perspective the tourism *product* can best be described as "the complete experience of the tourist from time of departure from home to the time of return".

Typically, the tourism experience embraces a number of inter-related elements as set out in Figure 3.7.

Figure 3.7
Ireland's Tourism Product - Principal Components
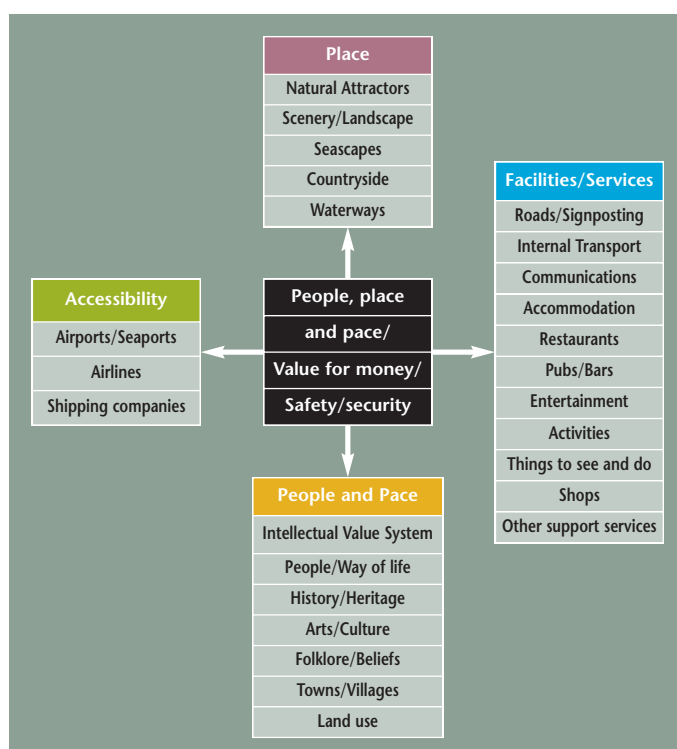
Evaluation of the Ireland tourism experience must take into consideration the range of elements set out in the diagrammatic representation. The weighting attached to the different elements in the evaluation will, of course, vary. It is essential that all elements of the holiday experience fully meet customer expectations and that they compare well with competitor destinations in order for the industry to meet its full potential in the future.

Survey analyses indicate that the core tourism appeal of Ireland is characterised by *people, place and pace*. Visitors to Ireland are motivated principally by:

- the expectation of a warm and welcoming people with the opportunity to interact with the people and the culture in all of its diverse forms

- the perception of beautiful unspoilt scenery and opportunities for sightseeing

- the comfort of a relaxed pace of life delivering both physical and emotional benefits to the visitor.

These three key elements exert a different pull depending on factors such as the country of residence of the potential visitor, whether they are first time or repeat visitors and whether or not they have ancestral or more immediate ethnic ties with Ireland.

Surveys of overseas holiday visitors have consistently confirmed the importance of the above core product values and provide a rating of visitor satisfaction with these aspects of the Irish holiday experience as set out in Table 3.9.

Table 3.9
Important Factors when Choosing to Holiday in Ireland and Satisfaction Ratings

	Very Important	Rating - % Very Satisfied				
		1997	1999	2000	2001	2002
Friendly, hospitable people	87	88	88	89	88	90
Beautiful scenery	86	89	89	89	89	91
Memorable experience	82	83	82	83	84	82
Natural, unspoilt environment	81	83	77	79	79	83
Safe and secure	77	76	77	78	79	80
Easy, relaxed pace	74	83	83	82	82	82
Suitable for touring	66	76	72	73	73	71
Attractive cities/towns	64	59	62	66	64	65
Overall Satisfaction Rating		94	91	94	94	93

Source: Fáilte Ireland Visitor Attitudes Surveys 1997-2002

Ireland delivers substantially on the most important factors. In most cases, and in particular with regard to *easy, relaxed pace,* the level of satisfaction exceeds the level of importance. Consistently, and with little variation over the past 10 years, the holiday experience of visitors to Ireland has met or exceeded expectations in the case of over 90% of visitors. However, underlying all of these core factors is the perception of value for money. On this factor, Ireland has been significantly losing out in recent years. In 2002, 55% of overseas holidaymakers considered that they had not got good value for money – well down on previous years.

Successful promotion of the Irish tourism product to a more discerning customer base requires a natural and built environment together with a range of experiences and a level of service up to the highest international standards. Tourists today are more demanding and expect more of their investment of time and money. While holidays, in general, are becoming shorter but more frequent, with a recent emphasis on city breaks and weekend trips and a growing tendency to try to cram a greater amount into a shorter stay, there is a much higher level of expectation of a positive experience, on the part of the visitor, than was the case in the past.

Table 3.10 illustrates the significance of the various elements of the Irish tourism product in terms of usage by overseas holidaymakers. Of particular note is the importance of hotels, guesthouses and B&Bs in tourist accommodation, the high incidence of eating out in pubs/bars, the significance of the built heritage in terms of visitor attractions and the low levels of activity holidays.

Table 3.10
Use of Various Elements of the Tourism Product by Overseas Holiday Visitors

Accommodation Type	Overseas Holiday Visitors (%)
Guesthouses/B&Bs	45
Hotels	36
Holiday Hostel	9
Self-catering group schemes	6
Camping	2
Youth Hostel	2
Self-catering (individual Premises)	2
Self-catering apartments	1
Cabin Cruiser	1

Food Services	Use of Food Service Outlets (%)
Food in pubs/bars	61
Budget restaurants	36
Food in Hotels	30
High quality restaurants	30
Food in other accommodation	18

Internal Transport	Use of Internal Transport Services (%)
Car hire	31
Intercity bus services	21
Taxis	18
Day coach tours	10
Intercity rail services	9
Coach tours (including overnight stay)	5

Places of Historical/Cultural Interest	Use of Visitor Attractions (%)
Historic houses/castles	56
Monuments	39
Gardens	32
Heritage/Interpretive Centres	31
Museums/Art Galleries	27
Theatre/Concerts	10

Activity	Use of Activity Products (%)
Cycling/Hiking/Walking	7
Golf	7
Fishing	4
Equestrian pursuits	2

Source: Fáilte Ireland Survey of Overseas Travellers 2002

3.3 Overview/Conclusions

The success of Irish tourism as an important instrument of national and regional economic development in recent years, in particular, has resulted from the outstanding achievement of the industry in gaining or holding market share in virtually all the markets in which it competes in a strongly expanding market environment. Ireland's share of US visitors to Europe increased from 5% in 1990 to 7% in 2002. Latterly Ireland has seen a decline in its share of the expanding British market – a share it held since 1990. However, in line with the significant increase in the number of British people taking overseas holidays, holiday visitor numbers from Britain to Ireland increased by over 8% per year on average between 1990 and 2002 – a growth rate higher than from any other market. France, and to some extent Germany, are exceptions to the increasing or constant market share of Irish tourism over the past 10 years.

Domestic tourism remains a bedrock for the Irish tourism industry and accounted for almost half of all visitor numbers seeking accommodation in 2002. Its contribution to tourism earnings is considerably less, largely because of the length of stay but, nevertheless, accounted for almost €1 billion in tourism revenue in 2002.

The perception of visitors with respect to the Irish tourism experience has remained consistently high over the past 10 years across most of the factors that determine the attractiveness of Ireland to overseas visitors (including people, scenery, environment, security etc). This might be expected given the increased market share that Ireland has gained. An exception, in more recent years, has been in visitor perception of value for money, with only 45% of visitors in 2002 considering that Ireland represented good/very good value for money.

chapter four 4

Tourism in Ireland Today - An Assessment

"Irish tourism is, arguably, the most successful sector of Irish-owned enterprise since the foundation of the State. The industry today has strong foundations which underpinned its success in the 1990s. It is, however, at an important turning point in its evolution. Recent years have seen a significant loss of competitiveness which, if not redressed, will undermine the capacity of the industry to benefit from the strong growth envisaged in international tourism in the years ahead."

Summary of Main Conclusions

- The strong foundation blocks on which the Irish tourism industry rests today include a historically high customer base of almost 6 million visitors, consistently high overall customer satisfaction ratings, a competent and experienced workforce and a modern and efficient capital stock of accommodation and other attractions, including air and sea transport services.

- Following competitive gains in the 1990s, Ireland in 2002 was perceived by 55% of visitors as not providing good value for money.

- High insurance costs are a major burden and there is an urgent need to accelerate the Government's insurance reform programme to reduce premiums.

- While specific Government actions are necessary to address price inflation generally, the tourism industry itself has the primary role and responsibility in driving down costs in the industry.

- The range of tourism products and services has improved significantly but there are indications of under-utilised capacity and falling margins that threaten reinvestment and the maintenance of standards in the future.

- A number of gaps in tourism infrastructure, most importantly the development of a National Conference Centre, need to be addressed, as well as a greater emphasis on environmental conservation, product innovation and the packaging and presentation of tourism product to meet changing customer requirements.

- While there have been major improvements in air and sea access to Ireland during the 1990s, additional visitors could be attracted through changes in transport policy and improvements in access infrastructure.

- A greater level of industry investment is needed in human resource development and training to upgrade skill levels in the industry to the highest international standards.

- There is considerable scope to improve the efficiency and effectiveness of spend in marketing and promotion by the State and tourism industry.

- The ability of the Department of Arts, Sport and Tourism, the Tourism State Agencies and the tourism industry to more effectively shape and influence policy in the wider issues that impact on tourism, will be a key influence in determining the future success of the sector.

- The role of the Department of Arts, Sport and Tourism in policy formulation and analysis requires to be strengthened if the tourism industry is to contribute its full potential to national and regional development.

4.1   Foundations for Future Success

As set out earlier in this Report, the Irish tourism industry made significant advances during the 1990s, with above average international growth rates and gains in market share, in particular from North America and Britain. The strong foundation blocks on which the Irish tourism industry rests today include:

- a historically high customer base with almost 6 million overseas visitors in 2002 – close to the peak 6.18 million achieved in 2000. This is more than twice the number of overseas visitors for 1990 and more than three times the number who came to Ireland in 1985. Moreover, some 6 million domestic tourist trips were made in 2002. This is a major customer base, by any standards, which generated in total approximately €5 billion in revenue earnings in 2002

- high overall customer satisfaction levels as indicated in comprehensive visitor attitude surveys conducted over the years. Consistently, and with little variation over the past 10 years, the holiday experience of visitors to Ireland has met or exceeded expectations in the case of well over 90% of visitors. Satisfaction with accommodation is also generally high with the CERT Hospitality Survey for 2002 showing that close to 80% of visitors were well satisfied with the accommodation they used, ranging from top class hotels to B&B establishments. A high proportion of visitors (between 80% and 90% of survey respondents) would recommend Ireland as a holiday destination which is significant in the light of the importance of word of mouth recommendations in determining holiday choices

- the high employment base of Irish tourism, currently estimated at 140,000, with a very strong upward trend over the past 10 years in excess of the rate of employment growth nationally. This increasingly competent and experienced workforce represents a major asset going forward – given the nature of the industry in which the attitudes, competence, enterprise and innovation of the people are both part of the production process to meet customer needs and the product itself which the customer experiences

- the capital stock of Irish tourism has increased significantly in both quantitative and qualitative terms in recent years, financed primarily by the private sector but with major support through EU and Exchequer funds and tax incentives. The additions to the accommodation base have been particularly noteworthy but there have been similarly high levels of investment in tourism attractions, leisure facilities, State heritage and cultural facilities, tourist information offices and passenger transport – including aircraft, sea ferries, coaches and car hire fleets. This rate of expansion means that a high proportion of the current physical stock of Irish tourism is modern, efficient and up-to-date.

In short, there is a confidence, professionalism and expertise in the industry today, based on the competitive success of recent years, which did not exist in the past. The industry has generally achieved the challenging investment, revenue earnings and employment targets set for it under successive national plans and EU Operational Programmes for Tourism. These are invaluable foundations which provide a solid base on which the new challenges facing the Irish tourism industry can be addressed with confidence.

Any review of Irish tourism requires an assessment of its key components as a necessary foundation for the development of a new strategy for the future development of the sector and an associated set of actions to drive the industry forward. This Chapter provides such an assessment under a number of headings:

- competitiveness and value for money

- product development

- access transport

- the people in tourism

- marketing and promotion

- the wider issues affecting future growth

- tourism policy formulation and implementation.

4.2 Competitiveness and Value for Money

Satisfaction Ratings

During the 1990s, the Irish tourism industry performed well in terms of competitiveness, as indicated in the overall satisfaction ratings accorded by overseas visitors and the increase in market share attained, as set out earlier in this Report. Increasingly, Ireland was seen to be offering a better quality product. It was competitively priced, assisted by favourable exchange rates for the US dollar and sterling. Deregulation in the aviation sector meant easier and cheaper air access. The friendliness of the Irish people and the scenic beauty of the country were increasingly appreciated and the growing interest in Irish culture, particularly in the performing arts, contributed to Ireland becoming an attractive and even *fashionable* destination. However, declining market share of holiday visitors from Germany and France during the 1990s was a worrying trend.

The most significant finding from Bord Fáilte Visitor Attitude Surveys is the increasing proportion of those questioned who say that the value for money of their holiday experience is only "fair, poor or very poor". The value for money rating declined significantly in 2002 when 55% of overseas visitors surveyed considered that Ireland did not provide good value for money. Such a rating, if sustained, constitutes a potential competitiveness crisis for the industry. While there were a number of factors that accounted for this (including fluctuations in exchange

Figure 4.1
Overseas Holidaymakers Rating of Value for Money
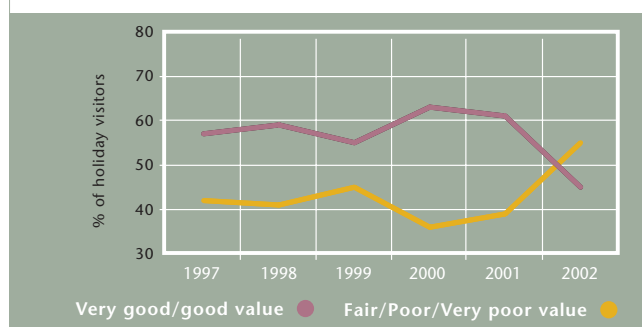
Source: Fáilte Ireland/Survey of Overseas Travellers

rates and more easier price comparisons resulting from the introduction of the euro), deterioration in satisfaction ratings were evident across all markets. Figure 4.1 illustrates the significant drop from the 63% satisfaction peak achieved in 2000 down to 45% in 2002. Looking at the results by market, there was an even steeper decline in the US market – where satisfaction ratings dropped by 25 percentage points, from 73% to 48% from 2001 to 2002.

The aspects most frequently mentioned by survey respondents, as offering poor value for money, were eating out, drink, food purchased in shops or supermarkets, and the cost of living generally. Figure 4.2 illustrates the extent to which actual experience of prices exceeded visitor expectations in 2002.

Figure 4.2
Overseas Visitors View of Prices in Ireland 2002

Source: Fáilte Ireland

44
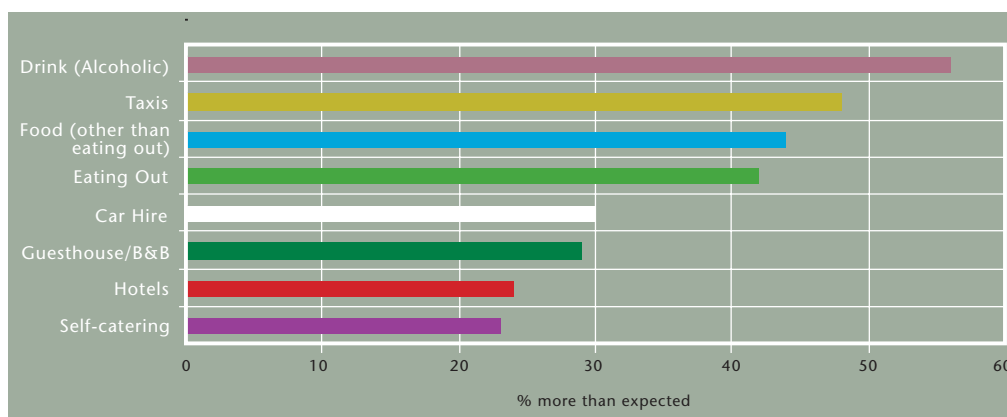
There are a number of factors influencing the price competitiveness of the Irish tourism product but the external shocks suffered in 2001, and the downturn in visitor numbers since then, have brought competitiveness into sharper focus. These factors include:

- inflation and how it impacts on operating costs and prices generally

- taxation levels, in particular indirect taxes and excise duties

- currency movements

- insurance costs

- the ability of the industry to manage costs and prices through improvements in productivity, innovation, use of new technologies and discounts/special offers.

Inflation

Figure 4.3 illustrates the annual change in the Consumer Price Index since 1996 and how it compares with inflation in the eurozone. The Irish index (100) was set in November 1996 and, by December 2002, had increased to 121.4. In July 2003, the Central Statistics Office (CSO) reported that inflation had decreased in each of the previous four months but, even at 3.5%, was almost twice the EU average of 1.8%.

Figure 4.3
Consumer Price Index 1996-2002 Annual Percentage Changes
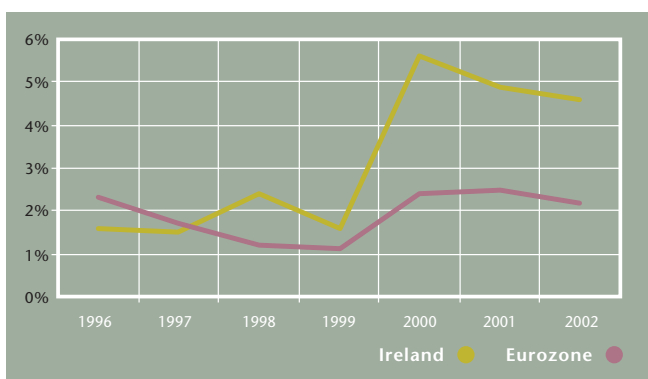
Source: CSO

The CSO also reported that, among the most notable price changes in the year, were increases in alcoholic beverages and tobacco (+9.9%) and in restaurants, hotels and licensed premises (+6.5%), which were increasing well in excess of the average rate of inflation.

Comparisons within the eurozone

The price competitiveness of Ireland within the European Union is a useful measure against which to measure performance for two reasons – firstly, because the majority of overseas visitors to Ireland are European in origin and secondly, because Ireland competes with other European destinations for long-haul visitors.

With the introduction of the euro there is now total transparency of costs among the twelve eurozone countries. As Figure 4.4 demonstrates, recent research published by Forfás *(Consumer Pricing Report, May 2003)* found no abatement in the rates of consumer price inflation (since the euro changeover), but rather indications were that Ireland could soon emerge as the most expensive country for consumer goods/services within the eurozone. Specifically the research found that Ireland's position was:

- the second most expensive of the 15 EU member states - it was fifth from the bottom in 1999 and is markedly more expensive when compared to Greece, Spain or Portugal

- the most expensive of the eurozone countries for food and for prices in pubs and restaurants

- the second most expensive for off licence alcohol – with 10 of the 12 eurozone countries some 40% to 60% cheaper than here

- the second most expensive country for recreation and culture.

Figure 4.4
Index of Affordability of Consumer Goods 2002
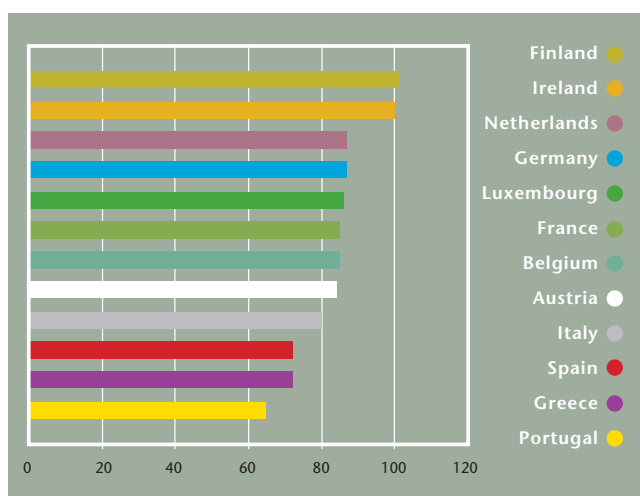
Source: Forfás Consumer Pricing Report

For visitors, the price issue relates not so much to the cost of access and accommodation, which is generally pre-booked at a known and fixed price, but, as already indicated, to the price of eating out, drink, food in shops and the general cost of living when they get here.

In order to address Ireland's comparatively high inflation rate in European terms, it is essential that the provisions of the Social Partnership Agreement 2003 - 2005 – *Sustaining Progress* – are fully implemented by all the social partners, to help restore, and enhance, national competitiveness. In this respect the provisions relating to pay, productivity and the facilitation of change in the workplace are particularly important to the tourism industry, as well as the Agreement's anti-inflation initiative. The analysis and measures proposed by the National Competitiveness Council and Forfás, in their May 2003 *Statement on Inflation*, are also of importance, in particular the recommended commitment to an inflation target benchmarked to the eurozone average, prudent fiscal policy, enhanced competition reform and the avoidance of further increases in excise duties, VAT and in charges for Government services for the remainder of 2003 and in Budget 2004.

