

Joint Committee on Tourism, Culture, Arts, Sport and Media
“The rising cost of tourism accommodation”

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3 minute opening submission (issued on 9th June 2022)

Thank you for the invitation this afternoon to address this committee on the subject of the rising cost of tourism accommodation.

The Irish Tourism Industry Confederation, or ITIC as it is better known, is the representative group for the broad tourism industry in Ireland and our members consist of all key public and private stakeholders within the sector including carriers, accommodation providers, attractions, tour operators, restaurants, vintners and others.

Pre-pandemic the tourism industry was the country's largest indigenous sector and biggest regional employer supporting 270,000 jobs nationally. That is where we want to get back to.

The last two years have been economically harrowing for Irish tourism with estimated losses of over €12 billion as international visitors were kept away. But for Government support, and business from the domestic market, the industry would not have survived.

Since earlier this year though - when restrictions were finally lifted - travel and tourism has bounced back strongly. The acute challenge now for businesses is delivering supply and capacity to meet soaring demand. This is not unique to Ireland and has been seen at airports, hotels, car rental providers, and hospitality businesses across the EU.

Today understandably the focus is on Irish tourism but it is important to note that many of the pressures and issues at home are mirrored abroad.

Certainly the short-term recovery of the tourism industry has been much stronger than anybody could of anticipated. A pent-up desire to travel - along with consumer savings and deferred bookings - has meant that demand has surged. Combined with soaring cost inflation pressures, capacity shortfalls and labour shortages, this has resulted in increased prices charged to both the domestic tourist and international visitor alike.

It is only right that the spotlight is on value and retaining value is vitally important for Irish tourism's recovery.

The focus of today's discussion is the cost of tourism accommodation which has risen sharply in recent months.

It is important to start with the data; the average rate of a room in Dublin in April - the most recent month for which we have independent data - was €154 which was 16% higher than the same month pre-pandemic. This is high but the rate of increase is on a par with European city peers and this was also a month that 12 concerts and sporting events took place in the capital city meaning many hotels were sold out.

There are a number of reasons why prices have risen but the two principal ones are escalating cost pressures and a lack of supply.

A hotelier in West Cork recently told me about his 25% hike in insurance costs, the 40% increase in linen costs, and the doubling of his electricity bill. These cost increases, and more, are borne out by every independent economic study and understandably they will drive the cost of a room rate higher.

Undoubtedly prices have increased but this must also be put in the context of a reduction in tourism accommodation supply. Since the war in Ukraine, Government have taken a significant number of rooms out of the system to rightly facilitate those fleeing the conflict.

As tourism demand has risen, tourism supply has been curtailed. Ireland has always had a high-cost base but this is being exacerbated by high inflation and a shortage of supply.

There are a number of new hotels due to open this year and next and, as supply restrictions are eased, this will alleviate pressure and moderate prices. 2022 is an anomalous year for a number of reasons. It cannot be seen as a normal year and there are concerns about the momentum of demand into next year. ITIC has estimated that full recovery won't be secured until 2026 but that means industry and Government must adopt a medium-term view and pursue pro-business and pro-tourism policies.

Jobs, regional economic balance and exchequer receipts are dependent on a healthy tourism industry.

Eoghan O'Mara Walsh, CEO, Irish Tourism Industry Confederation