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NATIONAL TOURISM POLICY REVIEW OF IRELAND

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1. Introduction

1. Ireland is one of the most open economies in Europe. International trade is the life-blood of its prosperity. It has come through the recent international economic downturn better than most. Over the past decade, Ireland's macroeconomic policies, including fiscal management, tax reforms, incomes policies and investment in education, have laid the foundation for a virtuous circle, reinforcing growth and strengthening the resilience of the economy. Ireland can include among its achievements (i) the defeat of unemployment as an economic scourge – with the unemployment rate down from 16% to 4%, (ii) the reduction in public debt from over 100% of GDP to 33%, (iii) significant investment in infrastructure and (iv) substantial enhancement of social benefits.

2. The traditional importance of the manufacturing trade is declining in Ireland as the services sector increases its share of total international trade. Service sector activities are likely to be the main source of Irish employment and output growth over the next decade. At over EUR 30 billion, Irish service exports in 2003 were equivalent to over 20% of our total exports.

3. Irish tourism has been a major success story – perhaps the most successful sector of Irish-owned enterprise since the foundation of the State. It is a major source of foreign earnings with a low import content. It is a powerful instrument of national and regional development. In 2002, tourism made a direct contribution of 4.4% to Gross National Product, with the Government earning as much as EUR 2.2 billion through taxation of tourism expenditure in VAT, excise duties and income tax receipts – EUR 1.9 billion of which came from overseas visitors. It supported approximately 140 000 jobs – up from 82 000 in 1990 –or 8% of employment, equivalent to one in 12 of all jobs in the economy. The 70% growth in jobs in the tourism sector in the 1990s was considerably above the 50% growth in employment generally in the economy–notwithstanding that general employment growth was at unprecedented high levels.

4. To put the 2002 tourism receipts of EUR 4 billion from overseas visitors in perspective, it was equivalent to more that 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.

5. The tourism sector is rooted firmly in the natural and built environment and in the people and culture of Ireland. 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. However, it is not certain that Irish tourism will continue to enjoy the same growth and success as it has over the past decade, nor that the policies and actions that have delivered strong performance in the past will suffice to do so in the future.

6. In December 2002, the Minister for Arts, Sport and Tourism appointed a high level Tourism Policy Review Group, representative of the public and private sector (both within and outside the tourism industry) to (a) assess the performance and economic impact of the tourism sector in Ireland over the previous ten years and (b) to identify the key elements of a strategy, both industry-led and Government-led, for future sustainable development of the industry. The Review Group reported to the Minister on 30 September 2003. Their Report, entitled *New Horizons for Irish Tourism – An Agenda for Action*, included an evaluation of the industry, a new strategy to 2012 and a Tourism Action Plan recommending over 70 specific actions to implement the strategy over the 2003-2004 period.

7. The Minister for Arts, Sport and Tourism has endorsed the new strategy recommended by the Review Group. He accepted the recommendation to appoint a high level Group to assist in monitoring and driving forward the implementation of the Tourism Action Plan 2002-2004. The Implementation Group is due to present its initial report to the Minister by August 2004.

8. This paper on Ireland's national tourism policy has been prepared by the Tourism Division of the Department of Arts, Sport and Tourism, which has responsibility for the formulation of national tourism policies. The paper incorporates key points from the Report of the Tourism Policy Review Group, presented to the Minister for Arts, Sport and Tourism on 30 September 2003 and it should be read in conjunction with it. The Action Plan may be viewed online or downloaded from the website, www.tourismreview.ie. Hard copies can also be made available, on request.

9. The policy objective set for the Department of Arts, Sport and Tourism 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. The principal State Agencies are Fáilte Ireland, Tourism Ireland, Shannon Development and the Regional Tourism Authorities.

10. 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, its 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. 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 has responsibility for registration and grading of certain tourism accommodation, co-ordinates the activities of the Regional Tourism Authorities and has a role in the planning and environment area. 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 that the industry offers and enhance competitiveness.