Taxation Levels

Reforms in the Irish taxation system over the past decade have resulted in generally favourable rates of income and social insurance taxes and corporation tax in comparison with other EU countries. This operates to the benefit of the Irish tourism industry, as well as business generally, in terms of labour costs and the availability of profits for re-investment. The Irish tourism industry also benefited from very generous capital allowances for hotels and other forms of accommodation and roll-over relief until the changes introduced in the Finance Act 2003. There are some indications that some of the investment that has taken place was tax driven rather than tourism driven.

Price differentials at international level for tourism products and services can often be partially explained by differences in tax rates. Table 4.1 sets out the current VAT rates applicable to hotels and restaurants in the EU. The Table shows that Ireland is in the mid-range of rates applicable to restaurants while it is the fourth highest in the case of hotels. The VAT rate applicable to hotels and restaurants was increased from 12.5% to 13.5% in the 2003 Budget.

Table 4.1
VAT Rates in Hotels and Restaurants 2003

Hotels			Restaurants		
1	Denmark	25.0	1	Denmark	25.0
2	Britain	17.5	2	Sweden	25.0
3	Germany	16.0	3	Finland	22.0
4	Ireland	13.5	4	Belgium	21.0
5	Sweden	12.0	5	France	19.6
6	Italy	10.0	6	Britain	17.5
7	Austria	10.0	7	Germany	16.0
8	Greece	8.0	8	Ireland	13.5
9	Finland	8.0	9	Portugal	12.0
10	Spain	7.0	10	Italy	10.0
11	Belgium	6.0	11	Austria	10.0
12	Netherlands	6.0	12	Greece	8.0
13	France	5.5	13	Spain	7.0
14	Portugal	5.0	14	Netherlands	6.0
15	Luxembourg	3.0	15	Luxembourg	3.0

Source: Department of Finance

The combined impact of the relatively high rates of excise duty and VAT in Ireland on alcoholic drinks, in particular wine, exacerbates price differentials with other European destinations. Table 4.2 illustrates the position in the case of a standard 750ml bottle of still wine. It is obviously important, therefore, that the potential impact on the tourism industry and on Exchequer tax receipts of any proposed changes in excise duties and VAT rates are carefully taken into account before decisions are taken to adjust such rates in the future.

Table 4.2
Excise Duty and VAT on Still Wine

	Excise Duty € per 750ml	VAT
Ireland	2.05	21.0%
Britain	1.88	17.5%
Sweden	1.81	25.0%
Finland	1.77	22.0%
Denmark	0.71	25.0%
Netherlands	0.44	19.0%
Belgium	0.35	21.0%
France	0.03	19.6%
Austria	0.00	20.0%
Germany	0.00	16.0%
Greece	0.00	18.0%
Italy	0.00	20.0%
Luxembourg	0.00	12.0%
Portugal	0.00	12.0%
Spain	0.00	16.0%

Source: Department of Arts, Sport and Tourism

Currency Movements

Another factor that has led to Ireland becoming a more expensive tourist destination has been the strengthening of the euro against the US dollar in particular, but also sterling. By 2002, the currency appreciation led to Ireland becoming some 11% and 5% more expensive for US and British visitors respectively since 1999 – as set out in Table 4.3. While such developments also impact on other eurozone countries, any further weakening of the value of sterling or the US dollar, against the euro, would accelerate a worsening of Ireland's competitive position.

Table 4.3
Exchange Rates: Units per euro

	US $	Stg£
	US $	Stg£
1999	1.0658	0.6587
2000	0.9236	0.6095
2001	0.8956	0.6219
2002	0.9456	0.6288
% change since 1999	-11.28%	-4.54%

Source: Department of Finance

Insurance Costs

High insurance costs are a particular concern of the tourism industry and very significant increases in premiums have been experienced over the past 3 years. Not only are general insurance increases raising industry costs, but the scale of the increases are also placing in jeopardy many of the activity holidays, tourist attractions and festivals that offer good prospects for future tourism development.

The Government's Insurance Reform Programme seeks to bring about a reduction in insurance costs by the insurance industry, for the benefit of consumers and businesses, through improving the functioning of the insurance market, decreasing the cost of delivery of compensation and investigating the competitiveness of the market. The Programme is overseen by a Ministerial Committee which meets monthly. Implementation of the recommendations in the Motor Insurance Advisory Board Report of April, 2002 are being advanced. The Interim Personal Injuries Assessment Board (PIAB) is up and running and proposals to establish the PIAB on a statutory basis are expected to be substantially advanced by the end of 2004. The Report on competition in the insurance sector by the Competition Authority is also expected to be completed by year end.

Given the negative impact of recent increases in insurance on the tourism industry, there is an urgent need to accelerate the Insurance Reform Programme, to assess the specific impact of insurance increases on the tourism sector and to bring about reductions in premiums at the earliest possible date. The tourism industry itself should also consider the scope for co-operative actions, in areas such as the management of claims, health and safety measures and self-insurance, to address the issue.

Tourism Industry Initiatives on Inflation

While actions at Government level are desirable to address inflation, the tourism sector itself has the primary responsibility to manage within the given cost environment and to seek to drive down costs in the industry. While inflation, insurance costs, currency movements and taxation rates constitute major pressures on costs, tourism pricing and margins are substantially influenced by the actions of businesses themselves. Network groups and the tourism industry representative bodies can play an important role in developing and supporting initiatives which help to reduce costs and prices. There is a need for the industry, in co-operation with the Tourism State Agencies, to identify specific measures to improve competitiveness at operational level, through improvements in general management and human resource practices, more effective and efficient use of new information and communication technologies, enhanced productivity measures, more innovative pricing initiatives and a relentless drive to reduce costs.

4.3   Product Development

Product Development Strategy

As highlighted in Chapter 2 of this Report, the range of tourism products and services in Ireland has improved significantly both in terms of quantity and quality, over the past decade. Some €4.3 billion has been invested in tourism capital stock during the 1990s.

The two EU backed Operational Programmes for Tourism, 1989 - 1993 and 1994 - 1999, helped to identify the investment requirements of the industry and supported the upgrading of tourist accommodation and associated all-weather leisure and conference facilities, the development of specialist activities (such as golf, angling, equestrian, walking), enhancement of national and local public cultural and heritage infrastructure and the modernisation of the tourist office network.

The Tourism Development Strategy, launched by Bord Fáilte in October 2000, emphasised the need for a more integrated approach to tourism planning and investment for the purposes of the National Development Plan, 2000 - 2006, and in allocating investment support under the tourism product development measure of the two Regional Operational Programmes under the Plan. The strategy, which is very much in line with the aims and objectives of

the National Spatial Strategy launched in November 2002, identified and categorised the country's tourism zones and outlined the critical issues to be addressed for the 2000 - 2006 period i.e. regional spread, seasonality, infrastructural bottlenecks, sustainability, congestion, customer service and quality management. Investment supports under the current product development measure are being targeted at a range of projects including:

- major attractors (and clusters of existing attractors)

- special interest pursuits

- tourism/environmental management.

The product development measure is intended to address the key product gaps currently found in Ireland's tourism infrastructure, with support focused, in particular, on developing and underdeveloped tourism areas of the country. Support available for the established tourism areas (Dublin, Cork, Galway, Shannon and Killarney) is confined to environmental and visitor management initiatives. No support is available for additions to tourism accommodation as any further expansion is expected to be met through normal market forces.

Some remaining national strategic product gaps exist, most importantly the development of a dedicated state of the art National Conference Centre in Dublin. The recent decision by the Government to advance this project by way of a leasing arrangement through an open competitive procurement process is a major step towards the realisation of a Conference Centre which has the potential to generate an additional 30,000 annual visitors. Moreover, there are untapped opportunities arising from the hosting of international field-based sporting events, which would be strengthened through the development of the proposed National Sports Stadium in Dublin. The artistic and cultural infrastructure of Dublin also needs to be upgraded to compete with other European capital cities.

Tourism Accommodation Stock

In line with the expansion of the Irish tourism industry during the 1990s and driven by favourable taxation arrangements, there were significant additions to the tourism accommodation stock as set out in Table 4.4. The expansion mainly occurred in the hotel and guesthouse and registered self-catering categories, due to changes in customer demand and the availability of taxation

Table 4.4

Tourism Accommodation Stock 1996-2002

As at 1st January		1996	1997	1998	1999	2000	2001	2002	% '96-'02
Hotels	Premises	713	728	771	838	847	851	858	+20
	Rooms	26,350	26,976	30,445	36,282	39,656	40,008	41,983	+59
Guest Houses	Premises	344	370	422	489	488	489	486	+41
	Rooms	3,616	3,856	4,501	5,114	5,207	5,272	5,336	+48
B&Bs	Premises	3,921	3,926	4,267	4,221	3,904	3,791	3,563	-9
	Rooms	16,131	16,975	17,216	17,123	17,828	15,529	14,652	-9
Caravan & Camping	Premises	133	132	133	133	132	132	127	-5
	Pitches	8,079	8,753	8,457	8,390	8,405	8,299	7,396	-8
Hostels	Premises	188	227	224	230	207	206	198	+5
	Beds	9,304	11,381	10,898	11,230	11,027	11,015	10,771	+16
Registered Self-Catering	Units	2,008	2,162	2,165	2,390	2,527	2,432	2,461	+23
Listed Self-Catering	Units	N/A	N/A	N/A	N/A	N/A	5,978	5,649	-6

Source: Fáilte Ireland

incentives. The number of approved B&Bs fell, although it is unclear to what extent this development may have been compensated by increases in unapproved accommodation. The current stock of accommodation is generally regarded to be of high quality although the high number of hotels opting out of the official voluntary classification system is a matter of concern, given the growing customer emphasis on standards and quality of service.

While the levels of investment in, and expansion of, tourism accommodation since the mid 1980s would suggest that the rates of return to those involved in the industry have been attractive, recent information indicates that the outlook is not as favourable as it has been. Based on annual surveys of the hotel industry conducted by Horwath Bastow Charlton, average room occupancy rates have been declining since 2000, as well as profit before tax per room, as set out in Table 4.5.

Table 4.5

Hotel Room Occupancy Average Rates and Profit before Tax per Room 2000-2002

	2000	2001	2002
Room Occupancy Average %			
National	68.3	65.9	64.8
1-49 Room Hotel	57.0	50.7	54.8
50-99 Room Hotel	68.4	63.0	63.3
100+ Room Hotel	68.6	68.1	64.6
Profit before Tax per Room €	9,895	9,067	8,555

Source: Horwath Bastow Charleton Hotel Industry Surveys 2000-2002

Further development, investment and upgrading in tourist accommodation will be heavily dependent on the returns available in the sector and the tax treatment of such investment. If occupancy rates and margins continue to decline, future investment in facilities is likely to be curtailed giving rise to an eventual deterioration in quality. However, current pressures and levels of unused capacity in the hotel and wider accommodation sector would suggest that a cautious attitude should be taken in the short-term in relation to new investment, unless warranted by clearly identified market needs.

Environmental Issues

The quality of the natural environment is regarded as one of the core assets in promoting Ireland overseas, and in seeking competitive advantage for Ireland as a tourism destination. Visitor Attitude Surveys have shown a generally high level of satisfaction on the part of overseas visitors under a range of environmental issues such as beautiful scenery, natural unspoilt environment, nature/wildlife/flora and attractive cities/towns. Satisfaction levels in relation to litter and pollution are at much lower levels, suggesting the continuing need for improvements. The details are set out in Table 4.6.

Table 4.6
Rating of Ireland on Environmental Issues (% Very Satisfied)

Environment	1997 %	1999 %	2000 %	2001 %	2002 %
Beautiful scenery	89	89	89	89	91
Natural unspoilt environment	83	77	79	79	83
Attractive cities/towns	59	62	66	64	65
Nature/wildlife/flora	n/a	73	75	75	78
Litter free/pollution free	n/a	54	54	54	56

Source: Fáilte Ireland Visitor Attitude Surveys

The main challenges at national level now facing environment and sustainable development policy are improving the quality of inland waters, improving waste management, enhancing the urban and rural environment through good design of new development and sensible development control decisions, controlling greenhouse gas and other emissions in accordance with Ireland's international commitments, and protecting natural resources.

The intensity of tourism activity in Ireland is low by international standards, given our population density and visitor numbers. However, congestion and visitor management issues do arise, in particular in some flagship major tourism attractions and locations during the peak period. A pilot initiative on tourism and the environment, launched in February 1998 following the mid-term review of the Operational Programme for Tourism, 1994 - 1999, provided over €3 million in grant aid to twenty two projects, covering a range of different tourism environmental issues. The pilot initiatives included visitor and traffic management, area-based planning and analysis

of carrying capacity, training and awareness, litter control, development of alternative touring routes and best practice in environment restoration. However, the take-up under the environmental heading of the current tourism product development measure has been poor, suggesting a possible lack of appreciation of the importance of sustainable development. Accordingly, the contribution of Local Authorities, as the regulatory authority for the sustainability of the environment, will be critically important to maintaining an attractive natural and built environment. In the past, Bord Fáilte played an important role in championing environmental issues and highlighting their importance in terms of sustainable tourism development. An enhanced role in this area should now be taken on by Fáilte Ireland, with support from the tourism industry. This would have a number of benefits:

- it would be consistent with an increasing public concern that tourism development be well aligned with the conservation of the national and built environment which, in itself, is a major tourist attraction in Ireland

- it would be consistent with the increasing number of tourists who are concerned about environmental issues and who increasingly choose locations, accommodation, visitor attractions and visitor services on the basis of their fit with good environmental practices

- it would be consistent with the trends in EU and national legislation which is driving environmental related change to minimise waste, reduce waste disposal costs and conserve energy

- it would provide an opportunity for tourist enterprises to achieve cost reductions through reduced energy and water use, reduced food and packaging waste, and reduced linen rental and laundry charges.

Innovation and Better Packaging and Presentation of the Tourism Product

The under utilisation of many tourism facilities and attractions and reducing occupancy rates in tourism accommodation, suggests that more could be done at local and regional level to cluster, integrate and better market our existing range of facilities. These include heritage, cultural and sporting attractions that could meet many of the changing

international customer requirements identified in Chapter 1 of this Report. There should also be a more proactive and innovative focus by enterprises and the Tourism State Agencies on packaging the Irish holiday product to meet specific customer needs – e.g. specialist sporting activities including horse and greyhound racing, car touring, health and well being tourism. This approach should be informed by the international product benchmarking of Fáilte Ireland and advice for the adoption of best international practices. State support for major sporting events and festivals should be conditional on guaranteed appropriate levels of access for overseas visitors and the capacity of the events to generate incremental visitors and international publicity.

An important role for Fáilte Ireland, therefore, will be to help strengthen the capability of the industry in product innovation and development.

The processing of project proposals for grants under the existing tourism product development measure of the Regional Operational Programmes needs to be accelerated, and the criteria and procedures need to be reappraised, in the light of experience under the existing round of applications. In particular, additional resources require to be put in place to promote the scheme effectively, to encourage innovation and greater private sector involvement and to ensure that good projects are brought forward and supported.

Validated Accessible Scheme for People with Disabilities

Fáilte Ireland has introduced a new voluntary scheme for the validation of all listed and registered accommodation that provides for the needs of people with disabilities. Proprietors are invited to have their premises validated and promoted through the new scheme. No fee is required to enter the scheme. The Validated Accessible Scheme (VAS) will enable people with disabilities to make an informed choice when booking accommodation. This information will be available on the national tourism websites commencing 2003 and in the various accommodation guides from 2004. Initially the new scheme will apply to premises with accommodation suitable for guests with mobility impairment. The scheme will then be expanded to encompass premises with accommodation suitable for guests with hearing/sight impairments.

Special Interest/Activity Products

Special interest activities such as golf, angling, walking, cycling and equestrian pursuits, rural tourism and holidays based on Irish language, culture and way of life, add to the range and variety of the Irish holiday experience, contribute to regional development objectives and have a higher yield than other tourism segments. Although some decline has occurred in these segments since the early 1990s, such holiday activities have good growth prospects based on the changing customer trends identified earlier in this Report. While many of the issues already identified to support the future development of tourism will benefit special interest segments, there are other sector-specific issues that also need to be addressed. In many cases, special interest sectors are not well co-ordinated at national level. While Product Marketing Groups are active in most segments and are supported by Fáilte Ireland, there is a need to expand membership to provide a basis for long-term viability, in terms of funding and marketing. For many special interest segments, the barriers to realizing full potential are not directly within the control of tourism interests and require to be addressed at a wider national level. For example:

- the difficulty regarding access to walking routes on privately-owned land remains to be resolved

- the decline in angling catch levels would be improved through better water quality

- the speedy processing of visa applications would support the English Language Training sector

- the ongoing viability of certain heritage attractions is at risk without a comprehensive plan to address the need for on-going maintenance and capital reinvestment.

Many special interest segments are comprised of small family-run enterprises which have limited resources for marketing and development. They require advice and support at national level in areas such as research, training and marketing.

4.4   Access Transport

One of the principal drivers of success of Irish tourism in the 1990s was the improvement in the range, quality and competitiveness of air and sea access over that period. Overall passenger throughput at Dublin, Shannon and Cork airports was close to 20 million in 2002 compared with a figure of 11 million in 1995 – with almost 80% travelling through Dublin Airport. Increased capacity and lower air fares have enhanced the attractiveness of Ireland as a destination, generating most of the increase in visitor traffic and outpacing the performance of sea travel. The position is summarised in Figure 4.5.

Figure 4.5
Total Passenger Movements (Air and Sea) 1990-2001
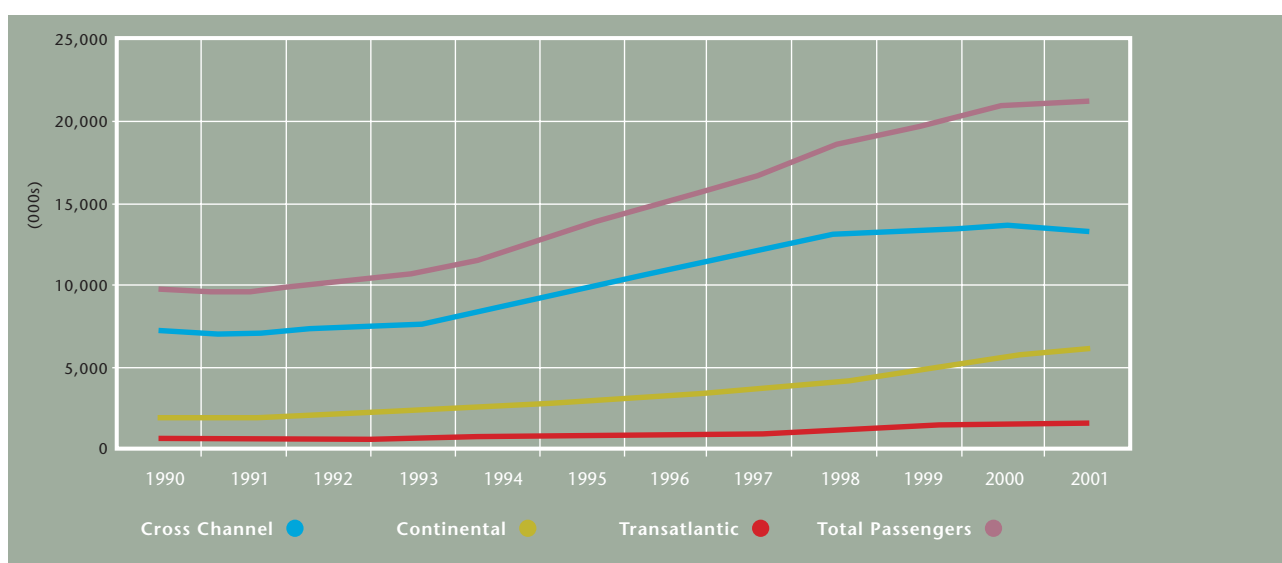
Source: CSO

Competitive and convenient access transport – in terms of routes, capacity, services, frequency and fares – will be a crucial determinant of future international demand for tourism destinations, especially in the case of an island such as Ireland. The increase in the incidence of short leisure trips, the growth in popularity of urban tourism, and the search for convenience and good value (spurred by low fare carriers and advances in information and communication technologies) all point to the growing importance of convenient and competitive direct access if Irish tourism is to thrive in the future. It will be essential, therefore, to expand access services, to open up new routes, to promote competition and to have in place the modern port and airport infrastructure to service such requirements.

Air Services to and from Ireland

The past decade was one of liberalisation of EU regulations governing air services. For the first time, an effective free market in intra-European air travel was created within the EU, resulting in greater competition, more services and lower fares pioneered by the new, low fare airlines. Air travel to and from Ireland was revolutionised, radically changing the route and pricing structures on cross channel services, and, more recently, in the case of a number of European

routes. Ireland also benefited from the introduction of several new carriers, and existing carriers expanded their capacities on cross channel and European routes. Low fare carriers are expected to expand further and indications are that there are significant opportunities to expand the route network to Ireland, in particular from mainland Europe. This, however, will require additional, competitive, fast turnaround terminal facilities, in particular at Dublin Airport, at the earliest possible date. The impact of such additional air routes would, in turn, increase the potential for greater competition between airlines leading to even more competitive fare structures. The recent decision to establish Dublin, Shannon and Cork airports as fully independent and autonomous authorities under State ownership is intended to have the effect of introducing further competition to encourage the development of new services, particularly to the regions. Visitor reception facilities at key international access airports also need to be of the highest standards and reflect Ireland's reputation as a welcoming destination.

