

Submission to Joint Committee on Tourism, Culture,  
Arts, Sport and Media

October 17<sup>th</sup> 2022



## **Introduction**

The Irish Tourism Industry Confederation (ITIC) welcomes the opportunity to make this short submission to the Joint Committee in relation to the development of regional tourism in Ireland. ITIC is the overall representative body for tourism and hospitality in Ireland consisting of all key tourism stakeholders across the public and private sector. A full list of ITIC members can be seen at the end of this submission.

Tourism is the country's largest indigenous industry and biggest regional employer. The CSO estimate that there are 20,000 tourism and hospitality businesses throughout Ireland with 243,890 jobs nationally as per Q2 2022.

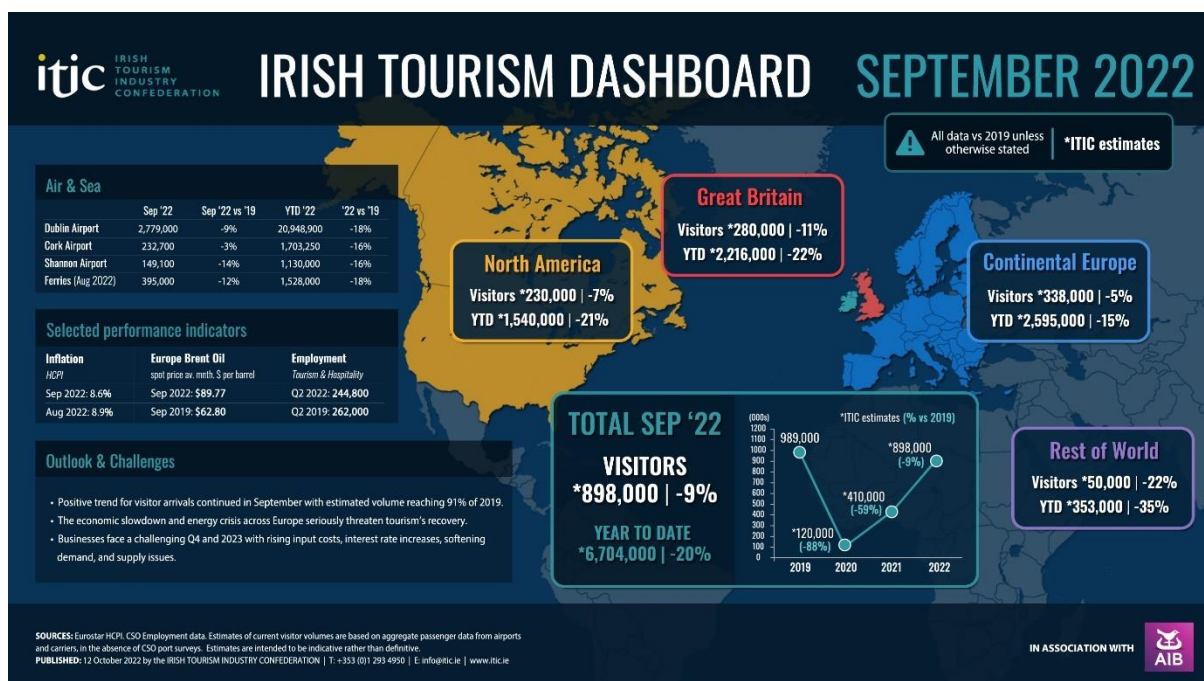
Tourism has rebounded this year following the hugely challenging years of Covid-19. However due to the energy crisis, hyper-inflation and supply shortages the final quarter and next year are expected to be challenging and recovery will not be linear. The full recovery of Irish tourism is of immense importance to the Irish economy. Pre-pandemic the industry employed 270,000 people, was worth €9.5 billion annually to the economy, and over €2 billion was returned annually to the exchequer in direct tourism-related taxes.

ITIC and its members are acutely aware of the importance of regional tourism and a number of recommendations are set out below.

## The current state of Irish tourism

Covid-19 cost Irish tourism over €12 billion during a 2-year period as international visitors, the mainstay of the industry, were prevented from coming to our shores. Blinking - bruised and battered - from the pandemic, the 20,000 businesses within Ireland's tourism and hospitality industry had been kept alive thanks to Government financial assistance and staycation demand from the domestic market. However, since March when travel, tourism and hospitality was finally allowed reopen, the sector has rebounded strongly. Indeed, recovery has happened at a far quicker pace than many had forecast.

Latest figures from ITIC point to the volume of international visitors in September being down only 9% compared to the record high for the same month back in 2019. However strong demand has meant supply has struggled to keep apace across a number of areas including labour, accommodation and car hire. Pent-up demand, deferred bookings and accumulated savings have all added to a strong demand recovery this year.



While demand is proving to be buoyant so far this year, the unique post Covid circumstances and the composition of demand, the performance to date is unlikely to form the basis of a linear progression of growth into 2023 and beyond. The worsening economic conditions and the ongoing threat of a new Covid, and geopolitical volatility all threaten future recovery, with ITIC not expecting to see full recovery to 2019 visitor volumes until 2026/7.