- **Tourism Ireland**: As part of the Northern Ireland Peace 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 limited company would be established to carry out functions aimed at promoting tourism to the island of Ireland. Tourism Ireland was incorporated in December 2000 and, with effect from the 2002 season, is responsible for the overseas marketing of the island of Ireland as a tourist destination. Its functions include 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 responsible also for the international delivery of product/regional marketing programmes on behalf of both Fáilte Ireland and the Northern Ireland Tourist Board.

2. General Context of Tourism in Ireland

2.1 National Macroeconomic Framework

11. As a small open economy, Ireland is more exposed than many OECD countries and faces intensifying competition for international investment and the jobs that go with it. The current improvement in the international economy is a welcome development but there are still significant risks for Ireland – for example it is particularly vulnerable to sharp falls in the USD exchange rate against the euro. As part of a monetary union with a low inflation target, there is an urgency attached to getting costs and prices back into balance with the rest of the European Union. Ireland's Gross National Product (GNP) is projected to grow at 3.0% in 2004 and Gross Domestic Product (GDP) at 3.3%. Ireland expects to see GNP growth rates increasing in 2005 and 2006 to about 4.0% and 4.5%, respectively.

12. Consumer price inflation is falling steadily since 2000 when it was at a high of 5.6%. It was 4.6% for 2002 and 3.5% for 2003. In April 2004, the Central Statistics Office reported that annual inflation had fallen to 1.3% – down from 1.7% in February 2004.

13. Employment is expected to grow in 2004 by 23 000 and unemployment should average around 5.0%.

2.2 Economic Importance of Tourism

14. Tourism is a major and largely Irish-owned sector of enterprise, and of national and regional wealth creation delivering significant benefits to the economy. Expenditure (including receipts of over EUR 700 million paid to Irish air and sea carriers) by the 6 million overseas visitors to Ireland in 2002 amounted to almost EUR 4 billion. The equivalent figure in 1990 was approximately EUR 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 EUR 1 billion in 2002, making tourism in total a major EUR 5 billion turnover industry. Tourism made a direct contribution of 4.4% to Ireland's GNP in 2002.

15. To put the receipts of EUR4 billion from overseas visitors in context, it is equivalent to more than

- 50% of the total value of exports by Irish-owned manufacturing industry.
- Twice the value of exports of Irish-owned internationally-traded services.

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

17. 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.

18. 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.

19. Tourism embraces a wide range of different activities, in both the private and public sectors, throughout the island of Ireland. 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), many of which would employ less than 10 persons (around 90% of enterprises in Ireland have fewer than ten persons engaged in them). With relative ease of entry for operating in many parts of the sector, tourism businesses can be characterised as operating in a competitive environment.

20. 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 – and a vibrant tourism industry contributes to the viability and sustainability of a wide range of local enterprises.

21. Ireland was somewhat unusual in that the more established tourism areas were in the remoter and more rural South and West. By comparison with these regions, Dublin, the capital city was comparatively underdeveloped in the tourism sense. It was not the national tourism mecca as were many capitals in other European countries. This changed significantly in the 1990s when Dublin emerged as one of the most popular short city-break destinations in Western Europe. The Dublin product is different from the traditional Irish product in that it is urban-based, short stay product where scenery is of little or no importance. The advent of competitive, low-cost access was one of key factors in the growth of Dublin tourism.

22. Table 1 shows that all regions have benefited from the growth of tourism in Ireland. 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 1. Regional Distribution of Tourism Revenue

	1990 EUR m	2002 EUR m	Real Growth 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%		

23. The tourism state agencies deliver or support a number of programmes and initiatives particularly favouring the regional distribution of tourists and tourism revenue. These include the nature and focus of the Tourism Product Development Scheme (which excludes support for the top five accommodation centres in the State and focuses on less developed areas); the differential levels of support offered to Regional Tourism Authorities for marketing purposes; the use of predominantly rural imagery in the advertising and promotion of Ireland, both at home and abroad; the regional coverage with respect to

visiting media; and the specific focus on achieving a wide spread of visitors in relation to access transport policies.