The airlines servicing transatlantic routes responded well to the amendment to the Ireland-US Air Bilateral Agreement in 1994. Aer Lingus introduced a new transatlantic fleet and capacity increased significantly subsequently with Continental Airlines, Delta, Air Canada and US Airways

providing access through an expanded number of gateways. While the aftermath of September 11th saw a capacity reduction of up to 25% in transatlantic seats, this had largely been restored by 2003. Indications from the carriers suggest that there is untapped potential for further expansion in the medium-term on transatlantic routes, with the possibility of opening up new gateways leading to enhanced visitor flows from North America. The recent decision of the EU Transport Council to mandate the European Commission to negotiate an EU/US aviation agreement in the light of a ruling by the European Court of Justice, offers the prospect of an open skies policy but may take a number of years to achieve. This does not rule out the possibility in the meantime of an early renegotiation of the Ireland - US Bilateral Air Agreement with a view to accelerating the expansion of air services, opening up the prospect of additional visitors from the US.

Route of Travel

Figure 4.6 illustrates how visitors travelled to Ireland over the past five years. It shows that in 2002, over half of all visitors (3 million people) came by air cross-channel. In 1998 the corresponding figure was 45% (or 2.57 million). In absolute terms this represents an increase of 20% in the number of visitors travelling by air cross-channel. Mainland Europe routes showed a similar increase of 20% over the same period (up to 1.17 million from 0.97 million). The level of direct transatlantic visits has remained fairly constant since 1998 at 0.48 million, although significant growth took place during the mid 1990s.

Figure 4.6
Visitors to Ireland (by Route of Travel) 1998-2002
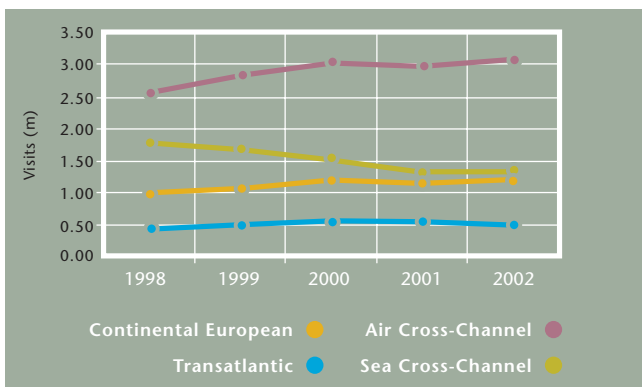
Source: CSO

There are a small number of direct air services from certain regional airports to Britain and mainland Europe, and direct links from Dublin to Derry airport. Dublin dominates as the gateway to Ireland, with even western regions more dependent on Dublin, than on other gateways, for their incoming visitors. This underlines the importance of ensuring adequate gateway infrastructure, and internal transport networks, not only converging on Dublin but on other international airports also, and of offering the highest standards in bus, rail, and road (including signposting) services. With decreasing mobility of visitors and shorter length of stay, the under-utilisation of regional gateways for air services is very apparent. A particular issue for regional airports must be their continued viability, in view of their number, proximity, and relatively low usage by tourists.

Ferry Services to/from Ireland

Capacity on the Irish Sea routes has increased significantly over the past decade, with substantial levels of investment in new fleets by the major sea carriers. The provision of passenger and car ferry services is particularly important in catering for visitors bringing their own car and this market has the potential to expand with appropriate marketing support and attractive fare structures and services. These visitors have a tendency for longer stays in Ireland and, as they tend to travel more extensively throughout the country, they are especially important in terms of tourism development outside the major tourist areas. While overall ferry services may be dependent economically on the carriage of freight, returns on the significant investment in fast craft will largely depend on premium car and passenger business.

Figure 4.7
Own Car Visitors 1991-2002
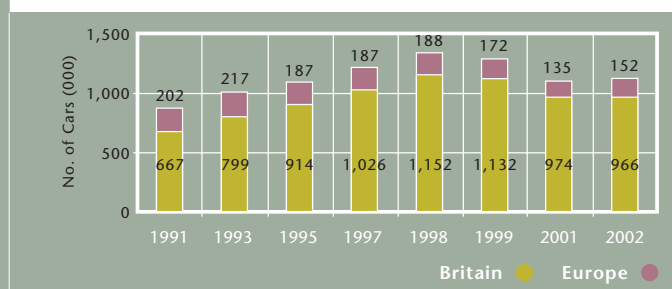
Source: Fáilte Ireland

The 1990s saw steady growth in the number of own car visitors to Ireland – up until 1998, when it peaked at 1.34 million cars (an increase of over 70% on 1990). The number of British visitors bringing their own car has remained reasonably constant over the past 5 years – in the region of 1 million visitor cars. In contrast, the number of Europeans bringing their own car is now at 152,000 – a decline of some 20% since 1998, reflecting the trend for a greater proportion to travel to Ireland by air and hire cars on arrival. Trends towards shorter stays, and the increasing competition from low fares on air services, have combined to present particular challenges for the ferry operators, but ferry services will continue to be an important element in sustaining the Irish tourism industry. The importance of having in place a competitive ports structure together with modern reception facilities providing for the comfort and convenience of passengers is also important.

Internal Air Services

The Cork/Dublin and Shannon/Dublin routes are served on a commercial basis. The public service obligation (PSO) regime provides regular links between Dublin and the regional airports in Kerry, Galway, Sligo, Knock and Donegal. These are heavily subsidised routes, with an average subvention of €70 per trip in 2001 and 2002, and at an estimated cost to the Exchequer of €20 million in 2003. The Irish Government also supports the Dublin/Derry service, operated by Loganair/British Airways, at an estimated cost of €2 million per annum. While traffic on the internal air services has increased in recent years (260,000 trips in 2002), due to improved timings and frequency, the extent of usage by tourists is estimated to be very low. This is because the services are primarily designed for domestic and business traffic and they currently lack any code share arrangements with connecting international services at Dublin.

4.5   The People in Tourism

The friendliness and hospitality of the Irish people differentiates Ireland from competitor destinations. The 2002 Visitor Attitude Survey found that 45% of holiday-makers identified this as the dominant distinguishing advantage, while one in every two tourists (49%) who said that their holiday exceeded expectations attributed this to the friendliness and hospitality they found here. Unfortunately, the trend in both instances is declining since 1997. This is an issue which needs careful management by

the industry, in terms of impressing on staff, and the wider general public, the importance of day-to-day interaction with tourists.

Despite the widespread acknowledgement of the importance of education and training for the ongoing development of the tourism sector, and despite the availability of significant State funding for improvements in recent years, there has been relatively little direct involvement or investment by the industry in this area. A culture of continuous training of staff in the industry has not traditionally existed and there remains a lack of structured, systemic training in enterprises. Similarly, continuing training for managers and owner-managers of tourism enterprises, in particular in the case of SMEs, is not at present on a scale that would permit an upward development shift in the sector. The 2002 Tourism and Employment Survey found that some 52% of employees had received formal training – the highest levels being in the restaurant sector (75%) and the lowest in guesthouses (33%). The final objective of training and human resource development in tourism must be to improve the quality of the tourism product offered to customers, to build productivity and capability in enterprises and to enhance career prospects for talented and ambitious students and employees. Given the competitiveness challenges facing the sector as outlined earlier in this Chapter, there is an urgent need to improve productivity – which can be assisted by training at both operative and management levels.

A key issue is the relatively low priority given by the industry to formal educational qualifications. The tourism sector has traditionally employed a relatively large number of untrained staff, except in areas requiring specific skills and in management and supervisory positions. Levels of professionalism in the sector need to be enhanced, the status and esteem associated with working in the industry must be raised, the employment of non-skilled staff requires to be addressed, and areas where pay and conditions remain low need to be made more attractive. Unless this is done across the industry as a whole, the status and credibility of education and training programmes will be called into question and students will believe their qualifications are not valued and will question their personal investment in preparation for a career in the industry through education and training. This will have implications for the considerable investment in third level educational courses which has taken place in recent years, leading to lower take-up of places and higher drop-out rates.

High turnover of staff in the tourism sector, which is not unique to Ireland, is another challenge facing employers. It is a particular problem for seasonal attractions, especially in rural areas, in the restaurant and fast food sectors and in kitchen and food service departments. The 2002 Tourism and Employment Survey conducted for CERT found that 23% of the businesses surveyed had vacancies but, in absolute terms, this was 8,000 jobs or only 3.7% of overall employment. The majority (83%) of staff in the five sectors surveyed were employed on a permanent basis – up from 73% in 1999 – and the hotel sector had the highest proportion of permanent staff, at 90%. The shortage of Irish staff has been addressed, in part, by the employment of overseas workers in increasing numbers. This is a trend that is likely to continue for the foreseeable future, with the Irish industry becoming increasingly more dependent on a more culturally diverse workforce. This has important implications for training and the maintenance and enhancement of the traditional Irish welcome.

While there has been significant financial and other support from the State for the provision of tourism training in enterprises, it has been somewhat fragmented and has failed, for the most part, to promote the development of a structured systemic approach to training in-house. The fragmented nature of the tourism industry and the prevalence of small, owner-operated enterprises is part of the underlying reason for this failure. As part of the new strategy for Irish tourism, a coherent strategic overview of the education and training requirements of the industry needs to be developed as well as a series of actions to meet these needs. In this context, Fáilte Ireland, working with the industry, educational institutions and other interested stakeholders, including students, should:

- develop a Human Resource Strategy for the tourism sector. This should see the industry becoming a first-choice employer for all who seek employment, whether this be a career, a full-time job, a part-time or temporary job, in an industry where people are facilitated to do their jobs with pride and satisfaction and where there are opportunities for progression

- as part of the Human Resource Strategy, and taking into account appropriate manpower planning issues, develop a National Strategy for Capability Building in the Tourism sector, as a focus for strategic planning for education and training

- provide a focus for leading, instigating and influencing the policy instruments and activities, across the State and private sectors, which will enhance overall capability building for the industry, and for the quality assurance, coordination, facilitation and support of training activity. This will encompass a variety of interventions, ranging from quality assurance to programme delivery, and it is essential that these different interventions be delivered in an integrated way.

4.6   Marketing and Promotion

Effective marketing and promotion has long been recognised as a key element of tourism policy and has been important in building up the customer base of Irish tourism. Strong consumer research and analysis in key source markets have underpinned the general marketing approach and mix of advertising and promotional activities. Current marketing strategy for the destination of Ireland is built around Tourism Brand Ireland, a concept which emerged from within the industry, North and South, with the assistance of public and EU funding. It is a strategy which ensures that the branding of Ireland as a tourism destination is based solidly on research and is carefully managed to produce a cohesive image of Ireland as a holiday destination, while recognising the different characteristics of individual markets.

In the National Development Plan, 2000 - 2006, it is acknowledged that the case for Government funding of tourism marketing is strong, because of the diversity of activity within the sector and the proliferation of small and medium sized enterprises. The provision of €190 million in Government funding over the life of the Plan for the establishment and operation of Ireland's first ever Multi-Annual Tourism Marketing Fund (TMF) is the practical manifestation of that acknowledgement. The fund is available to finance all-island destination marketing and niche product marketing, in close consultation and co-operation with the tourism industry. The funding is additional to the staff and overhead costs of the Tourism State Agencies and does not take into account contributions to Tourism Ireland from Northern Ireland. Funding is directed towards advertising and media and trade promotions and the production of promotional material. Allocations under the TMF to date are set out in Table 4.7

Table 4.7

Exchequer Allocations under the Tourism Marketing Fund

2000	2001	2002	2003
18.3	23.2	25.9	30.42

Source: Department of Arts, Sport and Tourism

According to a survey conducted on behalf of the Irish Tourist Industry Confederation, annual expenditure by the industry on marketing was estimated at €134 million in 2001 made up of €35 million in advertising, €38 million on promotional campaigns and brochures, with the balance of expenditure attributed to marketing staff and associated overheads.

Given the levels of expenditure allocated to promotion and marketing activities, it is essential that evaluation of the efficiency and effectiveness of that spend is undertaken at regular intervals. The Tourism State Agencies themselves have systems to review activities and the design of annual marketing programmes is carried out in consultation with key stakeholders, most importantly the tourism industry through the Tourism Marketing Partnership arrangements outlined in Chapter 2.

In June 2001, the then Department of Tourism, Sport and Recreation undertook a Public Expenditure Review in respect of the strategy and outcome of the marketing programme of Bord Fáilte, over the period 1997 to 1999. The Review looked at the effectiveness of the spending on the delivery of the intended benefits in terms of income, employment and tax revenue. Some key findings to emerge from the Review were that:

- foreign earnings and employment levels significantly exceeded the national targets set

- the average yield per visitor improved over the three years in all segments other than first time holiday visitors

- relating marketing expenditure to visitor numbers resulted in an average cost per visitor of €8. A more detailed breakdown for 1999 showed that the average cost of attracting
  - a holiday visitor was €22
  - a promotable visitor was €19
  - a first time holiday visitor was €41

- the marketing costs associated with attracting visitors from Germany and France were much higher than was the case in other key markets

- relating total marketing expenditure to total revenue generated by visitors gave a return of €50 for every €1 spent in 1999.

In terms of recommendations for tourism marketing policy, the Expenditure Review concluded that the Tourism Marketing Agencies should be more flexible in market operations and more responsive to changes in the marketplace and that targets and performance indicators should be reviewed to more accurately assess efficiency and effectiveness of spending – with a focus on the promotable market segments. The establishment of the new all-island body, Tourism Ireland, provided an opportunity to review marketing policy and how its effectiveness is measured.

In 2002, Tourism Ireland spent over €30 million on marketing activity to promote the island of Ireland – of which two-thirds or €20 million – was provided by the Exchequer in the South. The core of this funding was spent on advertising, which includes TV, radio, print, posters and co-operative campaigns. The production and distribution of market brochures to serve the enquiries generated was another substantial part of the overall marketing spend.

Tourism Ireland undertakes a range of assessments of the effectiveness of its core marketing activities. For example, the level of advertising efficiency is measured through consumer research which seeks to identify the level of recall of people in particular markets in relation to the Irish tourism marketing campaign in comparison to the campaigns of competing destinations.

Quantitative research commissioned by Tourism Ireland in 2003 measured advertising recall at three levels among Ireland's target market[1] in the top four territories (Britain, the US, France and Germany), namely:

- spontaneous (respondents were asked which destinations outside their home country in respect of which they recalled seeing advertising)

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[1] The target market is broadly defined as all ABC1 individuals who had taken a holiday outside their home country in the last 5 years for longer than 4 nights. In the US it is further refined to residents of 10 metropolitan areas with European holiday potential. Responses relate to the island of Ireland, north and south.

- prompted Ireland (respondents were asked if they recalled seeing or hearing any advertising for Ireland recently)

- prompted Tourism Ireland (respondents were read out the local copy of the advertisements and asked if they recalled seeing or hearing it).

The results of the research are set out in Figure 4.8.

Figure 4.8
Respondant Recall for Irish Tourism Advertising
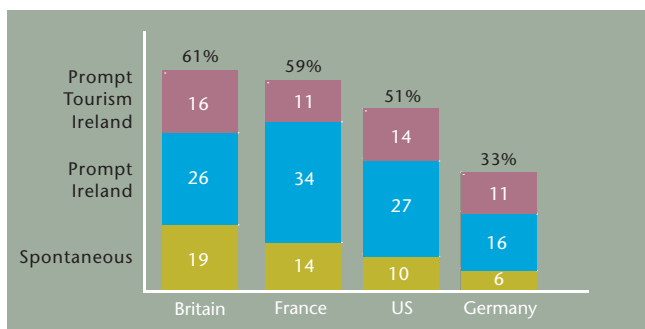
Source: Tourism Ireland

Almost one in five (19%) British respondents spontaneously recalled advertisements for Ireland. When prompted, "had they seen or heard any advertisement for Ireland" between a third and a half of target consumers in Britain, France and the US recalled seeing or hearing some advertisement for Ireland. When the Tourism Ireland advertisements were described to individuals in the markets, more than half of all respondents recalled seeing or hearing some advertising for Ireland, with the exception of Germany. The campaign performance was weaker in Germany as no television advertising was used in 2003, unlike the other three territories.

In comparison to other destination campaigns, Ireland's campaign had comparatively high levels of competitive stand-out. Ireland's spontaneous recall was strongest in France, where the campaign was recalled behind those of only Morocco and Tunisia. In all four markets, Ireland's campaign was recalled ahead of that of all other near-competitors – including the British campaign in the US, France and Germany.

In a quantitative study of advertising effectiveness, the Ireland campaign was rated as more motivating or equally as motivating as competitor advertising by those who spontaneously recalled it.

The use of internet-based technologies remains at an early stage of development across the majority of enterprises in Irish tourism. Enterprises that have the capability to effectively use information and communication technologies in areas such as customer relations management and marketing will have a competitive advantage in the future. A range of measures should be taken by industry and the Tourism State Agencies to help accelerate the exploitation of these new technologies in Irish tourism.

4.7 Wider Issues Affecting Tourism Growth

Consultations undertaken by the Review Group have served to highlight the diversity of the tourism sector and the range of external factors which impact on its development. Among the more important policy areas identified are:

- macroeconomic policies that enhance the business environment for tourism (including central and local government charges)

- issues affecting competitiveness and value for money

- air and sea access and internal transport (including roads and signposting)

- the environment, physical planning, the natural and built heritage

- licensing laws and the proposed smoking ban in the workplace

- education and training.

The ability of the tourism industry, the Tourism State Agencies and the Department of Arts, Sport and Tourism to more effectively shape and influence Government policy in the wider issues that impact on tourism, will be a key influence in determining the future success of the sector.

In the past, the Government Department and State Agencies with responsibility for tourism focused on the development of the sector and policy measures were concentrated in helping the industry to build up its strengths in key business areas such as marketing, product development, standards and training. Such a policy was appropriate to the development phase of the industry at that time when it was operating on a much more modest scale than it is today. However, a wider policy now needs to be defined and a different and more holistic policy

approach is needed to address the broader issues which will impact on the future development of tourism in Ireland. Such a role will require new bilateral structural arrangements between the Department of Arts, Sport and Tourism and other Departments, as well as an internal reorganisation and strengthening of the Department's Tourism Division and the support structures within the Tourism State Agencies.

Such a new role for the Department of Arts, Sport and Tourism will also require the support of the industry representative bodies. One of the disadvantages of the fragmented structure of the tourism industry, with its large number of SMEs and the diversity of product providers, is that the value of its economic contribution is not fully appreciated. Strong industry associations can, through well-researched and presented proposals, do much to influence the wider Government agenda in a way beneficial to both tourism and national development. An enhanced focus on influencing the wider agenda will require a strengthening of industry representative structures to more effectively champion industry interests based on objective, professional research and industry knowledge.

4.8 Tourism Policy Formulation and Implementation

Responsibility for the formulation of national tourism policy rests with the Department of Arts, Sport and Tourism. Current policy for the development of the sector is focused on supporting sustainable growth in visitor expenditure with an emphasis on a wider regional and seasonal spread of business. The Department's policy goals and strategies are set out in its Statement of Strategy and its Departmental Business Plan and reported on in its Annual Reports. Current Government policy and objectives for the sector are set out in the Agreed Programme for Government as already outlined in Chapter 2 of this Report.

The Department's focus has been on setting general policy objectives and targets, determining the annual Exchequer tourism budget and its allocation, and setting the framework for the implementation of tourism policy through its legislative and corporate governance role in respect of the Tourism State Agencies. Development strategies for the industry in the past were set out in the EU Operational Programmes for Tourism which specified a range of schemes and programmes to address product

development, marketing and training requirements, with associated national and sectoral targets for the industry. This position changed in the context of the National Development Plan, 2000 - 2006 when tourism priorities and investment plans were incorporated over a smaller range of Operational Programmes covering Productive Investment, Employment and Human Resource Development and Regional Development. The current plan incorporates a programme budget of some €400 million for tourism, of which only €55 million is being provided through EU funds.

The tourism industry has been a highly successful sector of mainly Irish-owned enterprise – arguably the most successful sector of Irish-owned enterprise since the foundation of the State. As such it has contributed significantly to meeting national investment, foreign revenue earnings and employment creation targets under successive tourism programmes, although the achievement of seasonality and regionality targets have proved more elusive.

Recent Departmental priorities have focused on a major restructuring of the institutional arrangements for the implementation of tourism policy, with the establishment of Tourism Ireland in 2000 as an all-island tourism marketing co-operation body under the Multiparty Agreement of Good Friday, 1998 and Fáilte Ireland under the National Tourism Development Authority Act, 2003 to bring together functions previously undertaken by Bord Fáilte and CERT. Details of the functions now exercised by both bodies are set out in Chapter 2. Following the reorganisation of structures at national level, it is essential that an early review of the functions, activities and interactions of the many bodies involved in tourism promotion and development at regional level is undertaken. In the case of the Regional Tourism Authorities and Shannon Development, a closer correlation between the identified core visitor servicing and development functions and the State financial support provided to them through Fáilte Ireland would be desirable. This is all the more so given the recent deterioration in the finances of a number of the Regional Tourism Authorities due to the reduction in visitor numbers using their services and rising costs.