## The importance of regional tourism

Ireland's tourism and hospitality industry is the country's largest indigenous industry and biggest regional employer. 69% of jobs are outside of Dublin and many parts of regional Ireland have little other economic activity but for tourism. To that end it is vital that the sector sees a full recovery to pre-pandemic levels which can support the regions economically and socially.

Ireland is divided into 4 brand experiences by Fáilte Ireland namely; Wild Atlantic Way, Ireland's Ancient East, Ireland's Hidden Heartlands, and Dublin.



*Wild Atlantic Way*: in 2019 3.4 million international tourists visited the Wild Atlantic Way generating €1.9 billion in revenue. See Fáilte Ireland fact-sheet: [https://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3\\_Research\\_Insights/2\\_Regional\\_SurveysReports/WAW-Tourism-Facts-FINAL.pdf?ext=.pdf](https://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3_Research_Insights/2_Regional_SurveysReports/WAW-Tourism-Facts-FINAL.pdf?ext=.pdf)

*Ireland's Ancient East*: in 2019 2.4 million international tourists visited the Ireland's Ancient East generating €889 million in revenue. See Fáilte Ireland fact-sheet: [https://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3\\_Research\\_Insights/2\\_Regional\\_SurveysReports/IAE-Tourism-Facts-FINAL.pdf?ext=.pdf](https://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3_Research_Insights/2_Regional_SurveysReports/IAE-Tourism-Facts-FINAL.pdf?ext=.pdf)

*Ireland's Hidden Heartlands*: in 2019 449,000 international tourists visited the Ireland's Hidden Heartlands generating €178 million in revenue. See Fáilte Ireland fact-sheet: [https://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3\\_Research\\_Insights/2\\_Regional\\_SurveysReports/IHH\\_Tourism\\_Facts\\_FINAL.pdf?ext=.pdf](https://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3_Research_Insights/2_Regional_SurveysReports/IHH_Tourism_Facts_FINAL.pdf?ext=.pdf)

*Dublin*: in 2019 6.6 million international tourists visited Dublin generating €2.2 billion in revenue. See Fáilte Ireland fact-sheet:

[https://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3\\_Research\\_Insights/2\\_Regional\\_SurveysReports/Dublin-Tourism-Facts-FINAL.pdf?ext=.pdf](https://www.failteireland.ie/FailteIreland/media/WebsiteStructure/Documents/3_Research_Insights/2_Regional_SurveysReports/Dublin-Tourism-Facts-FINAL.pdf?ext=.pdf)

## Recommendations to deliver potential of regional tourism

ITIC is pleased to outline a number of recommendations for the Committee in relation to delivering the full potential of the tourism economy for regional Ireland.

### ▪ *Supporting Competitiveness*

A number of competitiveness measures are outlined in a report ITIC published this summer – see <https://www.itic.ie/data/the-importance-of-competitiveness/> and should be enacted to support the sector's full recovery. A mature and measured approach needs to be taken in relation to the 9% tourism VAT rate. It is due to be increased to 13.5% on February 28<sup>th</sup>, a move which the tourism industry is set against. A VAT rate of 9% puts Ireland on an even keel with its European peers; to increase it would not only damage our competitiveness but also add to industry's cost base, depress demand, and risk further value erosion. Furthermore if Government goes ahead and increases the Vat rate this will only prove inflationary with IBEC estimating that it will add 0.5% to the national inflation rate.

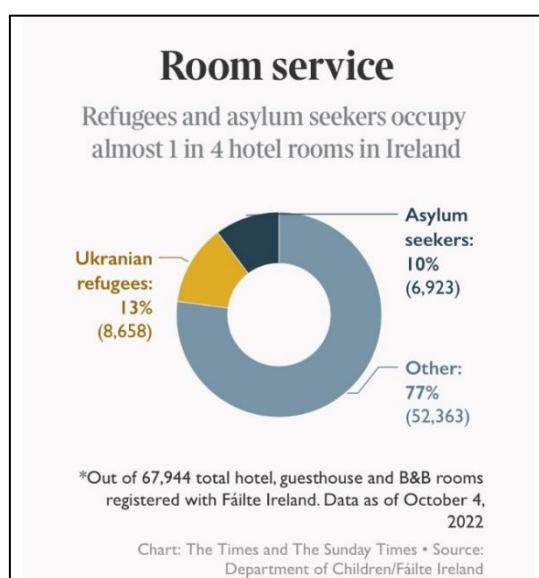
ITIC has long held the view that VAT at 9% should be retained until full tourism recovery is secured and only reviewed at that point.

The 9% rate is particularly important to regional Ireland who don't have the high traffic, occupancy rates and profit margins that certain Dublin tourism businesses have benefitted from.