24. 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 over 20 million in 2003 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.

25. 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 cost carriers and advances in information and communication technologies) all point to the growing importance of convenient and competitive direct access for Irish tourism to thrive.

26. 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 independent annual surveys of the hotel industry average room occupancy rates have been declining since 2000, as has profit before tax per room.

27. According to the Central Statistics Office data released in March 2004, overseas tourist numbers grew by a further 5% in 2003 but revenue grew by only 2.2% (to just over EUR 4 billion). In the international context, Ireland performed very well – as the number of tourists worldwide fell by 1.2% and Europe's performance was, at best, flat.

28. While Ireland continues to gain market share against many of her top European competitors, the growth in numbers is not necessarily translating into profitability for individual enterprises, particularly those in the western seaboard who have been more reliant on the North American market, due to factors such as the trend for shorter visitor stays and lower levels of spend.

2.3 Tourism Finance and Investment

29. The structure of the Irish tourism industry is predominantly that of Irish-owned small and medium-sized enterprises (SMEs). 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.

30. 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 EUR 4.3 billion over the years 1989 to 1999.

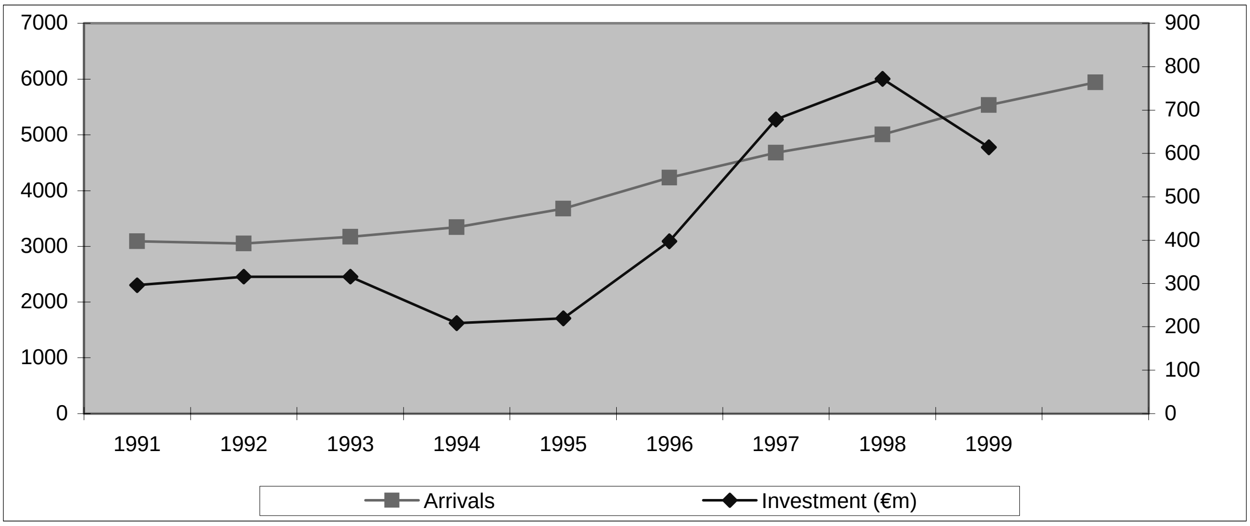
31. A further EUR 107 million was invested in tourism training, between 1994 and 2000. The Irish Tourist Industry Confederation's Marketing Expenditure Survey of February 2002 estimated that the Irish tourist industry spent EUR 134 million on marketing in 2001. The industry spent a total of EUR 35 million on advertising, a further EUR 38 million on promotional campaigns and brochures–with the balance of expenditure attributed to marketing staff and associated overheads.