The concept of a synergistic and mutually beneficial approach to developing tourism on the island of Ireland has evolved since the late 1980s. The establishment of Tourism Ireland, as an all-island tourism destination marketing body, is a logical progression of these developments – to the benefit of the economies of the

island, North and South. While North/South co-operation is most advanced in the area of international marketing, it also operates beneficially to the tourism industry at many other levels. The principal policy challenges are to sustain and grow the more mature parts of the industry on the island while supporting the economic and regional development policies of both jurisdictions which seek to improve the socio-economic well being of less successful tourism regions.

The overall thrust of the new Strategy for Irish Tourism set out in this Report supports the principle of North/South co-operation. It will be a key aim of the Department of Arts, Sport and Tourism, together with Fáilte Ireland, to work with its Northern counterparts and Tourism Ireland on areas of mutual benefit. A particular challenge will be to bed down the new structures and to ensure clarity of focus and responsibility for each body. It is expected that this approach will be mirrored through the evolution of the already strong industry links that are in place. Tourism has been clearly identified as a mutually advantageous opportunity for both jurisdictions with clear economic and social benefits for both communities. The principal aim will be to deliver on the potential manifested by the successful co-operation which has evolved over many years.

In the case of Fáilte Ireland, the policy challenge will be to integrate the former activities of Bord Fáilte and CERT to create a new dynamic development body to help address the new challenges facing the tourism sector and to capitalise on the new opportunities opening up as set out in this Report.

The policy formulation and implementation role of the Department is set to change in the light of the new strategy for the development of tourism set out in this Report and in line with the new emphasis on influencing the wider agenda. A tightening in the public finances will also require a greater emphasis on the efficiency and effectiveness of Exchequer tourism expenditure. The Department will also continue its long-standing policy of working in partnership with the tourism industry in the further development and implementation of policy.

4.9   Overview/Conclusions

The Irish tourism industry today has strong foundations based on a substantial customer base, high overall customer satisfaction ratings, competent and experienced staff and the quantity and quality of its capital stock. The industry represents what is, arguably, the most successful sector of Irish-owned enterprise since the foundation of the State. In becoming so, it has achieved the challenging investment, revenue earnings and employment targets set for it, in the past, under successive national plans and EU Operational Programmes for Tourism. These significant achievements provide a solid base to address with confidence the new challenges facing the tourism sector.

The industry is, today, at an important turning point in its evolution. The strong competitiveness gains achieved during the 1990s have been eroded in more recent years. Unless the industry, defined to encompass both its private and public sector components, takes strong and immediate action to regain competitiveness it will regress in the years ahead. However, if corrective actions are taken with resolution and efficiency, significant opportunities exist, in the context of the anticipated strong growth in international tourism in the years ahead, to build upon, and even surpass, the major success story of Irish tourism in the 1990s.

The industry faces major challenges in regaining its competitiveness in the light of reducing customer satisfaction ratings, in particular as regards delivering good value for money. For visitors, the price issue relates not so much to the cost of access and accommodation, which is generally pre-booked, but to the price of eating out, drink, food in shops and the general cost of living when they get here. While actions at Government level are necessary to address price inflation generally, the tourism industry itself has the primary role and responsibility for driving down costs in the industry. Reforms in the Irish taxation system have resulted in substantial gains to business generally but comparatively high VAT rates and excise duties exacerbate price differentials with other eurozone countries and pose a competitive difficulty for Irish tourism. High insurance costs are also a particular concern and there is an urgent need to accelerate the Government's insurance reform programme to reduce premiums.

The range of tourism products and services, including tourist accommodation, has improved significantly in terms of quantity and quality but there are indications of underutilised capacity and falling margins which could threaten reinvestment and the maintenance of standards in the future. Some remaining gaps exist in tourism infrastructure, most importantly the development of a National Conference Centre and a National Sports Stadium, as well as an enhanced emphasis on the environment, product innovation and the packaging and promotion of tourism products to meet changing customer requirements. While air and sea access to Ireland has seen major improvements during the 1990s, additional visitors could be attracted through changes in transport policy and the further development of access infrastructure.

People are essential to the future development of the sector and a greater level of investment is needed in human resource development to upgrade skill levels to integrate new entrants from home and overseas, and to address staff retention and other problems. While a strong funding commitment remains to tourism marketing and promotion by the State and the tourism industry, there is scope to improve the efficiency and effectiveness of spend in this area. The ability of the tourism industry, the Tourism State Agencies and the Department of Arts, Sport and Tourism to more effectively shape and influence policy in the wider issues that impact on tourism, will be a key influence in determining the future success of the sector. The Department's policy formulation and implementation role will need to be developed and strengthened in line with the new strategy set out later in this Report.

chapter five **5**

A Strategy for Irish Tourism 2003 - 2012

"The New Vision for Irish Tourism is that of a dynamic, innovative, sustainable and highly-regarded sector – offering overseas and domestic customers a positive and memorable experience beyond their expectations. Assuming reasonably favourable international economic and geopolitical circumstances, the Review Group has set a challenging target to double overseas visitor spend to €6 billion over the 10 year period to 2012, with an associated increase in visitor numbers from just under 6 million to 10 million."

Summary of Main Conclusions

- Irish tourism requires a new strategy to chart the way forward at a pivotal point in its evolution.

- The Review Group's vision for Irish tourism is that of a dynamic, innovative, sustainable and highly-regarded sector offering overseas and domestic visitors a positive and memorable experience beyond their expectations.

- The medium and long-term prospects for tourism worldwide remain strong and, over the next 20 years, are projected to be similar to the doubling of tourist traffic that occured over the period 1980 - 2000.

- Central to the future success of Irish tourism will be a recovery of the competitiveness that has been lost in recent years and a capability to respond with flexibility and agility to changes in the market place.

- Assuming reasonably favourable international economic and geopolitical circumstances, the Review Group has set a challenging target for Irish tourism to double overseas visitor spend to €6 billion over the ten year period to 2012, with an associated increase in visitor numbers from just under 6 million to 10 million.

- The key strategic drivers of success for Irish tourism in the future will be the business environment, competitiveness and value for money, access transport, information and communication technologies, product development and innovation, marketing and promotion, the people in tourism, the Government sector and information, intelligence and research.

- A clear decision-making process and implementation plan is needed to provide focus and give credibility for the new tourism strategy outlined in this Report, to review performance in changing circumstances, to drive forward on the specific actions recommended and to report on outcomes.

5.1 The Components of a New Tourism Strategy

In the early years of a new century characterised by major changes and turbulence in the global geopolitical and economic systems, Irish tourism requires a clear strategy. Such a strategy is set out in this Chapter. It takes account of the fundamental changes in the environment now affecting Irish tourism at home and abroad and encompasses the following components.

- **Vision** It provides a clear articulation of what tourism can contribute to the achievement of national social and economic objectives.

- **Forces of Change** It identifies the fundamental changes affecting international and domestic tourism at present and provides an assessment of the key changes likely to occur in future years.

- **Targets and Objectives** It establishes challenging but realistic targets and objectives for the sector.

- **Future Drivers of Success** It identifies the factors that will determine success or failure in achieving the targets and objectives.

- **Flexibility/Agility** It emphasises the importance of an enhanced capability for the different operators within the industry to respond in agile and innovative ways to unforeseen changes in the industry.

- **Decision-making Framework** It provides a clear framework within which good investment and resource allocation decisions by private sector and public sector participants in tourism can be encouraged and facilitated.

5.2 Inter-dependency of Activities – A Defining Characteristic of Irish Tourism

Irish tourism is a complex, diverse sector of economic activity. It supports some 140,000 jobs in a range of sectors including hotels, guesthouses, B&B establishments, hostels, self-catering establishments, restaurants, public houses and visitor attractions in the areas of heritage, culture, sport and entertainment, as well as the many other jobs that are dependent on tourism in other sectors such as the airlines,

shipping services, ports, airports, car-hire, coach-hire and public transport. It also encompasses important areas of activities in tourism-related Government promotional, supervisory, regulatory, training, educational, research and information services. The new strategy for Irish tourism set out in this Chapter, accordingly, provides a coherent framework within which the different parts of the industry operate to create a development dynamic that is greater than the sum of the individual parts. The inter-dependency of the different segments of the industry is a defining characteristic that requires to be reflected in national tourism strategy.

5.3 A New Vision for Irish Tourism

The Review Group proposes the following New Vision for Irish Tourism.

Vision for Irish Tourism 2003 - 2012

Ireland will be a destination of choice for discerning international and domestic tourists which:

- provides a tourism experience that exceeds customer expectations in terms of friendliness, quality of environment, diversity and depth of culture

- has a range of high quality, world-class, competitive products and services widely distributed throughout all the regions of the country

- is a vibrant source of foreign and regional earnings throughout the year

- respects the natural and built environments and supports their conservation and enhancement

- provides attractive career opportunities in tourism for people with a range of skills and employment needs

- provides the opportunity for people working in tourism to enhance their skills through experience, training and life-long learning

- respects and supports Irish culture in all its diversity

- provides a positive international profile of Ireland.

Figure 5.1
The Components of Tourism Strategy 2003-2012

In short, the Review Group's vision for Irish tourism is that of a dynamic, innovative, sustainable and highly-regarded sector that offers to overseas and domestic customers an experience of Ireland which is positive, memorable and beyond their expectations. The objectives are to see customers of the tourism experience in Ireland repeat that experience and to communicate it positively to friends and acquaintances. And in meeting these objectives Irish tourism should be seen as a major source and opportunity for profitable enterprise and as a powerful tool of social and economic development at national and regional levels.

5.4   Irish Tourism – Forces of Change

Future Prospects The fundamental changes affecting tourism internationally and in Ireland at present – and as anticipated in the future – were outlined in earlier Chapters of this Review. In summary, the medium and long-term prospects for tourism worldwide remain strong despite the fall-off from the long-term high growth trends since 2000. Over the next twenty years it is anticipated that the growth in international tourism will be similar to the doubling in tourist traffic that occurred over the period 1980 - 2000. Tourism development will continue to be largely determined by the rate of global and regional economic growth and associated increases in the disposable incomes of a wide distribution of individuals. The developed countries will remain the strongest source and destination of tourist numbers in absolute terms. But, from modest beginnings, Eastern Europe and the Far East – especially China – will claim an increasing share of the origin and destination of international tourists including those who may consider Ireland for a holiday.

Key Geographical Markets for Ireland For Ireland the tourism markets of most importance will continue to be in Britain, the US, the larger countries of Mainland Europe and the domestic market. There are prospects of increased visitor numbers to Ireland from the Far East, Australia and other markets but, while important, these will continue, in the short to medium-term, to account for a small proportion of overall visitor numbers and revenue.

Changes in Customer Profile In each of Ireland's main markets for tourism, however, the customer profile has been changing rapidly and will continue to do so driven by technology, demographics (e.g. an increase in the *older people* share of the population in developed countries) and societal changes. Such societal changes include better education, increasing interest in cultural experiences, increased leisure time, multiple but shorter holiday breaks throughout the year, greater interest in health-enhancing tourist experiences and increasing empathy with environmental conservation.

Transport Developments in access transport and in internal transport are of fundamental importance in facilitating tourism development. These are also undergoing fundamental changes and will continue to do so in terms of technology, organisation and provision of services. The quality, price, frequency and routes of air and sea carriers are clearly of major importance to an island tourism destination such as Ireland. Transport services to and from Ireland, particularly to and from Britain and some parts of Mainland Europe, have greatly improved over the past ten years and more. In doing so, they have made a significant contribution to the strong growth in visitor numbers to Ireland during the 1990s. In particular, low fare airline services have transformed the market for travel between Ireland, Britain and some parts of Mainland Europe and the potential for additional route development remains strong.

Developments on transatlantic air routes have also shown some improvements but to a lesser extent than on cross channel and Mainland European routes.

Internal transport is particularly important for the regional spread of visitors. Rapid economic and population growth and major increases in visitor numbers in certain areas have given rise to congestion problems that are causing difficulties for the quality of the tourism experience. These problems are being addressed through a major Government investment programme in road and rail infrastructure. The programme is, however, some distance

behind schedule because of project management and planning administration difficulties and because of the erosion of resource allocations to the programme by cost inflation.

Technology Apart from the significant changes in technology affecting both access transport and internal transport, the other great technological driver of change in the tourism industry lies in the rapid development of information and communication technologies. Information and communication technologies profoundly affect the way that tourism business is conducted. Their impact is evident in the areas of competition, marketing, customer relations management, reservations, room/accommodation utilisation and optimisation, cash-flow management and the delivery of tourism related education and training services. Measures to optimise the use of these technologies throughout the sector as they exist at present, and as they continue to evolve, must be a central part of Ireland's tourism strategy.

5.5 Strategic Targets for Irish Tourism 2003 - 2012

The Nature of Targets

Ambitious but realistic targets for key indicators of performance are an essential component of Irish tourism strategy. These targets must relate to the fundamental objectives of tourism policy. Such objectives are explicitly concerned with sustainable national wealth creation and regional distribution. Targets need to be few in number in order to maintain a sharpness of focus in relation to the key factors that determine the performance of Irish tourism. They must seek also to capture the essence of the contribution the sector makes to social and economic objectives in Ireland, at both national and regional levels, and to measure that performance against internationally relevant benchmarks.

Strategic targets, while not forecasts, provide a sense of direction for tourism policy and they facilitate the prioritisation of actions to support the development of the sector. Performance targets must not, however, become inflexible straitjackets – it can be expected that many outcomes will be out of line with targets because of changing circumstances, and that targets will need to be adjusted. It should be understood that targets reflect assumptions about the future course of the underlying

factors that affect tourism development. At the core of these underlying factors, as far as Irish tourism is concerned, are the rate of economic growth in Ireland and in the main markets in which it competes and the overall sense of security, or otherwise, arising from geopolitical events.

The strategic targets for Irish tourism set out in this Chapter also provide the higher-level benchmarks that can be used by private sector operators and the Tourism State Agencies, at national and regional levels, to develop detailed operational targets. In setting targets it is important to distinguish the segments of visitors that are most likely to be influenced by the marketing activities of industry operators and the Tourism State Agencies – defined as the *promotable* segments.

Strategic Target Areas for Irish Tourism 2003 - 2012

Taking considerations discussed in previous paragraphs into account, the following are the strategic areas for which quantitative targets are being set.

Strategic Target Areas for Irish Tourism 2003 - 2012

- Tourism Revenue
  - Overseas
  - Domestic
- Overseas Visitor Numbers
  - Total
  - Promotable Segment
- Domestic Holiday Numbers
- Regionality

The following paragraphs set out specific targets for each of these areas. The main underlying assumptions, on which these targets are based, are as follows:

- average annual economic growth rates in Ireland's main tourism markets (Britain, US, Mainland Europe) over the next decade will, on average, be broadly similar to that of the 1990s

- the rates of growth, and the time period in which they are attained, will vary from one market to another as they are dependent on rates of economic recovery in these markets, developments in air and sea access and the capability of the tourism industry in Ireland to reverse the recent deterioration in customer satisfaction in value for money

- the average annual rate of GDP growth in Ireland will be 5% a year

- international geopolitical stability will recover to a level broadly similar to that of the 1990s.

Total Overseas Revenue and Visitor Number Targets 2003 - 2012

Overseas visitors account for over two-thirds of the bed-nights and over 80% of the revenue earned in Irish tourism. In the light of the analysis set out earlier in this Report, the Review Group believes that overseas revenue can be doubled to €6 billion and visitor numbers can be increased, from just under 6 million in 2002 to 10 million, by 2012. The targets for this segment of tourism are set out in the following tables and associated charts.

Table 5.1
Overseas Revenue and Visitor Number Targets to 2012

Revenue (€ million 2002 prices)	2002 Actual	2006 Target	2012 Target	Av. Annual Growth % 2002-2012
Overseas Visitor Spend[1]	3,088	3,835	6,000	6.9%
No. of Visitors (m)				
Britain	3.5	4.1	5.5	4.8%
Mainland Europe	1.4	1.7	2.3	5.3%
North America	0.8	1.0	1.8	7.6%
Other areas	0.2	0.3	0.5	6.3%
Total	5.9	7.0	10.0	5.4%

[1] Excluding receipts paid to Irish air and sea carriers & revenue from Northern Ireland vistiors

Figure 5.2
Overseas Visitor Revenue Targets to 2012 (2002 prices)

Figure 5.3
Overseas Visitor Number Targets to 2012
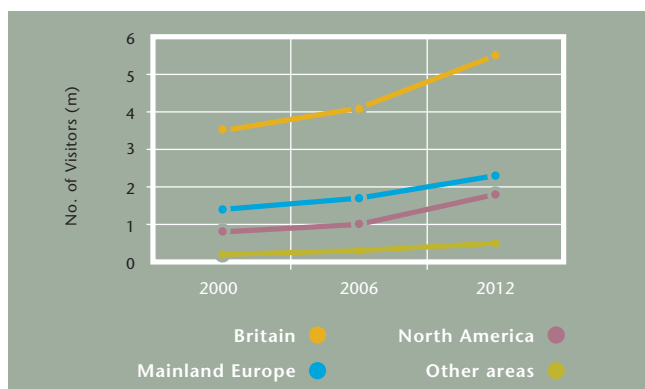
Promotable Overseas Visitor Targets 2003 - 2012

The *promotable* segments of visitors from overseas countries comprise the potential visitors most likely to be influenced to visit Ireland by the marketing activities of industry operators and the Tourism State Agencies. The *promotable* segment constitutes those visiting Ireland primarily for holiday, conference, language study and incentive travel purposes (for example, the provision of travel packages to reward employees or business partners for work performance). An important reason for focussing on the *promotable* market segments is that those segments generate greater revenue per capita than, for example, those who stay with friends and relatives. In 2002, the *promotable* segments accounted for 45% of total visitors.

The Review Group believes that a target should be set to increase this share to 50% by 2012. Specific targets for the *promotable* segments, by main market, are set out in the following table and associated chart.

Table 5.2
Promotable Overseas Visitor Number Targets to 2012

No. (m)	2002 Actual	2006 Target	2012 Target	Av. Annual Growth % 2002-2012
Britain	1.3	1.5	2.2	5.5%
Mainland Europe	0.7	0.9	1.3	5.8%
North America	0.5	0.6	1.1	7.9%
Other areas	0.1	0.2	0.3	6.6%
Total	2.7	3.3	4.9	6.2%
% of All Visitors	45%	46%	50%	

Figure 5.4
Promotable Overseas Visitor Number Targets to 2012

Domestic Holiday Targets 2003 - 2012

The domestic market is of key strategic importance to the development of tourism in Ireland. Domestic tourism trips, involving at least one overnight stay, numbered almost 6 million in 2002. Almost 50% of these trips were for holiday purposes while a further 40% related to the visiting of friends and relatives. The domestic market is important not only in terms of size but is also a major instrument in the regional distribution of tourism visitors and revenue. It is characterised by a significant flow of visitors from the main urban areas to the less developed regions including from east to west. It, also, plays a major positive role in extending the seasonal distribution of tourism. It contributes over 50% of the bednights in hotels, one-third of the demand in guesthouses and B&B establishments and accounts for some 25% of visitor demand on golf courses. Finally, a discerning, discriminating and demanding domestic market can strongly influence better developments in the price, quality and range of tourist services and, in doing so, help increase standards and competitiveness in the industry.

The most *promotable* segment of the domestic market is the segment for holiday trips. The visitor and revenue targets proposed by the Review Group in this area are set out in the following table and associated chart.

Table 5.3
Domestic Holiday Targets to 2012

	2002 Actual	2006 Target	2012 Target	Av. Annual Growth % 2002-2012
No. of Holiday Trips (m)	3.0	3.6	4.3	3.7%
Revenue from Holiday Trips (€b)	0.6	0.8	1.0	4.4%

Figure 5.5
Domestic Holiday Revenue Targets to 2012
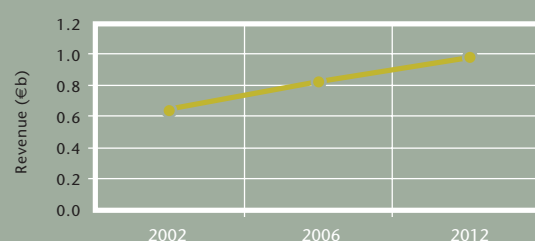
Regional Targets 2003 - 2012

The regional distribution of tourism is highly important for a number of reasons. At a very basic level the tourism product is distributed geographically. Developing, facilitating and promoting access to that product is at the very heart of tourism policy in Ireland. The tourism product and associated visitor potential is not, of course, distributed evenly throughout the country. Different areas are more or less attractive to tourists depending on the characteristics of their natural and built environment, ease of access and competitiveness relative to other locations in Ireland and overseas. An important determinant of regional performance is the effectiveness and the spirit of innovation of both tourism operators and promotional bodies at local level.