### ▪ *Impact of Government contracts and reduction in tourism accommodation supply*

In relation to the impact of Government contracts on the availability of tourism accommodation ITIC is concerned that supply will be severely restricted next year impacting on the broader tourism economy's recovery. This is particularly impactful on regional Ireland with many tourism destinations such as Youghal, Ennis and Lisdoonvarna reporting a serious reduction in bed stock available for tourists.

The Sunday Times has established from the Department of Children that 23%, or nearly 1 in 4, of hotel bedrooms are occupied by Ukrainians or asylum seekers.



This number seems set to continue growing without a change in Government policy. While hotels and guesthouses are part of the solution to accommodate refugees, they cannot be the only solution. If this level of hotel bedrooms is not available next year for international visitors it will have an enormous knock-on effect for the broader tourism economy and regional employment in particular.

ITIC have said that Government must outline a plan urgently as to how refugees are to be housed on an ongoing basis and urged a creative solution including holiday homes, state buildings and vacant dwellings.

- *Supporting Regional airports*

Maintaining and growing international air connectivity is of fundamental importance and critical to the future success of tourism in Ireland. 75% of Ireland's tourism economy is made up of international visitation and as an island nation accessible and affordable air and sea access is vital. In ITIC's view Shannon and Cork Airports should be permanently admitted to an expanded Regional Airports Programme (RAP), encompassing all Irish regional airports. Such inclusion is provided for in EU frameworks, which permit State aid to airports processing less than 3 million passengers per annum. RAP funding is focused on safety and security related airport activities, and also supports sustainability/climate action objectives. It is also consistent with Ireland's balanced economic growth objective. ITIC recommends a continuation of exchequer funding allocated for Regional Airport Programme 2021- 25, and an extension of approval and budgets for Temporary Framework for State aid measures to support regional and state airports to secure recovery and expansion of connectivity.

The target for support would be the restoration to pre-Covid levels of connectivity for regional airports together with securing new route connections to mainland European hub airports. The support for state owned airports would allow for incentives or rebates for the reinstatement of suspended routes and expansion of connectivity.

- *Growing investment in stimulating demand and supporting sustainability*

As outlined in this submission 2022 is a unique post-Covid year affected by pent-up demand, deferred bookings and accumulated consumer savings. Q4 of 2022 and into 2023 are likely to be far softer, particularly as inflation is set to be embedded and Central Bank interest rates are on the rise. The continued energy crisis will have a disproportionate effect on Ireland's tourism industry and the geo-political uncertainty caused by Russia's invasion of Ukraine risks spooking traveller confidence. Thus investment and increases in tourism budgets should be delivered and allocated to overseas marketing, sustainability grants, digitisation of the industry, promotion of tourism as a career, and business supports.

On sustainability ITIC has led the way on this and the industry is very committed to delivering its full part in the climate change challenge. The industry produced a seminal report in April - <https://www.itic.ie/RECOVERY/sustainable-tourism/> - which outlined a number of recommendations to enable industry. Key to this is sustainability grants to allow industry become more carbon-neutral. The range of Government supports currently available to manufacturing and agri-food enterprises needs to be extended to tourism businesses,

including the recently announced Green Transition Fund to entice business away from fossil fuels. EV charging points will also need to be available throughout the country to enable the car hire sector ramp up its supply of electric vehicles.

- *New product development*

Tourism is an extremely competitive sector and other destinations work very hard to win business from Ireland. Like all sectors investment in new product development is vital on an ongoing basis so that Ireland can continue to offer new experiences to see and do of scale and international appeal. In this regard the next iteration of the national development plan should include enhanced capital funding for tourism. Ideas such as a coast-to-coast Greenway from Dublin to the Western seaboard could be transformative for regional Ireland and new tourism products are particularly needed in the North West which doesn't benefit from the tourism economy as much as it should.

#### ITIC Membership:



**Aer Lingus, Association of Irish Professional Conference Organisers (AIPCO), Approved Tourist Guides of Ireland (ATGI), Association of Visitor Experiences and Attractions (AVEA), B&B Ireland, Car Rental Council of Ireland, CIE Tours International, Coach Tourism & Transport Council (CTTC), Convention Centre Dublin, Do Dublin-Dublin Bus, Dublin Airport Authority, Emirates, Fáilte Ireland (Assoc Member), Guinness Storehouse, Heritage Island, House of Waterford Crystal, Incoming Tour Operators Association-Ireland (ITOA), Ireland's Association for Adventure Travel (IAAT), Ireland's Blue Book, Irish Boat Rental Association (IBRA), Irish Caravan & Camping Council, Irish Ferries, Irish Heritage Trust, Irish Hotel Federation (IHF), Irish Rail, Irish Self Catering Federation (ISCF), Jameson Distillery Bow St, Kildare Village, Kerry Tourism Industry Federation, Licensed Vintners Association (LVA), Office of Public Works (OPW), Planet Payments Ireland, Restaurants Association of Ireland (RAI), Shannon Group plc, Stena Line, Tourism Ireland (Assoc Member), Trinity College Dublin, TU Dublin, Vintners' Federation of Ireland**