32. For investment in tourism, expected returns can be strongly influenced by trends in demand. Inbound tourism to Ireland grew well ahead of global trends throughout the 1990s, increasing by 7.3% per

annum from 1990 to 2000. This compared to a world average of 4.3% over the corresponding period. It resulted in strong growth of tourism investment during that period – which peaked in 1998 at some EUR 772 million.

33. Figure 1 illustrates the correlation between investment in Irish tourism and overseas arrival growth over the 1990s. Investment growth reached an all time high in 1998. This was some three years after the peak growth in arrivals (15% in 1995) and suggests that the growth in arrivals stimulated investment.

Figure 1. Tourism Investment and Overseas Arrivals, 1991 to 1999



Source: Department of Arts, Sport and Tourism.

2.4 Inbound and Outbound Tourism Trends

Inbound Tourism

34. 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 European Union, resulting in greater competition, more services and lower fares pioneered by the new, low cost airlines. Air travel to and from Ireland has been revolutionised, radically changing the route and pricing structures on cross channel services. More recently in the case of a number of European routes, Ireland has benefited from the introduction of several new carriers and existing carriers have expanded their capacities on cross channel and European routes. Low cost 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.

35. 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, subsequently, capacity increased significantly 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.

36. 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. 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.

37. Total visitor numbers to Ireland increased by 91% from 1990 to 2002 – at an annual average rate of 5.5% over the period (a rate of 7.3% being achieved up to year 2000). The British market matched the overall growth rate over the twelve-year period while 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. German and French growth was below average for the period, at 4.1% and 3.5%, respectively. Table 2 below shows the growth from 1998 to 2003, with 1990 and 1995 figures given for reference.

Table 2. Overseas Visitors to Ireland by main inbound markets and total (000s)

	Britain	Germany	France	Italy	Nether-lands	Other Europe	USA/ Canada	Rest of the world	Total	Change on previous row %
1990	1 785	178	198	73	72	223	443	124	3 096	
1995	2 285	319	234	112	94	342	641	204	4 231	37%
1998	3 199	310	270	141	134	401	859	221	5 535	31%
1999	3 430	305	275	165	139	436	950	243	5 943	7%
2000	3 428	319	283	186	179	469	1 056	261	6 181	4%
2001	3 340	285	280	157	182	432	903	261	5 840	-6%
2002	3 452	288	298	157	162	473	844	245	5 919	1%
2003	3 553	302	321	176	146	539	892	249	6 178	4%

Source: Fáilte Ireland, Tourism Facts.

38. In 2003, international visitor arrivals reached 6.2 million, up 4% on 2002. There has been growth in the number of visitors travelling from many continental European countries, with France and Italy up 8 and 12% respectively since 2002. With 133 000 visitors from Spain in 2003, that market was up 18% on the previous year and up by 71% on 1999. There were 22 000 visitors from Japan in 2003 – the same number as arrived in each of the two previous years. This was down 21% on 1999 arrivals. The average length of stay for visitors to Ireland during 2003 was 7.8 nights.

39. Indications are that, for the first two months of 2004, and despite the weak dollar, there is strong interest in holidaying in Ireland in the United States. The United States is the most lucrative market in terms of high spend and provides some 15% of overseas tourists. A new initiative in Britain, from where some 58% of tourists originate, targets the family market and offers good opportunities for 2004.

40. Table 3 highlights Ireland's key overseas visitor markets–it shows visitor arrivals by country of residence for 2003. The table indicates that Britain was Ireland's largest source market, providing 58% of total arrivals in 2003. This was followed by the USA (13%) and France and Germany both providing 5% each. The top two source markets accounted for 71% of the total market share.

Table 3. Overseas Visitors to Ireland by country of residence 2003

Rank	Country	Visitors (000)	Market Share %
1	Britain	3 553	58%
2	United States of America	809	13%
3	France	321	5%
4	Germany	302	5%
5	Italy	176	3%
6	Netherlands	146	2%
7	Spain	133	2%
8	Australia/New Zealand	109	2%
9	Belgium/Luxembourg	96	2%
10	Canada	84	1%
	Top Ten Total	5 729	93%

Source: Fáilte Ireland.