Government policy strongly supports balanced regional development – as set out in the *National Spatial Strategy* published in 2002. Tourism represents one of the strongest means by which balanced regional development can be achieved. Accordingly, a fundamental objective of tourism policy must be to facilitate each tourist region in achieving its full potential for tourism development – in a way that maintains and enhances the sustainability of its tourism base. This will mean different rates of tourism growth in different areas of the country.

For regional development purposes, Government policy has placed specific emphasis on the need to promote development in the Border Midland and Western (BMW) Region. Accordingly, the Review Group considers that a doubling of the number of overseas promotable visitors staying at least one night in the BMW region be set as a target over the period to 2012.

Table 5.4
Regionality Target to 2012

million	2002 Actual	2006 Target	2012 Target	Av. Annual Growth % 2002-2012
No. of Promotable Tourists to BMW Region	0.8	1.0	1.6	7.5%
BMW share (%) of all promotable tourists	30%	31%	34%	

Attaining this target will represent a considerable achievement, particularly in the context of an increasing share of visitors to Ireland taking short breaks – which tend to favour established tourist areas outside the BMW region. As set out earlier in this Report, domestic visitors represent a major contribution to regional tourism and the promotion of this segment will remain a central element of tourism strategy for regional development purposes.

5.6   Future Drivers of Success

Irish tourism is a highly diverse and complex sector. It includes a wide range of operators from both the private and public sectors. The combined actions of these operators are what determine the success of Irish tourism relative to that of other countries and relative to the vision, targets and objectives discussed in previous paragraphs of this Chapter. The key strategic drivers of success for Irish tourism may conveniently be discussed under the following headings

Key Drivers of Success

- Business Environment

- Competitiveness & Value for Money

- Access Transport

- Information and Communication Technologies

- Product Development & Innovation

- Marketing & Promotion

- The People in Tourism

- The Government Sector

- Information, Intelligence & Research

The strategic contribution and requirements of each of these areas is discussed in the following paragraphs. The success of Irish tourism, within any particular international environment that emerges, will depend on the development and implementation of an integrated set of well-formulated tourism promotion actions across each of these areas.

Strategic Success Driver 1 Business Environment

The main driving force behind the major success of Irish tourism over the past 20 years has been private sector enterprise involving thousands of mainly small business entities spread across all parts of the country. As already indicated in this Report, the tourism sector represents the most important and successful sector of Irish-owned, internationally-trading, enterprise since the foundation of the State – something that is not always fully appreciated and acknowledged.

The Government sector has played an important, supportive and catalytic role in the success of the industry. This role has been exercised *directly* in the form of financial support, promotion and marketing, education and training, research, information provision and the maintenance of an economic and general policy environment supportive of business investment. This has included significant reform of the taxation regime which is now highly supportive of business development and internationally competitive in the areas of corporation tax, capital gains tax, income tax and social security contribution rates. It has been exercised *indirectly* through investment in tourism related infrastructure and State-owned tourist visitor attractions.

The ultimate determinant of success in Irish tourism will continue to be an energetic, innovative and profitable private sector. This will require a domestic environment where Government policies are supportive of business investment in tourism and provide economic and regulatory certainty in an increasingly volatile and demanding internationally competitive environment. Accordingly, maintaining the profitability of tourism investment relative to alternative investment opportunities in Ireland and abroad is an important and central objective of tourism strategy. Achieving this objective will be facilitated by a range of Government policies that enhance the business environment for tourism. Some of the key strategic requirements are as follows.

Government Policies Required to Enhance the Business Environment for Tourism

- Promote competition within tourism, within the provision of tourism-related services and more generally across the economy.

- Ensure pro-competition regulation in tourism-related services where free competition does not prevail at present – including in the area of services provided by both the private sector and by Government bodies.

- Provide for competitive rates of direct and indirect taxation on tourism related activities.

- Use Government instruments of economic policy including taxation, expenditure, charges for Government services and social partnership negotiations to keep inflation under control and below the eurozone average.

- Address urgently the factors that are generating high absolute levels of, and high rates of increase in, insurance costs for tourism enterprises as identified in a number of analyses and recommended actions already undertaken and identified, by the Government.

- Support the provision of essential tourism-related infrastructure in areas where the potential returns to private sector investors are below market rates. Examples include a National Conference Centre, a National Sports Stadium, roads and rail facilities at points of international air and sea access and tourism-attracting facilities in the less developed tourism areas of the country.

**Strategic Success Driver 2
Competitiveness & Value for Money**

Competitiveness can be defined as the degree to which Irish tourism can produce and deliver services to overseas and domestic customers so that its share of international markets is maintained and expanded while, at the same time, the real incomes of people working in tourism are maintained and increased in line with other sectors of the economy.

The competitiveness of Irish tourism derives from a wide range of factors. The *price* paid for tourism products and services is one important factor but it is not the only one. For each individual customer of Irish tourism the perception of competitiveness is a function of total experience relative to other alternative tourist destinations. It encompasses the point of initial contact with Ireland as a potential tourist destination, the transport services used in getting to and from Ireland, travelling within the country, the quality of product and of services experienced and a host of intangibles which shape the perception of visitors in relation to Ireland.

Competitiveness is not always easy to measure but the systematically recorded views and perceptions of visitors and trends in market share are reasonable, *first cut* indicators of competitive performance.

By any standards the competitiveness of Irish tourism over the period 1990-2000 was extremely good. Over that period:

- the total number of overseas visitors doubled to 6.3 million

- surveys conducted indicated that the holiday experience of visitors consistently met or exceeded expectations of well over 90% of visitors

- Ireland's share of visitors from main markets in Britain and the US increased.

These positive trends were helped by a relative fall in the value of the Irish currency over that period against sterling and the US dollar and by the significantly increased availability of EU and Exchequer funds for product development and promotion purposes. It is highly unlikely that either of these factors will be replicated over the coming decade.

The current position in relation to the competitiveness of Irish tourism is less satisfactory as highlighted earlier in this Report.

- Since 2001, visitor surveys indicate a strongly increased level of dissatisfaction on the part of overseas visitors with their holiday experience in Ireland in terms of value for money, although overall satisfaction ratings remain high across most other factors. In 2002, 55% of overseas visitors considered that they did not receive good value for money.

- The 2003 survey undertaken on behalf of Forfás and the National Competitiveness Council of price trends in Ireland relative to other countries in the eurozone shows that Ireland ranks at present as the second or third most expensive country in Europe in terms of prices in pubs and restaurants. Pubs and restaurants, of course, form an important element of the tourism experience in Ireland. Price deterioration in Ireland relative to other eurozone countries has been on the increase since the mid 1990s and is, increasingly, a cause of negative comment on the part of visitors and domestic tourists.

- 2002 saw the first deficit in recent history in the balance of payments in tourism receipts for the Irish economy as more Irish people holidayed outside Ireland. Increased overseas travel on the part of the inhabitants of any country is an indication of its relative prosperity and the demand for overseas holidays by Irish tourists is mainly driven by increasing income levels. Nevertheless, it is undoubtedly the case that the decisions of many Irish holidaymakers to holiday overseas rather than at home have been strongly influenced by the relative deterioration in the price competitiveness of Irish holidays in recent years.

Addressing the recent deterioration in competitiveness is a major challenge for Irish tourism strategy. Tourism strategy must therefore address a range of factors, both at the level of the firm and that of Government, that determine the overall competitiveness of the Irish tourism product. These factors include the quality of product and of service, the availability of new products and services, the price and quality of access transport – both external and internal and the professionalism and skill levels of the people in tourism and the efficiency with which they conduct their business. The strategy should also address the impact on the competitiveness of tourism of Government actions across a range of functional areas (e.g. education, training, taxation, transport, environmental conservation and physical planning).

Strategic Success Driver 3 Access Transport

Good access transport to and from external and internal locations is of primary importance to the development of tourism. The main developments in this area from the perspective of tourism have already been summarised in the *Forces of Change* paragraph and set out in more detail in earlier Chapters.

Looking to the future, Ireland's national transport strategies must encompass a number of fundamental requirements in relation to tourism as set out below.

Strategic Transport Requirements of Tourism Strategy

- The quality, price, frequency and route access of air and sea transport to and from Ireland must be at least as good as that available to potential visitors in the case of other locations, taking distance and market size into consideration.

- Full and fair competition in transport services and in the provision of the underlying infrastructure services at air and sea ports should be the preferred approach in meeting the objectives of quality, price, frequency and route access that best meets the needs of Irish tourism.

- Any diminution in a strong competitive environment should be accepted only where compelling reasons exist and then only in the context of a strong regulatory framework which ensures costs and services are bench-marked against, and maintained at least at par with, best international practice in the locations against which Irish tourism competes.

- Good internal transport and services (road, rail, bus) are essential components of a national tourism strategy. Government plans in place to address these requirements are ambitious and well-formulated. However, the project management, planning, administration and cost inflation problems which are undermining these plans need to be addressed as a matter of urgency.

Strategic Success Driver 4 Information and Communication Technologies

Developments in technology will continue to drive significant change in tourism, particularly in the areas of transport services and the provision of information and communications. The importance of information and communication technologies has become more evident throughout the industry and more widely. This impact will intensify in the years ahead and will affect a number of areas as set out below.

Information & Communication Technologies – Main Areas of Impact on Irish Tourism

- Customers/Potential Customers

- Customer Relations Management (CRM)

- Competition

- Promotion & Marketing

- Networking

- E-Commerce Transactions

- Management Operations

- Education & Training

Considering each of these areas briefly the following future trends can be identified.

- **Customers/Potential Customers** Customers will increasingly wish to interact directly with tourism operators through internet based technology, with consequences for existing planning and booking arrangements through travel agents and tour operators.

- **Customer Relations Management (CRM)** CRM based on the use of internet technologies holds major potential for sectors such as tourism where customer contact is direct and intense and its base is dispersed. Its use is becoming common in a number of sectors including the retail sector, in magazine and newspaper industries and in many sectors of manufacturing industry. In tourism it is also developing but so far has been confined mainly to the

larger hotel and transport groups. This will change in the years ahead as internet based CRM is rolled out more widely.

- **Competition** Competition for tourists/visitors will increasingly take place through information and communication technologies. Potential customers will use the technology to seek information and compare prices and locations. They will increasingly seek to undertake booking/reservation and payment transactions through the internet.

- **Promotion & Marketing** The new internet based technologies provide a powerful new instrument of marketing and promotion for individual tourism operators and for the Tourism State Agencies. The effectiveness with which the opportunities arising are addressed will, increasingly, become a source of competitive advantage, or otherwise, for both individual operators and for tourist destinations.

- **Networking** Information and communication technologies provide an opportunity for the mutual beneficial sharing of information and data between operators in tourism and between these operators and the Tourism State Agencies. Such networking arrangements are in the early stage of development but they hold considerable potential for improved monitoring and delivery of tourism strategy.

- **E-Commerce Transactions** Internet based technologies will be used increasingly in the tourism industry and will allow for considerable improvements in cash management by tourist operators.

- **Management Operations** Internationally within tourism establishments, the use of information technologies has started to transform operations in areas such as finance, stock-control and personnel operations. Effective use of these technologies can generate considerable efficiencies. Again larger operators are the main users of these technologies for internal management purposes but this will change as internet based skills become more common in the population and the relative cost of the associated technologies and software falls.

- **Education & Training** The use of internet based technologies in the tourism industry for training and education purposes is still in its early stages of development. This will change as the technologies are

particularly useful for on-the-job training in a sector where atypical working hours are the norm.

The use of internet based technologies remains at an early stage of development across the majority of operators in Irish tourism. The level of skills available within the industry and the sectors that support it are low. A major challenge for tourism strategy is to address these weaknesses and to achieve the widespread adoption of internet based technologies across all segments of the industry. This will be a key task for industry operators individually, for their representative support bodies and for the Tourism State Agencies.

Strategic Success Driver 5
Product Development & Innovation

The product base of Irish tourism is highly diverse. It encompasses the natural and built environment including accommodation, restaurant and visitor attractions. There has been very significant investment in the capital stock of Irish tourism over the past ten years facilitated by EU and Government financial support, attractive taxation incentives and a low interest regime in more recent years.

In the case of the natural environment the emerging position includes both positive and negative features. On the positive side there is widespread acceptance of the importance of good management and conservation practices in maintaining and enhancing the attractiveness of both the built and the natural environment. These consistently rank at the top of the list of factors that attract visitors to Ireland. On the negative side rapid economic and population growth, increased car-ownership and the strong increase in visitor numbers have generated a number of substantive problems. These give rise to congestion in both urban areas and in the more important, non-urban, visitor attraction destinations. They have also resulted in inappropriate development in sensitive areas of the natural and built environment, and waste management systems in a number of areas which are inconsistent with modern day standards and the *green* image of Ireland, and an unsustainable tolerance of low environmental standards and litter by too many people in our society.

The strategic challenge for Irish tourism over the next ten years in the area of product development lies in maintaining and enhancing the quality of the capital stock and in managing the natural and built environment in ways that maintain and enhance their attractiveness for the benefit of

domestic and overseas visitors. There is a need for a far stronger product innovation capacity in Irish tourism to meet the changing needs of a more discerning customer base whose product requirements and choice of destination are becoming more varied. The potential customers for which Irish tourism compete, increasingly seek a holiday which enhances personal experience in terms of characteristics such as personal well being, new life-enhancing experiences, new cultural experiences and indeed experiences generally which they consider unique to their individual requirements.

Strategic Success Driver 6
Marketing & Promotion

Effective marketing and promotion are an essential element of tourism strategy and a major part of the complex of factors that determine the achievement of targets. Clearly the main responsibility for marketing and promotion rests with the industry itself and its individual enterprises. The scope for joint and complementary marketing and promotion between enterprises is also significant. Such co-operative marketing has increased in recent years and there is both a need and an opportunity to build on this both on an all-island basis and in each of the jurisdictions. With the advent of e-sales and internet marketing, there will be greater need and scope for individual firms to significantly develop their own marketing and sales capability than has been the case heretofore.

Because of the dominance of small scale establishments and the importance of tourism to national and regional development, the case for significant State involvement in marketing and promoting the industry, in close consultation and cooperation with tourism operators, is also strong. State participation is essential in the generic task of marketing and promoting Ireland as a destination for overseas visitors, using modern promotional strategies based on a strong brand image. It is also essential in the marketing and promotion of specific niche areas on both the demand side (e.g. Irish ethnic market, incentive travel, the *adventurous* young, the independent traveller etc) and the supply side (e.g. golf, fishing, walking, conference facilities, rural tourism, Irish language and culture etc). Promotion and marketing is one of the significant ways through which the Irish tourism product is differentiated in the minds of potential visitors and through which Irish tourism competes against alternative tourist locations and against the market message and profile that competing national tourism agencies convey.

Because they are central elements of an effective national tourism strategy, it is essential that market and promotion

activities are based on systematic and up-to-date market research, are focussed on the best market prospects and segments identified by that research and that performance is systematically monitored and evaluated for effectiveness and value for money.

Britain and the US have consistently accounted for almost two-thirds of all overseas earnings – 42% and 21%, respectively, in 2002. Market research and analysis indicates that these two markets will continue to dominate visitor numbers and earnings in Irish tourism over the next ten years. The prospects for an increased share of overseas earnings coming from Mainland Europe are good – especially if the interests of Irish tourism can be more closely aligned with low fare air access. Taking these factors into account the strategic market priorities for Irish tourism over the next decade are set below.

Strategic Overseas Market Priorities 2003 - 2012

	Market Priority	Customer Characteristics
Medium Term	**Top Growth Prospects**	The principal target segments for
Longer Term	Central and Eastern Europe	

While current analysis indicates that the areas set out in the above diagram represent the best medium and long-term market prospects, the international tourism industry is undergoing fundamental change at present for reasons and along the lines discussed in earlier Chapters. These *Forces of Change* will persist over the next ten years and beyond. Accordingly, it will be essential for Ireland's tourism strategy to maintain the flexibility needed to respond with imagination and agility to unforeseen changes in market developments and prospects.

Key Overseas Market Segments In parallel with the targeting of specific geographic markets, marketing strategy will also need to focus on specific segments of identified consumer demand including those relating to niche products. The segments of highest potential identified for this Review in terms of their contribution to the objectives and targets of strategy – including those relating to regionality, and revenue goals are set out below.

Key Overseas Market Activity Segments 2003 - 2012

Touring (predominantly longer stays)	English Language Learning
Culture/ Sightseeing Countryside	Golf
	Walking
Castles and Gardens	Equestrian
Dublin breaks	Youth Budget
Angling	Cycling
Conference	Cruising
Incentive travel	Health Tourism
Sporting & Other Events (e.g. horseracing, greyhound racing, field games)	

In marketing and promoting the contribution of these segments to the strategic objectives of regionality and seasonality it is essential that a balanced approach is taken. The objective must be to position Ireland as a destination suitable both for short-stay breaks and for longer-stay touring holidays so that both segments grow together and that growth in one segment is not achieved at the expense of the other.

In summary, the key elements of the proposed overseas marketing and promotional strategy over the period to 2012 are as follows.

Key Elements of the Marketing & Promotional Strategy for Overseas Visitors 2003 - 2012

- A consistent focus on the primary best prospect markets.

- Investing opportunistically using pilot programmes in areas of new market development potential.

- Greater segmentation of Ireland's potential market to maximise use of marketing funds.

- Increased integration of product and service providers in co-operative and complementary marketing and promotional campaigns.

- The maximum deployment of marketing resources to front line marketing activities.

- An increased use of new communication technologies and distribution channels.

- A greater use of customer relationship marketing programmes.

- A continuous assessment of marketing effectiveness.

- Exploiting the potential of an all-island approach to tourism marketing based on an extended range of individual and complementary products available to tourists in both Northern Ireland and the South.

The Domestic Market The domestic market is strategically important, not only in terms of its size, but because of the significant contribution it makes to the achievement of the regional, seasonal and business sustainability objectives of tourism strategy. While it is a market of central strategic importance to Irish tourism, it is also a market experiencing major changes in demographic structure, in customer profile and attitude and in purchasing capability. Marketing and promotional activities will need to continue to reflect these realities. Accordingly, the marketing strategy for domestic customers will require to be based on a more systematic research of customer profiles and requirements. It will continue to need a high priority status and link the full range of tourism products and services with customer requirements. The domestic market is, particularly, amenable to effective use of new technology-based customer relations management (CRM).

Strategic Success Driver 7 The People in Tourism

The considerable success that the tourism industry has achieved over the past twenty years is a reflection of the many excellent people within the industry – their initiative, drive, energy, skills and customer know-how. Successive customer surveys have shown consistently that the character, personality and friendliness of the people with whom visitors come into contact is a major attribute of Irish tourism.

Maintaining the quality of the *people experience* must remain a fundamental objective of tourism strategy. This will only happen if the industry, its various segments, its individual operators and the Tourism State Agencies work together to ensure that generic training, skills-based training (both in-house and external), recruitment policies, team-working arrangements, motivation and incentivisation systems within the industry are among the best in the country and internationally.

In the years ahead the rate of increase in the labour force and the number of school leavers will fall sharply in Ireland. There will be increasing competition between sectors of the economy and between individual businesses within and between these sectors to recruit and retain *the brightest and the best* people available. It is absolutely essential if the Irish tourism industry is to attract and to keep the best people needed to grow and develop the industry to its full potential by exploiting the opportunities outlined in this Report, that a Human Resource Development Strategy is put in place which has the full support and commitment of the industry itself and the Tourism State Agencies. This strategy must position the different segments of tourism as a career of choice for both new entrants and existing employees as follows.

Human Resource Development Strategy for Irish Tourism 2003 - 2012: Key Requirements

Irish tourism and its different segments must be positioned as a career of choice for new entrants and existing employees through:

- the excellence of its pre-entry, induction and in-career training programmes

- the high national and international standing of its qualifications

- a wide range of opportunities for career development and advancement

- the competitiveness of its remuneration and employee incentivisation packages

- the excellence of its conditions of employment

- the opportunities provided to employees to influence and shape the decisions that affect the future development and employment prospects and conditions of the enterprises in which they work

- creating and promoting a high perception on the part of the general public and potential employees of the attractiveness of tourism and its different segments as a career option.

**Strategic Success Driver 8
The Government Sector**

While the tourism industry in Ireland is driven by private sector enterprise, innovation and investment, the Government sector plays a critical role in the development of the industry at national and regional levels. The effective discharge of this role is an essential component of tourism strategy. The role may be described under a number of headings.

- **Tourism Policy/Strategy** A fundamental role of Government, through the Minister for Arts, Sport and Tourism, is to formulate, articulate and communicate national tourism policy which puts in place a consistent framework of integrated actions, across all relevant areas of Government activity, within which private sector enterprise, innovation and investment in tourism flourishes.

- **Regulation** The Government also is responsible for putting in place a regulatory framework for the tourism industry which is administratively efficient, promotes competition and safeguards standards in essential areas such as registered accommodation, tourism-related education and training, safety and public health.

- **Incentives & Supports** The Government has an important role in promoting tourism in developing areas where the activities supported are not being or likely to be provided by the private sector for reasons of market failure (i.e. the likely returns not justifying private sector investment) and the social or economic returns are greater than the cost of intervention.

- **Partnership** In formulating, monitoring and implementing strategy, the Government needs to do so in close consultation with representatives of the tourism sector.