41. Visitor arrivals for holiday, leisure or recreational purposes dominate inbound tourism – at some 53% of visitors in 2002. This is followed by visits to friends and relatives at 26% and those coming for business at 15%.

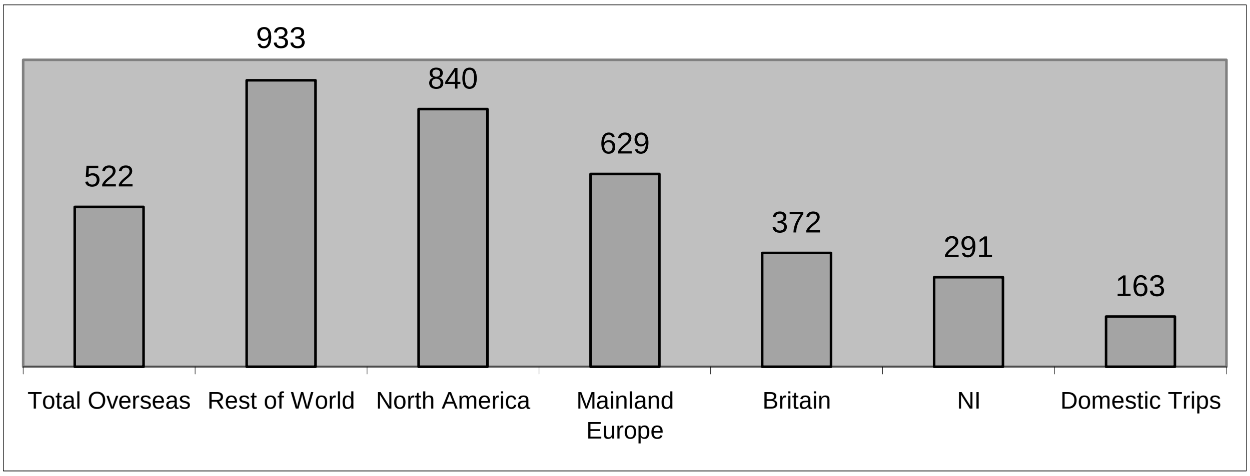
Table 4. Overseas Visitors (at least one overnight in Ireland) by purpose of visit 2003

Country	Holiday	VFR	Business	Other	Total
Britain	1 727	1 175	413	125	3 440
Other Europe	764	275	212	221	1 472
USA & Canada	608	171	68	35	882
Other areas	120	69	32	21	242
Total (all countries)	3 219	1 690	725	402	6 036
Total (as %)	53%	28%	12%	7%	

Source: Central Statistics Office, Dublin.

42. Table 4 shows the overseas visitors in 2003, by purpose of visit. The number of overseas holiday visitors to Ireland 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.

Figure 2. Per capita spend 2002 (EUR)



Source: Fáilte Ireland.

43. Overseas visitor expenditure patterns show that generally, the further an inbound market is away from Ireland, the greater is the visit expenditure, yielding a higher average expenditure per person.

Table 5. Use of Various Elements of the Tourism Product by Overseas Holiday Visitors

Accommodation type	Use by overseas holiday visitors (%)
Guesthouses/B&Bs	45
Hotels	36
Holiday Hostel	9
Food Services	
Food in pubs/bars	61
Budget restaurants	36
Food in Hotels	30
High quality restaurants	30
INTERNAL TRANSPORT SERVICES	
Car hire	31
Intercity bus services	21
Taxis	18
Places of Historical/Cultural Interest	
Historic houses/castles	56
Monuments	39
Gardens	32
Heritage/Interpretive Centres	31
Activity	
Cycling/Hiking/Walking	7
Golf	7
Fishing	4

Source: Fáilte Ireland.

44. Table 5 illustrates the key elements of the tourism product used by overseas holiday visitors.

Outbound Tourism

45. Table 6 shows the number of Irish residents who have travelled abroad, in the past five years, by reason for journey. In 2003, 4.9 million Irish residents travelled overseas compared with 4.6 million in 2002, an increase of 6.4%. The main reason has been for holiday/leisure/recreational purposes, the percentage of travel in this category has grown steadily from 49% in 1999 to 58% in 2003. Some 12% of visits abroad were for business purposes.

Table 6. Visits Abroad by Irish Residents by reason for journey (000s)

Year	Holiday	VFR	BUSINESS	Other	Total	Change on previous year
1999	1 752	958	594	272	3 576	
2000	1 963	946	631	243	3 783	6%
2001	2 402	1 048	542	224	4 216	11%
2002	2 706	1 099	559	270	4 634	10%
2003	2 876	1 170	597	287	4 930	6%
2003 (as %)	58%	24%	12%	6%		

Source: Central Statistics Office.

46. The average length of stay for Irish residents going abroad was 9.3 nights. The downward trend in growth experienced in recent years, in relation to the incoming market, has not been mirrored in the pattern of outbound travel. Instead there was an increase of 38% in the number of people travelling abroad between 1999 and 2003 and the growth rates in 2001 and 2002 were 11 and 10% respectively.

47. The main destination for outbound travellers was Europe with some 45% of all trips in 2003 to Britain and 49% to Continental Europe. Only 5% of journeys were direct flights westward across the Atlantic as illustrated in Table 7.

Table 7. Visits Abroad by route of travel (000s)

Year	Cross-Channel-Air	Continental Europe c.95% by air	Cross-Channel - Sea	Trans-atlantic	Total
1999	1 618	1 276	454	227	3 575
2000	1 577	1 550	414	242	3 783
2001	1 670	1 864	439	243	4 216
2002	1 825	2 190	413	206	4 634
2003	1 825	2 438	408	259	4 930
2003 (as %)	37%	49%	8%	5%	

Source: Central Statistics Office.

48. The expenditure figures for the year 2003 show a net outflow on the Tourism and Travel National Account of EUR 58 million – earnings from Overseas Visitors accounted for EUR4 105 million, while expenditure by Irish residents abroad amounted to EUR 4 163 million. This net outflow occurred for the first time in 2003 – the pattern between 1997 and 2001, for example, had been of net inflows in the order of EUR 700 million. 2002 saw a significant drop to an inflow of EUR 29 million.

2.5 Domestic Tourism

49. Because of its small population size, Ireland has had to focus on international markets to drive its tourism growth. Nevertheless, the domestic market is a bedrock for the Irish tourism industry representing a fifth of the overall revenue generated by tourism and contributing almost half of all visitor numbers seeking accommodation in 2002. They are particularly important for certain sectors of the industry, for certain locations and at off-peak times. Hotels are the most popular type of accommodation for domestic holidaymakers – accounting for 45 per of all bed-nights on short holidays and 75% of all hotel bed-nights outside Dublin. 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.

50. Irish residents spent almost EUR1 billion, on close to 6 million trips of at least one night away from home, within Ireland during 2002. The comparative number of trips in 1990 was 5 million, at a time when the number of overseas visitors to Ireland was 3.6 million.

51. Domestic holidays accounted for 3 million trips in 2002 and were worth an estimated EUR 640 million. Holidays of 1 to 3 nights duration constituted 2 million trips while almost one million were holidays of 4 or more nights.

52. 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 EUR 0.5 billion) of the overall revenue generated by tourism (EUR 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 EUR 0.9 billion) of tourism earnings.

Table 8. Domestic Visitors by purpose of visit 1995-2002

	Home Holiday	VFR	Business	Other	Total
1995	2 914	3 004	639	367	6 924
1998	3 085	2 921	623	305	6 934
1999	3 140	3 118	678	349	7 285
2000	3 178	2 453	718	207	6 556
2001	3 564	2 859	748	317	7 488
2002	2 999	2 069	578	245	5 891
2002 as %	51%	35%	10%	4%	

Source: Fáilte Ireland.