**Strategic Success Driver 9
Information, Intelligence & Research**

Tourism is a diverse, complex sector with a customer base which is also highly diverse in terms of origin, age-profile, income levels, educational attainment, leisure interests and time availability. It is an internationally competing service in which customers travel to experience the product at its place of origin or operation. It is a highly volatile industry in which instant decisions are made to travel or not to travel to a particular destination and which is strongly affected by economic growth rates and political instability.

Given the fundamentally volatile characteristics of tourism it is essential that tourism strategy at national and regional levels be based on the best possible data and information. That data and information needs to be converted into relevant intelligence and further converted into a foundation for decisive actions. In short, good information, intelligence and research are essential for the formulation of effective tourism policy and the development of supports which best meet the needs of a rapidly changing industry. Such requirements need to cover the wide range of factors that determine the potential of individual markets for Irish tourism. These include shifts in the offerings of competitors, economic and demographic projections, new technologies affecting tourism and other factors in order to provide an essential information input into the investment decisions that will drive the tourism sector in Ireland in the future.

Putting in place a highly professional, efficient and effective system of information and intelligence gathering and research to underpin decision-making by individual operators, by the Tourism State Agencies and by the Government is an essential component of the new tourism strategy.

5.7 Flexibility/Agility

All available information indicates that the international business environment has entered a period of fundamental change, uncertainty and volatility that is likely to persist for some time. For reasons well set out in this Report the tourism sector is particularly affected by these developments. It is, undoubtedly, the case that the industry will come through the present period of turmoil into a better business environment. The analyses of future market trends undertaken by the World Tourism Organisation bear this out. While there are some initial indications that prospects for tourism are beginning to turn around at present, it would be wise to prepare for further uncertainty and for future volatility.

Accordingly, the strategy for tourism outlined in this Report will require to be monitored and reviewed more frequently and intensely than has been the case previously with strategies formulated in more certain times. The objective of such continuous reviews, and consequential adjustments to strategy, recommendations and actions, is to be able to respond quickly and effectively to changes in market circumstances to the benefit of Irish tourism. Of particular importance in achieving this flexibility and agility of approach will be the upgrading of the system of information, intelligence and research as a central element of tourism strategy as set out earlier in this Chapter.

5.8 Decision-Making Framework

The tourism development strategy set out in this Report provides a framework of actions to support the development of tourism in Ireland and its regions at a level higher than would be the case in the absence of the strategy. The specific actions required are clearly set out in Chapter 6, together with the reasons for taking them, the bodies responsible for implementing the actions and the time-frame within which the actions should be accomplished. The Report should, therefore, be read as a manual for action rather than simply as a consultative document.

In order to reflect the action orientation of the Report a small, high-level Implementation Group should be established, for a two-year period, with representation from the private and public sectors. The task of the Implementation Group will be to oversee implementation of the recommendations in the Report, revise them as they consider necessary in consultation with the bodies responsible for their implementation, consider what reshaping of strategy is needed in the context of changes in the market place and report on their deliberations at six-monthly intervals. A strong on-going process of consultation with the industry is a critical component of the follow-up to this Report.

5.9   Overview/Conclusions

Irish tourism in 2003 is at a crossroads. It has come through a period of major development and success in the 1990s – probably the most successful decade in its history. Today, it faces major changes in the international economic and geopolitical environment very different to those which helped to underpin its success in the 1990s. Significant changes have emerged in the profile of its customer base, both at home and abroad. The competition that it faces from traditional competitors has intensified in the face of a downturn in world tourism and some uncertainty about the immediate future. At the same time new competitors from Eastern Europe and further afield have entered the market in which Irish tourism has traditionally competed.

All of this is happening at a time when the competitiveness of Irish tourism has deteriorated and is under further threat. This arises from a combination of price pressures, from a certain complacency at industry and Government levels that the good performance of the past can be sustained in a changed international and domestic environment and from congestion factors following a decade of both economic and tourism growth faster than had been anticipated and faster than the capacity of many elements of infrastructure to adjust to the increased demands.

It is also happening at a time when it is clear that the significant levels of financial support for the development of the industry from EU and Government, widely available in the 1990s and to the present time through direct grants, taxation incentives and infrastructural supports, will not be available at anything like the same level in future years.

Accordingly, a successful Irish tourism industry in the years

ahead will be an industry that is more self-reliant, agile and adaptable to change in the market place. The industry has shown, over the past decade and more, its capacity to adapt. It has many strengths including, and beyond, those available when the industry started on an extraordinarily successful development path in the 1990s. Among these strengths are its proven track record of meeting customer needs and a deep knowledge of customer requirements associated with that success, a capital stock based on recent investment that is modern and efficient across all segments of the industry and a people-in-tourism resource to which customers/visitors have consistently awarded the very highest accolades.

Central to the success of Irish tourism in the years ahead will be a recovery of the competitiveness that has been lost in recent years.

To address these issues a new strategy for Irish tourism is needed which clearly sets out a new way forward in the context of the fundamental changes now affecting the industry. Such a strategy is set out in this Report and particularly in this Chapter. It encompasses:

- a clear vision of where Irish tourism wants to go

- a description of the underlying forces that are shaping the industry at present and those that will continue to do so in future

- the establishment of challenging targets and objectives for the industry going forward

- an analysis of the factors that will drive success in the industry

- an approach to developing an enhanced capability within both the private and public sector components of the industry to innovate and respond effectively to unforeseen circumstances

- a decision-making framework that facilitates the formulation of such a strategy and its implementation through consistent and decisive actions at Government level and across the different sectors of the industry itself.

The Review Group believes that the analysis contained in this Report and the new strategy for Irish tourism set out in this Chapter offers a path to the future successful development of the sector.

chapter six 6

Implementing the Strategy - The Actions Required

"The policies and actions that have delivered strong performance in Irish tourism in the past will not suffice to do so in the future. The way in which the changes now required are anticipated, managed and put in place will determine the future success of Irish tourism as a sector of investment opportunity, innovation and enterprise, and as an instrument of Government developmental policies."

6.1   Translating Strategy into Action

Irish tourism is a highly complex and diverse sector of interdependent, economic activities operating within both the private and public sectors. The actions now required to implement the new strategy for Irish tourism outlined in this Report are equally diverse and wide-ranging. They encompass many different decision makers in both the private and public sectors.

In identifying the key actions needed to deliver the strategy outlined, the Review Group was guided by three fundamental principles.

Fundamental Principles Guiding Recommended Actions

1   The growth and development of the tourism industry throughout Ireland must, primarily, be driven by private sector enterprise, innovation and investment with sensible and appropriate Government support.

2   The basic function of tourism policy is to put, and maintain, in place a consistent framework of well-chosen actions, across all relevant areas of Government activity, within which enterprise, innovation and investment in the tourism industry flourishes.

3   Government has an important complementary role in supporting the enhancement of business capability and capacity within a tourism industry that is largely owner-operated and small in scale. In exercising this role, direct public sector intervention in the tourism sector should be confined to those areas of clear market failure (i.e. the likely returns not justifying private sector investment) and then only, in close consultation, and partnership, with the industry itself.

Tourism has made a major contribution to national and regional development in Ireland for many decades and at no time more so than over the past 10 years. The analyses undertaken by the Review Group indicate clearly that it can continue to do so over the next decade and beyond.

The Group have set ambitious targets for the industry over the period to 2012 covering the key areas of revenue generation, overseas visitor numbers, domestic tourism and regional development. The policies and actions that have delivered strong performance in Irish tourism in the past will not suffice to enable the industry to meet these targets in the significantly changed circumstances that face the industry today and over the coming decade.

Substantive change is required in key areas of Government policy, in the delivery of that policy by the Tourism State Agencies, in the work of the industry representative bodies and, most importantly, at the level of individual enterprises throughout the industry. The effectiveness and efficiency with which the changes required are anticipated, managed and put in place will determine the future success of Irish tourism as a sector of investment opportunity, innovation and enterprise and as an instrument of Government social and economic development. The fundamental components of that change require:

- a new policy framework and set of related actions that continue to promote strong, self-reliant, profitable, innovative, customer-focused tourism enterprises

- an industry that itself anticipates and embraces the changing needs of its customer base – both overseas and domestic tourists – and offers to each customer a product, service and experience which surpasses that available from alternative providers both at home and abroad.

6.2   Action Plan 2003-2005

Chapter 5 of this Report sets out a new strategy for Irish tourism over the period 2003 - 2012. In it the key strategic *drivers of success* for the industry are identified.

Irish Tourism 2003-2012: Key Strategic Drivers of Success

1   Business Environment

2   Competitiveness and Value for money

3   Access Transport

4   Information and Communication Technologies

5   Product Development and Innovation

6   Marketing and Promotion

7   The People in Tourism

8   The Government Sector

9   Information, Intelligence and Research

The following sections of this Chapter set out the specific actions required to be taken under each of these key drivers of a successful Irish tourism industry. The actions focus on the period 2003-2005. To attempt to recommend today what actions will require to be taken beyond 2005 is not realistic. What is required, instead, in an increasingly volatile tourism environment, is a process of frequent review of strategy at not longer than two-year intervals and the adoption of a series of rolling 2-3 year action plans which reflect changing circumstances, the periodic review of strategy and the outcomes that arise from the immediately preceding action plan.

The set of actions recommended in this Chapter may, accordingly, be regarded as *the first rolling action plan* for the development of Irish tourism over the next decade. Each section sets out clearly:

- the rationale underlying the identification of the particular driver of success for Irish tourism

- the objectives which the actions recommended seek to achieve

- where primary responsibility lies for undertaking the actions recommended

- the timeframe within which the actions recommended should be progressed.

A number of the actions recommended will help to shape and strengthen more than one particular strategic driver of success and are, therefore, repeated in more than one section. These multi-purpose actions are marked by an asterisk (*).

The longer term strategy and more immediate action plan set out in this Report provide a coherent framework of actions for the development of Irish tourism, at this stage of its evolution and taking into account the fact that the majority of businesses are SMEs. The strategy and action plan will facilitate the ongoing review process recommended as an inherent element of the development process for the industry going forward. The review process will be led by the Department of Arts, Sport and Tourism, and will encompass the Tourism State Agencies, other Government Departments and State Agencies whose policies and actions significantly affect tourism and, importantly, representatives of the key sectors of the industry.

An immediate and urgent task for the Department of Arts, Sport and Tourism, once this Report is published and distributed, will be to enter into substantive bilateral discussions with the bodies that have key responsibilities for the implementation of the strategy and recommendations set out. The Review Group strongly recommends that the Department establish a small high-level Implementation Group of the key decision makers in both the public and private sectors to provide an impetus to the effective follow-through on the strategy and recommendations set out in this Report and to the development of the shared understanding and partnership between the key decision makers – without which the full development potential of the tourism industry will not be realised.

Implementing Tourism Strategy 2003 to 2012
First Rolling Action Plan 2003-2005

Actions to Improve the Business Environment for Tourism Operators*[1]

Strategic Success Driver 1	Business Environment
Objective	To facilitate the development of the tourism industry through a range of tourism-supportive Government macroeconomic and other policies that enhance the business environment and encourage investment
Rationale	The ultimate determinant of success in Irish tourism will be an energetic, innovative and profitable private sector operating within a domestic environment where Government policies and actions are supportive of business investment in tourism.

Actions	Lead Role	Milestones/Timeframe
1 Government Commitment: Strengthen Government commitment to creating and maintaining a positive legislative, budgetary and regulatory environment for tourism investment and development by • a stronger and more frequent acknowledgement of tourism as an important, highly-valued instrument of national and regional development policy • a redefinition of tourism policy to encompass not only the traditional role and functions of a "Department of Tourism" and the Tourism State Agencies but, in addition, all areas of Government policy and actions that impact in a significant manner on the development of tourism • establishing a stronger analytical and resource base within the Department of Arts, Sport and Tourism, to monitor, influence and shape developments, in conjunction with the Tourism State Agencies, across the wider arena of Government policy that significantly affects tourism.	Government/Department of Arts, Sport and Tourism	Immediate and ongoing
2 Competition: Strongly support competition, or pro-competition regulation where market competition does not operate, in the case of both private and public sector activities that affect tourism - including the hospitality sector, access transport carriers and infrastructure (ports and airports) and internal transport services.	Department of Arts, Sport and Tourism/Tourism Industry Representative Bodies	Immediate and ongoing

[1] Actions that support more than one driver of successful tourism development are denoted by an asterisk *

Actions	Lead Role	Milestones/Timeframe
3 Inflation: Take resolute action to maintain recent progress to bring inflation and tourism prices down to the eurozone average and below through	Government/Department of Finance	Immediate and ongoing
• the full implementation by all the social partners of the provisions relating to pay, productivity and the facilitation of change in the workplace contained in the Social Partnership Agreement 2003-2005 -*Sustaining Progress*, as well as the Agreement's anti-inflation initiative		
• Government commitment to an inflation target benchmarked to the eurozone average rate		
• maintaining any increases in charges for Government services below the general rate of inflation		
• avoiding further increases in excise duties and VAT in Budget 2004.		
4 Taxation: While company and personal taxation rates in Ireland are generally competitive and the narrow base of taxation in Ireland and EU State Aid Rules constrain Government action in this area, nevertheless, within that framework a number of actions should be taken		
• promote reinvestment in maintaining the capital stock in Irish tourism at high standards through use of the accelerated write-offs already available for plant and machinery	Fáilte Ireland/Tourism Industry Representative Bodies/Regional Tourism Authorities	Immediate and ongoing
• establish and publish annually information on investment in tourism facilities undertaken with the aid of capital allowances and other tax reliefs in order to monitor and assess investment in maintaining the quality of Ireland's tourism stock	Fáilte Ireland/Revenue Commissioners/Tourism Industry Representative Bodies	First Investment Report published in 2004
• bring indirect taxation levels on key tourism-related consumables down to average eurozone levels – focussing initially on the high excise duties on wine.	Department of Finance	From Budget 2004 and ongoing

5 Insurance: Address the factors generating the high absolute levels of, and high rates of increase in, insurance costs for tourism enterprises through		
• the acceleration of the Government's Insurance Reform Programme, in particular the establishment of the Personal Injuries Assessment Board on a statutory basis	Department of Enterprise, Trade and Employment	Reduction in insurance charges levied from 2004
• the consideration of the particular impact on tourism of insurance increases in the analysis/report on the insurance sector being prepared at present by the Competition Authority	Competition Authority	By end 2003
• the consideration of the scope for co-operative action by the tourism industry in areas such as the management of claims, health and safety measures and self-insurance.	Tourism Industry Representative Bodies	Immediate
6 * Infrastructure: Accelerate the completion of key elements of tourism related infrastructure including		
• * National Conference Centre (Strategic Success Driver 5 also refers)	Department of Arts, Sport and Tourism	See later Actions for details
• * National Sports Stadium (Strategic Success Driver 5 also refers)	Department of Arts, Sport and Tourism	See later Actions for details
• * National Roads Programme, in particular the early completion of the Dublin M50 orbital route and the route network around international air and sea access points and routes/centres of high tourism demand (e.g. Kerry, Connemara and the mid-West) including regional and inter-regional access to Shannon Airport (Strategic Success Driver 3 also refers)	Department of Transport/ Department of Environment, Heritage and Local Government	See later Actions for details
• * National and Regional Road Signposting Programmes (Strategic Success Driver 3 also refers).	Department of Transport/ Department of Environment, Heritage and Local Government	See later Actions for details
7 Regional Infrastructural Priorities: Update the audit of the tourism-related infrastructural needs of each of the regional tourism authority areas and prioritise the key actions required to bridge the gaps for submission to the relevant Department/agency.	Regional Tourism Authorities/ Fáilte Ireland	Immediate and ongoing

* Actions that support more than one driver of successful tourism development are denoted by an asterisk *

Actions	Lead Role	Milestones/Timeframe
8 Tourism State Agencies – Business Plans: In order to facilitate investment in tourism and tourism related bodies from a number of sources in the private and public sectors, Fáilte Ireland and Tourism Ireland to prepare and publish annually business development plans which establish key targets of performance in the development, promotion and marketing of tourism at national and regional levels within a clear policy framework articulated by the Department of Arts, Sport and Tourism and set out in the plans.	Fáilte Ireland/Tourism Ireland/Department of Arts, Sport and Tourism	For 2004 and ongoing
9 Proposed Smoking Ban in the Workplace: While supporting action to reduce the adverse impact on public health of smoking in the workplace and in the light of the overall assessment by Tourism Ireland that the proposed ban will not have a dramatic effect on visitor numbers, discussions should continue between the Department of Health and Children and the tourism sector on the detailed arrangements for the introduction of the new measures to help minimise any adverse impact on the sector.	Department of Health and Children/Tourism Industry Representative Bodies	Immediate

Implementing Tourism Strategy 2003 to 2012

First Rolling Action Plan 2003-2005

Actions to Improve Competitiveness and Value for Money

Strategic Success Driver 2	Competitiveness & Value for Money
Objective	To address the deterioration in the competitiveness of Irish tourism in recent years
Rationale	The competitiveness of Irish tourism is a function of the total visitor experience relative to other locations. Restoring competitiveness is a major challenge for Irish tourism. It is not just a pricing issue, it is about wider value for money. It encompasses the experience for customers from the initial point of contact with Ireland as a potential tourist destination, through the transport services used in getting to and from Ireland, travel experience within the country, the price and quality of products and services, and a host of intangible factors that influence the perception of customers of the Irish tourist product. Accordingly, the competitiveness of Irish tourism is influenced by the full range of factors and actions set out in this Chapter. There is, however, a need to focus on a number of issues in this section that have a more direct impact on competitiveness.

Actions	Lead Role	Milestones/Timeframe
1 **Tourism Industry to Acknowledge Primary Responsibility for Restoring Competitiveness:** The Irish tourism industry should acknowledge through its representative bodies and through individual enterprises that • in recent years it has lost competitiveness and that a high and increasing proportion of customers have expressed concerns about value for money • primary responsibility for restoring competitiveness and better value for money rests with the industry itself.	Tourism Industry Representative Bodies and tourism enterprises	Immediate and ongoing
2 *** Government Action on Inflation:** The Government should resolutely implement the package of anti-inflation actions identified in Strategic Success Driver 1.	Government/Department of Finance	Immediate and ongoing
3 **Benchmark the Competition:** The price and product offerings against which Irish tourism competes should be identified each year and the information widely distributed within the industry.	Tourism Industry Representative Bodies/ Fáilte Ireland/ Tourism Ireland	For 2004 and ongoing
4 *** New Management Development Capability Programme:** Fáilte Ireland should develop and introduce a programme on management development capability for the industry similar to that which Enterprise Ireland has developed for Irish-owned industry and	Fáilte Ireland	Early 2004 and ongoing

* Actions that support more than one driver of successful tourism development are denoted by an asterisk *

Actions	Lead Role	Milestones/Timeframe
internationally-traded services (non-tourist). The objective of the programme will be to enhance the capability of industry to manage more effectively the major changes now affecting it, and those in prospect, to increase productivity and standards and to restore competitiveness.		
5 *** Customer Relations Management:** Fáilte Ireland should develop and introduce a programme to improve the standards of the tourism industry in customer relations management (CRM), making particular use of the potential which modern information and communication technologies provide to enterprises for this purpose, including the sharing of information for mutual benefit between enterprises offering products and services that are complementary. (Strategic Success Drivers 4 and 6 also refer)	Fáilte Ireland in partnership with Tourism Industry Representative Bodies	Early 2004 and ongoing
6 *** Competition:** Strongly support competition, or pro-competition regulation where market competition does not operate, in the case of both private and public sector activities that affect tourism – including the hospitality sector, access transport carriers and infrastructure (ports and airports) and internal transport services. (Strategic Success Driver 1 also refers)	Department of Arts, Sport and Tourism/Tourism Industry Representative Bodies	Immediate and ongoing
7 **Management/Employee Partnerships:** In order to enhance the scope to anticipate and introduce change in the workplace as an inherent and ongoing element of work practice, management/employee partnership arrangements to enhance performance, productivity and competitiveness should be strongly encouraged by the Tourism Industry Representative Bodies, in consultation with Fáilte Ireland and the National Centre for Partnership and Performance (NCPP).	Tourism Industry Representative Bodies	Immediate and ongoing
8 **Make High Standards the Competitive Advantage of Irish Tourism:** Recognising that at its current stage of development, Ireland is a high-wage, high-productivity economy, a relentless upgrading of standards within the tourism sector should be promoted as a competitive response to lower cost alternatives in other countries. These high standards should encompass product, (accommodation, restaurants, visitor centres, activity products, natural and built environment), transport infrastructure and services.	Fáilte Ireland/ Tourism Industry Representative Bodies	Immediate and ongoing

* Actions that support more than one driver of successful tourism development are denoted by an asterisk *

Actions	Lead Role	Milestones/Timeframe
9 Stronger Role for Tourism Industry Representative Bodies: The tourism industry itself should strengthen the capability of its representative bodies through a widening of their functions and the recruitment or secondment from industry of people with the requisite analytical and other required expertise to promote and to provide leadership in relation to competitiveness throughout the industry and its different segments. Measures in which industry representative bodies should take a lead include • identifying and promoting competitiveness enhancing actions • facilitating joint cooperative action between enterprises in areas such as marketing, training and insurance provision • joint product development initiatives • the establishment of management networks at local and regional level • providing training supports in productivity enhancement, cost management, marketing and customer relations management • benchmarking performance of Irish tourism against developments in competitor countries • investing in research and planning that supports the development of tourism and enhances the objectivity and credibility of tourism representative bodies.	The Tourism Industry Representative Bodies	For 2004
10 Training: Develop specific training supports to enhance the industry's capability in cost management.	Fáilte Ireland/Tourism Industry Representative Bodies	Early 2004 and ongoing

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Actions to Improve Access Transport

Strategic Success Driver 3	Access Transport (External)
Objective	To ensure that the price, quality, frequency and route access of air and sea transport to and from Ireland are at least as good as that available to potential visitors of alternative tourist locations
Rationale	Competitive and convenient air and sea access is a crucial determinant of international demand for a tourist destination and, especially, in the case of Ireland – as an island destination.