53. Table 8 illustrates the pattern of domestic tourists from 1995 to 2002, by purpose of trip. In 2002, against the perceptions 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). This suggests that factors such as changing tastes, increasing levels of overseas home

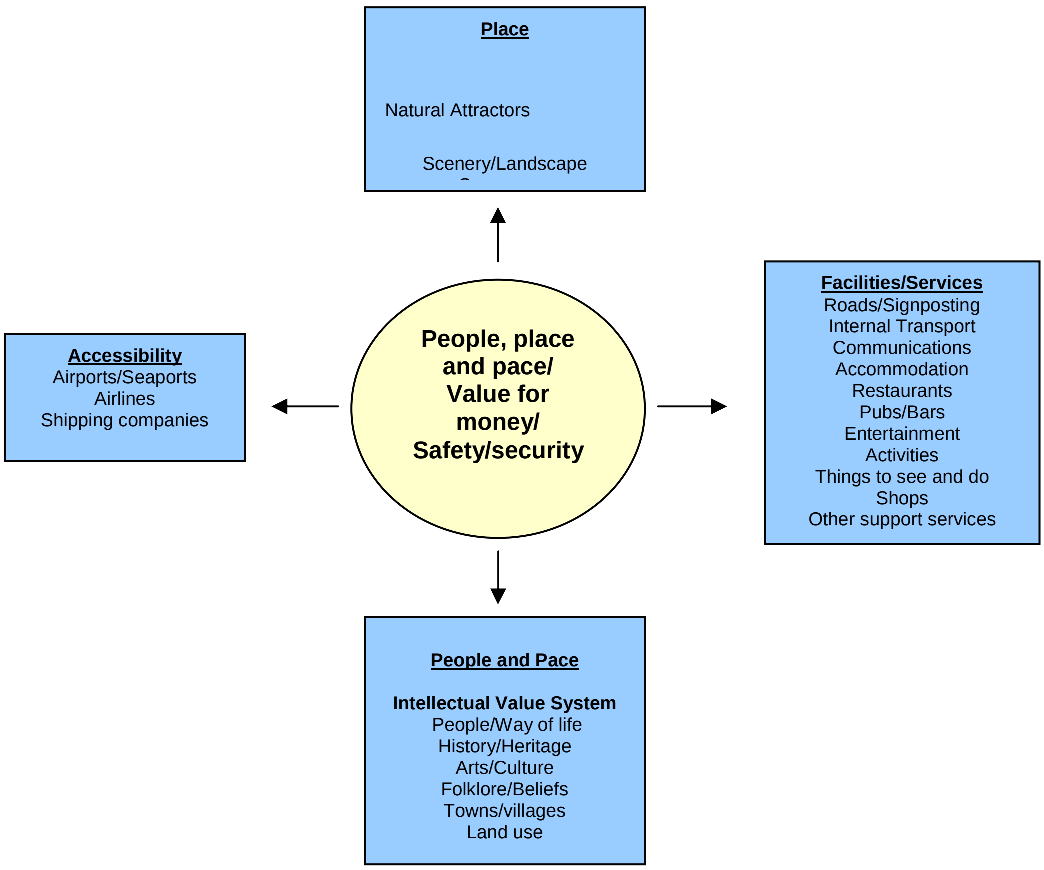
ownership and the availability of low airfares to other holiday destinations, have significant negative impacts on domestic travel trends.

2.6 The Irish Tourism Experience

54. 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 ".

55. Typically the tourism experience embraces a number of inter-related elements as set out in Figure 3.

Figure 3. The Irish Tourism Experience



56. 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 have consistently confirmed the importance of the core values and Table 9 illustrates the factors considered important in choosing to holiday in Ireland and the satisfaction ratings as expressed in the annual visitor surveys.