Actions	Lead Role	Milestones/Timeframe
1 Ireland-US Bilateral Air Agreement:	Department of Transport	Immediate
• Renegotiate the Ireland-US Bilateral Air Agreement, in advance of an EU-US Aviation Agreement, in order to remove the US gateways constraint and maximise the benefits to Ireland from additional air services and enhanced visitor flows		
• Establish a high-level Task Force to advise on the issues involved, from the perspective of tourism, general business investment, the airline industry, the airport authorities and regional development including enhanced promotional and regional and inter-regional access requirements.	Department of Transport	Immediate
2 Dublin Airport Terminal Facilities: Facilitate additional, competitive, fast turnaround terminal facilities at Dublin Airport to help develop additional air services, particularly from Mainland Europe.	Department of Transport	Decision in principle on provision of terminal by end 2003
3 Dublin Airport Visitor Reception Facilities: Implement a series of actions to improve visitor reception facilities at Dublin Airport including baggage handling, information and general facilities in arrivals/departures areas.	Aer Rianta/ Dublin Airport Authority	By start of 2004 season

	Lead Role	Milestones/Timeframe
4 *** Additional Air-Routes:** Actively pursue the *best prospects* for additional route access into Ireland from Mainland Europe and Britain with airport authorities and air carriers, including low fare airlines that demonstrate an ability to develop and sustain new routes and carry significantly increased numbers of visitors. (Strategic Success Driver 6 also refers)	Tourism Ireland in conjunction with airlines and airport authorities	Immediate and ongoing and for inclusion in operational plans of Tourism State Agencies and Airport Authorities for 2004 and subsequently
5 **Regulation of Sea Ports:** Appoint a regulator, similar to that for aviation, to regulate port charges with a specific mandate to enhance facilities, services, competitiveness and transparency.	Department of Communications, Marine and Natural Resources	Before end 2003
6 **Visitor Facilities at Seaports:** Develop a programme to improve facilities for visitors at major seaports including information on arrival, improved reception facilities, easier and more attractive access through the ports.	Port Authorities	By start of 2004 season

Strategic Success Driver 3 continued	Access Transport (Internal)
Objective	To ensure that tourism priorities are reflected in national infrastructural development plans – in order to improve internal travel arrangements and facilities for tourists
Rationale	Direct, easy and affordable access to all tourism areas within Ireland, through improvements in roads, sign-posting, public transport and domestic transport links, is essential if regionality targets are to be achieved. Management of tourism flows and congestion in developed tourist areas, especially in peak season, must also be addressed in terms of the impact on sustainability.

Actions	Lead Role	Milestones/Timeframe
7 *** National Roads:** Improve and upgrade the National Roads Programme and, in particular, accelerate actions to achieve the early completion of the Dublin M50 orbital route and the route network around international air and sea access points and routes/centres of high tourism demand (e.g. Kerry, Connemara and the mid-West including regional and inter-regional links to Shannon Airport). (Strategic Success Driver 1 also refers)	Department of Transport/ Department of Environment, Heritage and Local Government	Tourism priorities reflected in the 2004 Roads Programme

* Actions that support more than one driver of successful tourism development are denoted by an asterisk *

Actions	Lead Role	Milestones/Timeframe
8 *** Signposting:** Prioritise major tourism routes in the National and Regional Road Signposting Programmes and provide annual progress report on implementation – with particular reference to tourism routes. (Strategic Success Driver 1 also refers)	Department of Transport/ Department of Environment, Heritage & Local Government	2004 annual reports to include progress on meeting tourism priorities
9 **Bus Services:** Bus Eireann should work more closely with the Regional Tourism Authorities to improve bus services to, and within, key tourist destinations.	Bus Eireann in consultation with Regional Tourism Authorities	By start of 2004 season
10 **Rail Travel, Facilities and Customer Services:** A significant upgrading of station facilities, passenger communications and rolling stock on main inter-urban routes is required which, for example, makes provision for • simplified ticketing arrangements for tourists to allow greater interchange between bus and rail services • the priority delivery of electronic information systems at key transport locations for journey planning and on board trains • ensuring sufficient and adequate seating and luggage facilities for all passengers on inter-urban routes • higher standards of service in terms of punctuality, cleanliness, reliability, frequency and comfort of trains and stations and more independent monitoring of customer service charters • the priority deployment of modern rolling stock on key tourist routes.	Irish Rail	Immediate and ongoing
11 **Dublin Airport Metro Link:** Accelerate proposals for developing a metro link between Dublin airport and Dublin city centre with provision for ease of transfer to national road, rail and bus services.	Department of Transport	Decision in principle to proceed by end 2003

* Actions that support more than one driver of successful tourism development are denoted by an asterisk *

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Actions to Improve the Use of Information and Communication Technologies

Strategic Success Driver 4	Information and Communication Technologies
Objective	To accelerate the exploitation of the potential of information and communication technologies and e-commerce for the tourism industry
Rationale	The use of internet-based technologies remains at an early stage of development across the majority of operators in Irish tourism. The impact of information and communication technologies on tourism will intensify in the years ahead. Enterprises that have the capability to effectively use information and communication technologies in areas such as customer relations management, marketing, payment, cost control, accounting, training and human resource management, will have a competitive advantage.

Actions	Lead Role	Milestones/Timeframe
1 **Information and Communication Technologies Development Programme:** Develop a programme with the industry to maximise the use of information and communication technologies for training, marketing and customer relations management, including a strong demonstration campaign, co-operative networks and shared databases, web-based training and the alignment of websites. Fáilte Ireland will have the "enterprise facing role" and Tourism Ireland will have the "market and consumer facing role"	Fáilte Ireland/Tourism Ireland	Early 2004 and ongoing
2 **Support Programme:** Support the industry in the introduction and development of effective customer friendly e-commerce applications and in building capability in their use.	Fáilte Ireland	In 2004 and ongoing
3 **Co-operative Networks:** Promote best practice models of co-operative networks in the application of information and communication technologies and e-commerce strategies.	The Tourism Industry Representative Bodies	Details of case studies published in 2004
4 **Training Courses – New Technologies:** • Ensure that training courses operated directly, or supported, by Fáilte Ireland involve a computer use and operation module • Make it an objective that graduates from Fáilte Ireland operated or supported courses are proficient in the use and application of new technologies in the industry.	Fáilte Ireland	Early 2004

Actions	Lead Role	Milestones/Timeframe
5 Leadership Role for State Agencies: Fáilte Ireland and Tourism Ireland should be seen as strong leaders in the application of information and communication technologies in all aspects of their business including operations, communications, training and the standards of their web-sites/portals.	Fáilte Ireland /Tourism Ireland	Immediate and ongoing
6 Award/Recognition Schemes: Fáilte Ireland should establish, promote and widely communicate awards to acknowledge excellence in the application of information and communication technologies in different areas of tourism including hotels, other accommodation, visitor centres etc.	Fáilte Ireland	Programme initiated in 2004

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Actions to Support Product Development and Innovation

Strategic Success Driver 5	Product Development and Innovation
Objective	To ensure that the tourism product which Ireland offers to overseas and domestic customers provides, and continues to provide, a positive and memorable experience beyond their expectations
Rationale	The Irish tourism product is highly diverse, built around the three pillars of *people, pace and place.* It encompasses the natural and built environment, a wide range of hospitality products and services, a range of visitor attractions and cultural facilities, transport facilities and, importantly, the interaction with people. The tourism product is the fundamental determinant of the tourist customer experience on which the success of the Irish tourism industry rests.

Actions	Lead Role	Milestones/Timeframe
1 *** Reinvestment in Capital Stock:** In order to maintain and enhance the standards of the capital stock in Irish tourism, strongly promote reinvestment in plant and equipment with the aid of the accelerated tax write-offs available. (Strategic Success Driver 1 also refers)	Fáilte Ireland/Tourism Industry Representative Bodies/Regional Tourism Authorities	Immediate and ongoing
2 **Innovation Fund:** Establish, on a pilot basis, for a 3 year period, an innovation fund to promote and support on a competitive basis, the development of tourism products that are new to the Irish market, have a clear potential to attract additional visitors and incorporate best practice particularly in terms of environmental sustainability, accessibility for tourists with disabilities and equality in service provision.	Fáilte Ireland	2004-2006
3 **Product Clusters:** In order to address the under -utilisation of certain historical, cultural and sporting attractions and facilities, it is essential to achieve a better presentation and more integrated and cooperative marketing of clusters of products that complement each other and broaden the offerings available to visitors, including those with disabilities. The clusters can be single product (e.g. golf, heritage etc.) or multi-product (e.g. golf/health-related, culture/heritage etc.) and could be promoted and supported at regional level or on an all-island basis.	Groups of Tourism Product Suppliers/ Regional Tourism Authorities/Fáilte Ireland	Immediate and ongoing

* Actions that support more than one driver of successful tourism development are denoted by an asterisk *

Actions	Lead Role	Milestones/Timeframe
4 **Product Research:** Identify international trends in the supply and demand of tourism products (to anticipate/ meet emerging *best prospects* such as demand for well being and health breaks, quality destinations for city breaks, car touring, cruising) particularly in the markets against which Ireland competes. Communicate this information widely within the tourism industry in Ireland and use it to support product development and market development plans.	Fáilte Ireland/Tourism Ireland /Tourism Industry Representative Bodies jointly	Immediate and ongoing
5 *** National Conference Centre:** Finalise quickly, efficiently and effectively the Government announced commitment to establish a National Conference Centre in Dublin in partnership with private sector investors. (Strategic Success Driver 1 also refers)	Department of Arts, Sport and Tourism	Complete by early/mid 2004 the selection, following open competition, of private sector partners
6 *** National Sports Stadium:** In order to better exploit the visitor attraction and overseas marketing potential of major field-based sporting events of international interest, finalise on the basis of objective, value for money, marketing and environmental analysis, a decision on the provision of a National Sports Stadium in Dublin. (Strategic Success Driver 1 also refers)	Department of Arts, Sport and Tourism in partnership with the main field sports organisations	Decision in principle by end 2003
7 **Access Rights:** Establish clear guidelines and codes of practice on rights of access for visitors to the countryside, hills, mountains, coast and State-owned forestry and bring clarity to the legal position in relation to public liability.	Department of Community, Rural and Gaeltacht Affairs in consultation with farm organisations, Local Authorities, Regional Tourism Authorities and Coillte and Fáilte Ireland	Complete guidelines by start of 2004 season
8 **UNESCO World Heritage Site Designation:** Put in place the consultation, management and conservation arrangements necessary to achieve the designation of additional sites in Ireland as UNESCO World Heritage Sites, to add to the two so designated at present – Boyne Valley and Skellig Michael.	Department of the Environment, Heritage and Local Government	Immediate and ongoing. Seek an additional designation by 2005

* Actions that support more than one driver of successful tourism development are denoted by an asterisk *

Actions	Lead Role	Milestones/Timeframe
9 Litter: In order to address an issue of frequently expressed concern to tourists and building on the success of the plastic bag levy and the expressed commitment of the Minister for the Environment, Heritage and Local Government and his Department to intensify anti-litter measures • Local Authorities should further strengthen their actions in co-operation with local business and commercial sectors including those engaged in tourism, and with greater public participation, to tackle litter pollution - with a particular focus on fast tracking projects in established tourist areas • the Regional Tourism Authorities should ensure that litter abatement is kept at the top of tourism development priorities throughout their regions, support periodic surveys of litter pollution and follow through on the necessary abatement measures.	Department of Environment, Heritage & Local Government/Local Authorities/Regional Tourism Authorities/ Tourism Industry Representative Bodies	Immediate and ongoing
10 Working Closely with the Planning Authorities: In order to support the sensible conservation of the natural and built environment which is a fundamental foundation of Ireland's tourism industry, the Tourism State Agencies should work more closely with county, city and urban planning authorities in the preparation and implementation of their development and litter abatement plans and in the operation of planning control, particularly in areas of visual amenity and historical importance. In doing so, the Agencies would renew a role they previously undertook with significant benefits to the tourism industry but which has been less strongly pursued by them in recent years.	Fáilte Ireland/Regional Tourism Authorities	Immediate and ongoing
11 The Tourism Industry and the Environment: A top-class environment awareness and promotion programme should be put in place by the Tourism Industry Representative Bodies which emphasises the importance of environmental conservation to the future of Irish tourism and which provides a series of guidelines on good environmental management practice, covering areas such as waste-management, energy use and conservation, litter abatement, and the design principles for buildings and facilities.	Tourism Industry Representative Bodies	Immediate and ongoing

Actions	Lead Role	Milestones/Timeframe
12 Hotel and Guesthouse Classification: In order to underpin the increased emphasis on quality of product and service on which Irish tourism must compete in a higher cost national environment, Fáilte Ireland should, in close consultation with the industry, put in place a mandatory classification system for hotels and guesthouses on the basis of the best up-to-date criteria.	Fáilte Ireland	New classification system agreed with industry by mid-2004
13 A Unified Representation Structure for the B&B Sector: In order to better develop and promote the important and unique product which the B&B sector offers to tourists, there is a strong case for the different groups representing the sector to come together into a more unified and single structure to more effectively represent their industry and work closely with Fáilte Ireland and Tourism Ireland for that purpose.	The B&B representative bodies	By early 2004
14 Cultural and Artistic Infrastructure of Dublin: In order to narrow the gap in cultural and artistic infrastructure which exists between Dublin and other capital cities in Europe, early decisions should be taken to secure		
• the redevelopment of the Abbey Theatre	Department of Arts, Sport and Tourism	Decision to proceed with public private partnership by mid 2004
• the relocation of the National Concert Hall.	Department of Arts, Sport and Tourism	Decision to proceed by end 2003
15 Product Development Scheme: In order to accelerate the processing of applications for grants under the Tourism Product Development Scheme 2002-2006, primarily in non-traditional tourism areas, Fáilte Ireland should allocate additional resources to make early decisions on the applications that were received in 2002.	Fáilte Ireland	Immediate

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Actions to Support Marketing and Promotion

Strategic Success Driver 6	Marketing and Promotion
Objective	To focus marketing and promotion activities on the market prospects and segments which hold the characteristics and potential to best meet the expenditure, visitor number and regionality objectives of Irish tourism policy
Rationale	Marketing links Ireland's tourism product with potential overseas and domestic customers. The tourism sector is highly diverse with a predominance of small enterprises which lack the individual scale, resources and knowledge to engage effectively in international marketing. Partnership arrangements and State support are, therefore, appropriate in marketing tourism products. The State has a particular responsibility in supporting destination marketing to the island of Ireland in partnership with the Northern Ireland authorities and representatives of the various segments of the tourism industry.

Actions	Lead Role	Milestones/Timeframe
1 Market Focus: Continue to concentrate overseas marketing expenditure on the British and US markets which account for over 70% of visitor numbers. In doing so, continue to work to ensure better integration with the co-operative marketing and promotion strategies of different segments of the tourism industry at national and regional levels, including the car-brought market from Britain, major sporting, artistic and cultural events and by strengthening the role of the niche product marketing groups.	Tourism Ireland /Fáilte Ireland	Immediate and ongoing
2 Mainland Europe: Undertake a fundamental review of marketing and promotion operations in key Mainland Europe markets where market share and market capture has remained relatively low, stagnant or fallen over the past decade and where the perception of visitors with respect to tourism product in Ireland is below average.	Tourism Ireland in consultation with Department of Arts, Sport and Tourism and Tourism Industry Representative Bodies	Complete by early 2004
3 * Partnerships with Airline Industry: • Work closely with air carriers, including low fare airlines and airport authorities, to identify new direct routes with high visitor market prospects which are sustainable from/to Britain, Mainland Europe and the US and the marketing and cost/price requirements necessary to effectively exploit this potential. (Strategic Success Driver 3 also refers) • Encourage airlines providing direct routes from/to Europe from Australia, New Zealand and the Far East to have attractive through route fare arrangements to Ireland.	Tourism Ireland in conjunction with airlines and airport authorities	Immediate and ongoing

* Actions that support more than one driver of successful tourism development are denoted by an asterisk *

Actions	Lead Role	Milestones/Timeframe
4 All-island Marketing Initiatives: Promote more strongly the development and marketing of clusters of complementary products on the island of Ireland in areas such as cultural facilities (museums, music festivals, theatre events) and sporting facilities (golf, angling, walking).	Tourism Ireland/Tourism Industry Representative Bodies North and South	Immediate
5 * Customer Relations Management: Put in place a programme to upgrade the capability of tourism enterprises in customer relations management including the strong and effective use of computer-based CRM systems. (Strategic Success Driver 4 also refers)	Fáilte Ireland	By end 2003
6 E-Marketing: Enhance e-marketing capability to ensure that potential and repeat international and domestic customers receive world class information services and can be easily directed to online purchasing services for the full range of Irish tourism products/packages/flights and ferries.	Tourism Ireland/ Fáilte Ireland	Immediate and ongoing
7 Gulliver: In order to address the expressed concerns of certain segments of the tourism industry and to enhance the contribution of the Gulliver computerised information and reservation system to meeting the needs of the industry and individual tourists, Gulliver should meet with representatives of the industry to clarify how this can best be done.	Gulliver/B&B Representative Bodies	Immediate
8 Market Expenditure Analysis: As part of the annual expenditure allocation process by the Department of Arts, Sport and Tourism, the Department should undertake and publish, in conjunction with Fáilte Ireland and Tourism Ireland, reviews of the marketing expenditure allocated and results achieved relative to objectives in the previous year. The reviews should differentiate between the main expenditure programmes and between destination and product marketing and in each of these areas between direct spend, outsourced spend, overheads and outturn compared with objectives.	Department of Arts, Sport and Tourism	For 2004 and ongoing

Actions	Lead Role	Milestones/Timeframe
9 **Agility/Flexibility:** Maintain and enhance the capacity demonstrated in recent years to respond to unforeseen market changes at home and overseas by the timely reprioritisation of marketing activities and associated expenditure allocations, including the use of contingency funding.	Department of Arts, Sport and Tourism/Tourism Ireland	Immediate and ongoing
10 **Market Share Analysis:** The Tourism State Agencies should monitor market share performance at operational level in all markets (geographical, segment, product/niche) with a view to the information gathered being used by the Department of Arts, Sport and Tourism and the Agencies as a trigger for review, analysis and action response where negative trends emerge.	Tourism State Agencies/ Department of Arts, Sport and Tourism	Immediate and ongoing

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Actions to Support Human Resource (People) Capability

Strategic Success Driver 7	The People in Tourism
Objective	To ensure that the people working in tourism in Ireland operate to the highest international standards of professionalism and that the generally highly positive experience of tourists with the people they meet in Ireland, well-documented in successive surveys over the years, is maintained and enhanced
Rationale	Tourism is an industry in which the attitudes, competence, enterprise, innovation, hospitality and friendliness of the people in it are an intrinsic part of the product itself. The people in tourism are at the heart of the tourist experience in Ireland and the ultimate determinant of the quality of that experience.

Actions	Lead Role	Milestones/Timeframe
1 Human Resource Development Strategy: In order to further strengthen the human resource base, standards of performance and professionalism of Irish tourism and in the context of the extended organisational remit and development responsibilities which have recently been allocated to Fáilte Ireland, a new Human Resource Strategy should be put in place which • supports the development of professional career paths for key occupations in the tourism sector and provides clear, flexible and relevant courses and programmes leading to National Qualifications which hold international recognition for excellence • positions the industry as a highly attractive career choice through the excellence of its induction and in-career training, the provision and support of internationally recognised qualifications, clear career progression paths and opportunities within and across the different functional areas and the promotion of good work practices including employee participation in decisions that affect their work • provides a focus for leading, instigating and influencing the education and training policy and practices of the State and private sectors to enhance capability at all levels in the industry through quality assurance, facilitation and support for training and development interventions • stimulates actions aimed at achieving more and better training within the tourism industry	Fáilte Ireland (with Tourism Industry Representative Bodies and training and education providers)	2004 Programme

Actions	Lead Role	Milestones/Timeframe
• emphasises the particular importance of communication and inter-personal skills in tourism in recruiting new employees and in training existing employees • ensures the delivery of training programmes for existing employees at times and places convenient to the needs of enterprises and employees • takes full advantage of the significant potential of distance based e-learning in training and educational programmes • supports the development of partnership arrangements between management and other employees as a means of employee incentivisation and of enhanced business performance by tourism enterprises • promotes training networks of tourism enterprises in conjunction with the Tourism Industry Representative Bodies • evaluates the impact of the full range of education and training supports and services provided at national, regional and local levels with a view to streamlining their availability and operation.		
2 **National Recruitment Plan:** Establish a Tourism Career Promotions Group comprised of key stakeholders, including students, to formulate a National Recruitment Plan, designed to intensify and strengthen linkages with schools, communities and career guidance services.	Fáilte Ireland	Immediate
3 **Managing Cultural Diversity:** Develop and implement a strategy and detailed implementation programme to provide for the integration of non-national employees within the work-place and more widely in our society in a way that recognises and supports cultural diversity and enhances their personal and professional development and their potential to add a new and valuable dimension to traditional Irish tourism values.	Fáilte Ireland/Tourism Industry Representative Bodies	Immediate

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Actions to Support More Effective Government Leadership and Interventions in Promoting Tourism

Strategic Success Driver 8	The Government Sector
Objective	To improve and enhance the effectiveness of Government leadership and interventions in promoting tourism
Rationale	Government policies and actions across a wide range of areas strongly affect the development of tourism. It is essential to put in place new organisational and operational arrangements which more fully acknowledge and reflect the importance of tourism as an instrument of national and regional development and which improve the effectiveness of Government interventions which support the development of tourism.

Actions	Lead Role	Milestones/Timeframe
1 *** Redefine the scope of Tourism Policy:** Because of the significant impact on tourism of a wide range of Government activities that are the responsibility of a number of different Government Departments, the scope of tourism policy should be redefined beyond its traditional domain within a "Department of Tourism" to encompass all areas of Government activity that impact in a significant way on tourism. (Strategic Success Driver 1 also refers)	Department of Arts, Sport and Tourism	Immediate and ongoing
2 **Strengthen the capacity and role of the Tourism Division of the Department of Arts, Sport and Tourism:** The Division of the Department of Arts, Sport and Tourism dealing with tourism matters requires to be strengthened • to include additional people with the wider range of analytical skills and competencies required to deal with the more extensive scope of Government activities encompassed within the wider definition of tourism policy advocated in this Report • to follow through effectively on the recommendations of this Report in consultation with a number of other Government Departments and agencies and with the industry itself • to interact more effectively with other Government Departments and agencies on issues important to the development of tourism.	Department of Arts, Sport and Tourism	Immediate

* Actions that support more than one driver of successful tourism development are denoted by and asterix *

Actions	Lead Role	Milestones/Timeframe
3 Tourism and the National Competitiveness Council: In order to strengthen the focus of Government policies in supporting competitiveness in tourism, the Department of Arts, Sport and Tourism should be included among the Government Departments in attendance and participating at meetings of the National Competitiveness Council which reports directly to the Taoiseach on issues affecting the competitiveness of the economy and its different sectors.	Department of the Taoiseach/ Department of Arts, Sport and Tourism	Immediate
4 Inter-Departmental Bilateral Consultation Arrangements: Establish standing consultation arrangements between the Department of Arts, Sport and Tourism and the Government Departments/Agencies whose activities most impact on tourism including the Department of Finance, Department of Transport and Department of Environment, Heritage and Local Government.	Department of Arts, Sport and Tourism	Immediate
5 Fáilte Ireland: Following the recent amalgamation of Bord Fáilte and CERT into a single organisation for the development of tourism in Ireland, the organisational structure for the new body should be quickly finalised taking account of the new strategy and action plan that flows from this Report.	Fáilte Ireland	Immediate
6 Regional Tourism Authorities: Establish a closer correlation between the identified core visitor servicing and development functions provided by the Regional Tourism Authorities and the State financial support provided to them through Fáilte Ireland. Agree the new regional structures for the discharge of Fáilte Ireland's functions and determine the appropriate relationships and arrangements at regional level.	Fáilte Ireland	Early 2004

Actions	Lead Role	Milestones/Timeframe
7 Regional/Sub-National Structure: In order to more effectively harness the depth of knowledge, interest and commitment to the development of tourism at regional, county and sub-county level, it is essential that an early review of the functions, activities and interactions of the many bodies involved in tourism promotion and development be undertaken as a matter of urgency. The key principles underlying the review required should encompass the following • a clear definition of the roles and functions of different bodies involved in the promotion and development of tourism at regional and local levels • the identification of areas of overlap and duplication together with the actions required to remove such overlap and duplication. The establishment of a coherent framework (e.g. in the form of regional tourism plans) within which the roles, functions and specific actions of the different bodies active in tourism promotion and development at regional level are articulated and coordinated • the establishment of a forum and supporting organisational structure at regional, county and local tourism development level to develop the coherent framework required, to monitor its implementation and to coordinate effectively the range of activities undertaken by different bodies.	Department of Arts, Sport and Tourism/Fáilte Ireland	Immediate

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Actions to Improve the Quality of Information, Intelligence and Research

Strategic Success Driver 9	Information, Intelligence & Research
Objective	To provide the essential foundations of comparative data, knowledge and intelligence on which to develop the policies and actions by both the public and private sectors that promote tourism across the full range of the *nine strategic success drivers* outlined in this Report
Rationale	Good policy and development decisions by both Government and the private sector depend on a good base of data, knowledge and intelligence relevant to the tourism industry in Ireland and internationally.

Actions	Lead Role	Milestones/Timeframe
1 Research, Advisory and Co-ordination Group: Set up a Research Advisory and Co-ordination Group, with representatives of the industry, Tourism State Agencies, relevant Government Departments and the research community in third level education to identify information and research gaps.	Department of Arts, Sport and Tourism	By end 2003
2 Research Register: Compile, maintain and publish a comprehensive database on information and research relevant to Irish tourism recently completed, under way and planned.	Fáilte Ireland	Initial database published in 2004
3 Tourism Satellite Accounts: In order to more accurately reflect the importance and contribution of tourism to national economic development, a revised approach to the quantification of the economic contribution of tourism in national accounting terms through the use of the Tourism Satellite Accounts (TSAs[2]) model developed by the WTO should be put in place.	Fáilte Ireland and Tourism Ireland in consultation with the Central Statistics Office	Feasibility study and action plan to be completed by early 2004

[2] A Tourism Satellite Account is a set of detailed tables, consistent with National Accounts, focussed on estimating flows of money relating to tourism activity. They provide better quality information as they reconcile both demand (from surveys of tourists' expenditure) and supply (i.e. goods and supplies from surveys of businesses).

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Implementation Arrangements

Objective	To drive forward and monitor the effective implementation of actions recommended in this Action Plan and to put in place a process to ensure continuing review of strategy to reflect changing circumstances.
Rationale	The strategy and recommended actions set out in this Report encompass a wide and complex range of issues. These will require to be followed through with resolution, commitment and energy if they are to effectively support and sustain the further development of Irish tourism as a major sector of opportunity for enterprise and investment and as a powerful instrument of national and regional development.

Actions	Lead Role	Milestones/Timeframe
1 **Implementation Group:** In order to follow through quickly and effectively on this Report, so that it can make a real difference to the further development of the tourism industry in Ireland, a high-level Implementation Group should be established to drive forward and monitor the recommended actions. The Implementation Group should be representative of the tourism industry and public sector and should • report directly to the Minister for Arts, Sport and Tourism • sit for a fixed period of no more than 2 years (2003-2005) • publish a report on its work, results and deliberations at 6 monthly intervals.	Department of Arts, Sport and Tourism	Immediate
2 **Tourism Forum:** An annual forum of the tourism industry should be established to consider developments in the sector and, to review performance in the implementation of the new strategy in the context of these developments. The first forum should be established in October 2004, 12 months after the publication of this Report.	Fáilte Ireland	First Forum in October 2004

Appendix A

Background to Establishment of Review Group and Working Procedures

The establishment of the Tourism Policy Review Group was announced by the Minister for Arts, Sport and Tourism at the end of December 2002 and convened its first meeting on 28 January 2003.

The Review Group met on 10 occasions. This included two and a half days of bilateral meetings with the following 17 key representative groups and companies associated with the development of tourism in Ireland.

Aer Lingus	Ryanair
Aer Rianta	Shannon Development
British Tourism Marketing Partnership	SIPTU
European Tourism Marketing Partnership	Stena Line
	The Arts Council
Irish Farmhouse Holidays Association	Town and Country Homes Association
Irish Ferries	US Tourism Marketing Partnership
Irish Hotels Federation	
Irish Tour Operators Association	
Irish Tourist Industry Confederation	
National Association of Regional Tourism Authorities	

The Review Group convened an all-day Open Public Forum on 14 April 2003 that was attended by over 100 people. Invitations to the Open Forum were pre-advertised in the national press. The Forum covered the following four themes

• Marketing and Access

• Tourism Product and People in Tourism

• Value for Money and Competitiveness

• Sustainable Tourism and Regional Development.

The Review Group also invited, by advertisement in the national press, written submissions in connection with its work. It received over 100 written submissions from interested parties, to whom the Review Group is indebted. The submissions are available on the Review Group's website. (www.tourismreview.ie)

In addition to the written submissions and comments made in response to the public invitation, the Review Group also considered a range of detailed material prepared by its Secretariat, drawn from the Department of Arts, Sport and Tourism, Fáilte Ireland and Tourism Ireland. Some supplementary consultancy work in specialist areas was also commissioned.

As requested by the Minster for Arts, Sport and Tourism at the inaugural meeting, the Review Group published an Interim Report on 28 May 2003. This was prepared following the consultation phase of the assigned task, during which time the Review Group developed a number of initial conclusions and interim recommendations. The Interim Report is available on the Review Group's website (www.tourismreview.ie)

Appendix B
Terms of Reference

Phase 1 – Review of Tourism Performance and Prospects

- Assess the performance and economic impact of the tourism sector in Ireland over the past 10 years in terms of categories of visitor (overseas and domestic), revenue earnings, sectoral and geographical source markets and internal regional distribution, including international comparisons and movements in Ireland's share of key source markets

- Assess the formulation and evolution of tourism policy and the evolution of, and contribution by, the industry to the development of the sector

- Assess the trends in the international competitiveness of the Irish tourism product over the past 10 years and future prospects in terms of value for money, pricing, quality and service levels

- Assess the future tourism market potential for Ireland in terms of priority source markets, categories of visitors, changes in holiday taking trends and level of international competition

- Identify total public and private funding for tourism development over the past 10 years, the sources and modes of delivery and any value for money assessments.

Phase 2 – Strategy for Future Sustainable Development of the Sector

- Identify the key elements of a strategy, both industry-led and Government-led, for the further sustainable development of tourism in Ireland, under the following headings and including controllable sector specific issues

  - product utilisation, development and innovation

  - business capability (including human resource development and training)

  - enhancing international competitiveness in terms of value for money, pricing, quality standards and service levels

  - marketing

  - access transport

  - infrastructural and environmental requirements

  - statistics, research and planning

  - institutional development arrangements, including regional structures and coordination of support measures

- Identify appropriate actions and recommendations for the implementation of the future strategy.

Appendix C

List of Written Submissions

The Review Group is indebted to the following bodies and individuals who made written submissions:

Achill Tourism/Turasóireacht Acla
Aer Lingus
Aer Rianta
Alcock, Anne
Arts Council
Association of Irish Professional Conference Organisers
Ballyhoura Development
Bord Fáilte
Border, Midland and Western Regional Assembly
Bourke, Stephanie
Brantley, James
Brick, Margaret
Bus Eireann
Car Rental Council of Ireland
CERT
Chartered Institute of Logistics & Transport
CIE Tours International
Clare County Council and Clare County Development Board
Coach Tourism and Transport Council
Cobh Genealogical Project
Coillte
Coiste Ghlór na nGael Chloich na Coillte
Comharchumann Turasóireacht Chorca Dhuibhne
Comhdháil Náisiúnta na Gaeilge
Conway, Tom & Breda
Cork Kerry Tourism (South West Regional Tourism Authority)
Cronin, Mary
Cruise Ireland
Daly, Maire
Dennehy, Eilis
Department of Community, Rural and Gaeltacht Affairs
Donagher, Tom
Dublin Chamber of Commerce
Dublin Institute of Technology (Tourism Department and Tourism Research Centre)
Dublin Tourism (Regional Tourism Authority)
Fexco
Fulvio, Catherine
GaelSaoire
Gael-Taca
Galway City and County Tourism Group
Genealogical Society of Ireland
Go Outdoor Ireland
Heritage Island
Heritage Towns of Ireland
Heron-Grace, Norma
Hurley, Siobhan
Ireland Unplugged
Ireland West Tourism (Western Regional Tourism Authority)
Ireland's Blue Book - Irish Country Houses & Restaurants Association

Irish Boat Rental Association
Irish Coach Drivers' Association
Irish Farmhouse Holidays Association
Irish Ferries
Irish Hotels Federation
Irish Self-Catering Federation
Irish Tour Operators Association
Irish Tourist Industry Confederation
Island of Ireland Mills Conference
Keaney, Raymond
Keep Ireland Open
Kerry County Council - Tourism Unit
Kerry County Development Board
Kerry County Tourism Committee
Laois LEADER Rural Development Company
Larkfield House
Mac Gearailt, Breandán
Marine Institute
Marketing English in Ireland - RELSA
McGrath, Mary
McKean, Mervyn & Jean
McSweeney, Helena
Mid-West Regional Authority
Murphy, Patricia
Music Board of Ireland
National Association of Regional Tourism Authorities
National Centre for Tourism Policy Studies
National Waymarked Ways Advisory Council
North West Tourism (Regional Tourism Authority)
O'Leary, Donal
O'Reilly, J
O'Sullivan, Kathleen
Restaurants Association of Ireland
Roche, Joseph
Roche, Patrick
Ryan, Bernadette
Shannon College of Hotel Management
Shannon Development
SIPTU
South East Tourism (Regional Tourism Authority)
South-East Regional Authority
South West Mayo Development Co. & Mayo County Tourism Committee
Southern and Eastern Regional Assembly
Suck Valley Committee
Teichmann, Berny
The Equality Authority
The Hidden Ireland
Tourism Victim Support Service
Town and Country Homes Association
Tuatha Chiarraí Teo
Western Development Commission
Western Development Tourism Programme
Westmeath Co Council and Westmeath County Development Board

Appendix D
Tourism Policy on the Island of Ireland

Background

The potential benefits and synergy to be gained from North-South co-operation in tourism development and promotion has been recognised by policy makers on both sides of the Border for many years. Co-operation on these matters started to become more formalised and action-oriented from the late 1980s onwards.

The relevant Government Departments in both jurisdictions, together with the then Bord Fáilte and the Northern Ireland Tourist Board (NITB), were assisted by cross-Border funding bodies, such as the International Fund for Ireland (IFI) and the EU-funded INTERREG and Peace & Reconciliation Programmes, to develop and implement specific programmes across a range of tourism themes, e.g., support for product development in the Border counties (Northern Ireland and the 5 Southern border counties plus Sligo) and associated training and a limited joint marketing programme. This programme focused on *below the line* co-operative activities (i.e. non main-stream advertising) carried out jointly by the two Tourist Boards in main markets.

These small cross-Border programmes took place against the backdrop of the much larger tourism product, training and marketing measures under the EU co-funded Tourism Operational Programmes in the South.

In the mid 1990s, a new industry-led joint marketing body, the Overseas Tourism Marketing Initiative (OTMI), was formed. Both Tourist Boards were members of OTMI and its Board included industry representatives from both jurisdictions. From its inception, it recognised the potential benefits of advancing an all-island approach to tourism marketing.

In 1995, for the first time, an island of Ireland theme was used to advertise Ireland. The use of a branded approach to marketing Ireland had been emerging during this time, culminating in the development of Tourism Brand Ireland (TBI) by Bord Fáilte in conjunction with NITB. TBI was adopted by both jurisdictions and OTMI. In 1996, for the first time, an all–island, branded advertising campaign was used to promote holidays to Ireland in the four main markets of the US, Britain, France and Germany.

Tourism Ireland was formed in late 2000 arising from the identification of the tourism sector as a key area of co-operation between both jurisdictions in the Belfast

Agreement of Good Friday 1998. It is charged with growing overseas tourism business to the island of Ireland and supporting Northern Ireland to realise its tourism potential. In this regard, it is the *guardian* of TBI and has responsibility for overseas destination marketing of the island of Ireland. It works closely with Fáilte Ireland, NITB, the tourism industry on the island and overseas in delivering on its remit.

The development and communication of official policy on overseas marketing is initiated, in the first instance by Tourism Ireland's sponsoring Departments – the Department of Enterprise, Trade and Investment in Northern Ireland and the Department of Arts, Sport and Tourism in the South. Policy is determined by the North South Ministerial Council (NSMC) acting in its tourism sectoral format. The Sponsoring Departments and Tourism Ireland work with the Secretariat of the NSMC, which co-ordinates the work of the NSMC itself, to deliver a coherent policy framework for all-island marketing.

Current Status

North-South co-operation on tourism matters now operates at many levels. At policy level, the NSMC, with the Ministers from both jurisdictions, oversee and approve objectives, strategy and resources for overseas marketing by Tourism Ireland. This co-operation cascades through both public sectors through the active liaison and co-operation of both sponsor Departments on a range of issues and through the co-operation and liaison of the three bodies – Tourism Ireland, Fáilte Ireland and NITB. This co-operation is mirrored in the private sector, at one level through the industry representation on the board of Tourism Ireland but also through the close working relationship of the Irish Tourist Industry Confederation (ITIC) and the Northern Ireland Tourist Industry Confederation (NITIC).

Industry partnership is a key tenet of the operation of Tourism Ireland. This operates both informally through a myriad of contacts and marketing opportunities and formally through the Tourism Marketing Partnership. This is an all–island group, managed by Tourism Ireland and comprised of Tourism Ireland, Fáilte Ireland, NITB and representatives of ITIC and NITIC. It has a central committee based in Ireland and a series of local country committees in key markets.

The Future

The concept of a synergistic and mutually beneficial approach to developing tourism on the island of Ireland has evolved since the late 1980s and is now at a developed stage. North-South co-operation is most advanced and formalised in the area of international marketing with less formal co-operation flourishing across a range of tourism activities.

Within this context, the principal policy challenges are to sustain and grow the more mature parts of the industry on the island while supporting the economic and regional development policies of both jurisdictions which seek to improve the socio-economic well being of less successful tourism regions.

The overall thrust of the strategy contained in this Review supports these objectives. It will be a key aim of the Department of Arts, Sport and Tourism together with Fáilte Ireland to work with its Northern counterparts and Tourism Ireland on areas of mutual benefit.

A particular challenge will be to bed down the new structures and ensure clarity of focus and responsibility for each body. It is expected that this approach will be mirrored through the evolution of the already strong industry links that are in place. The principal aim will be to deliver on the potential manifested by the successful co-operation which has evolved over many years with clear economic and social benefits for both communities.

Appendix E
Other State Bodies with Functions Associated with the Development of Tourism

- [1] **Regional Tourism Authorities (RTAs):** In 1964, eight regional tourism organisations were set up to administer tourism at regional/local level. There are now 6 RTAs in addition to Shannon Development (which took over regional responsibility from the Mid-West RTA). The RTAs are private companies limited by guarantee. Membership includes Local Authorities, local tourism and related industry representatives, including individuals and associations. Fáilte Ireland is represented on all Boards. Funding for the RTAs comes from commercial income, local membership fees, Local Authorities' subventions and Fáilte Ireland. The activities of the RTAs are coordinated by an RTA Management Committee which meets regularly to consider common policy issues. Regular meetings also take place with Fáilte Ireland.

- [1] **Shannon Development:** This State-sponsored company was set up in 1959 to develop both Shannon airport and the Shannon region. Its role in tourism includes visitor servicing activities, product development, operating tourism attractions and the marketing of the region.

- [1] **County Tourism Committees** (CTCs): Set up in 1993, these represent tourism interests at county level. Membership of CTCs is drawn from the membership of the local RTA. CTCs formulate county tourism plans for incorporation in the County Enterprise Board and RTA plans and stimulate and co-ordinate new product initiatives.

- [2] **County Enterprise Boards:** Set up at county level in 1993, these Boards are constituted as companies limited by guarantee. County Enterprise Boards support job creation in small manufacturing and services businesses, including tourism, and provide funding to enterprises in areas not covered by LEADER Groups.

- [3] **LEADER Groups:** Funded through the EU, the LEADER Groups administer rural development programmes in areas of special need and are set up where there is a strong community base. They provide grants towards business planning and project development at local level, including in the area of tourism.

- [1] **Product Development Boards:** Appointed by the Minister for Arts, Sport and Tourism in 2002, these Boards have responsibility for investment decisions under the Tourism Product Development Scheme funded under the Regional Operational Programmes for the Border Midland and Western (BMW) and Southern and Eastern (S&E) Regions. The Scheme has an EU co-financed public investment budget of €130 million, (with EU grant funding of up to €55 million) and is administered by Fáilte Ireland.

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[1] Under the aegis of the Department of Arts, Sport and Tourism.

[2] Under the aegis of the Department of Enterprise, Trade and Employment.

[3] Under the aegis of the Department of Community, Rural and Gaeltacht Affairs.

Notes