Table 9. Important Factors when Choosing to Holiday in Ireland and Satisfaction Ratings

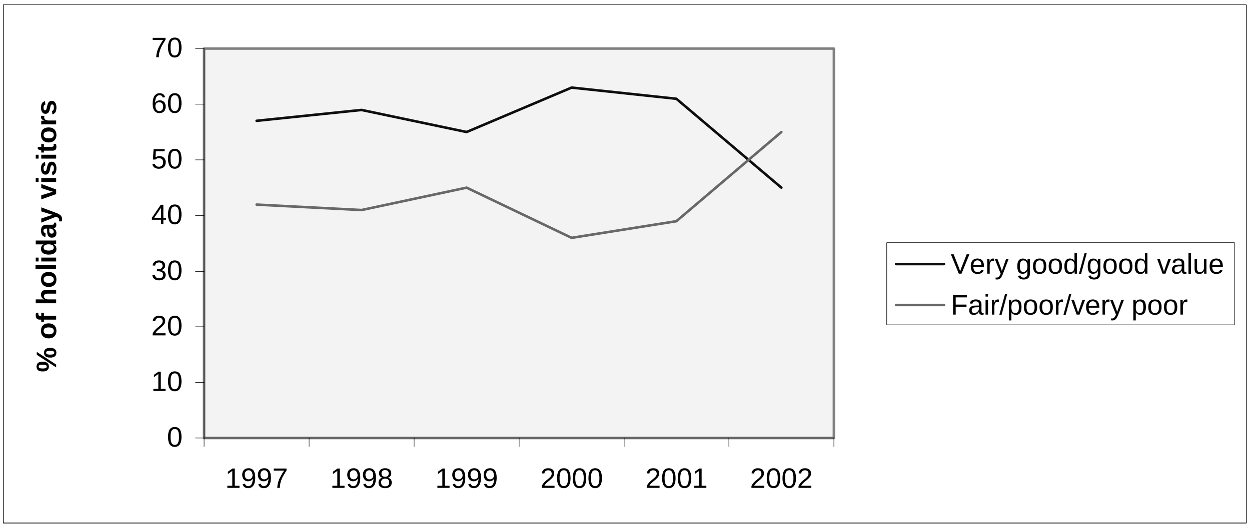
	Very Important (%)	Rating - % Very Satisfied			
		1999	2000	2001	2002
Friendly, hospitable people	87	88	89	88	90
Beautiful scenery	86	89	89	89	91
Memorable experience	82	82	83	84	82
Natural, unspoilt environment	81	77	79	79	83
Safe and secure	77	77	78	79	80
Easy, relaxed pace	74	83	82	82	82
Suitable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

Source: Fáilte Ireland, Visitor Attitudes Surveys.

57. 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.

58. The most significant finding from recent Fáilte Ireland's 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.

Figure 4. Overseas Holidaymakers Rating of Value for Money



59. While there were a number of factors that accounted for this (including fluctuations in exchange rates and more easier price comparisons resulting from the introduction of the euro), deterioration in satisfaction ratings were evident across all markets. Figure 4 illustrates the significant drop from the 63% satisfaction peak achieved in 2000 down to 45% in 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. 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% in 2001 to 48% in 2002.

60. 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 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.

3. National Tourism Policy

3.1 The Components of Tourism Policy

61. 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.

62. 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.

63. Key policy measures in the recent past have supported:

- Product development.
- Overseas marketing.
- Human resource development/training: primarily focused on the provision of educational, basic training and recruitment services.

64. 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."*

65. The White Paper gave rise to a response from the key industry representative groups. The industry recommended ambitious targets for the sector that 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. Some specific points are that

- *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 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.

- *The National Development Plan 2000 -2006*) 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 EUR 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 EUR 130 million, including EUR 55 million in EU funding, to support a range of new product developments, outside the established tourism destinations, with an emphasis on regional spread, cluster development, specialist niche market products and environmental sustainability.

3.2 The New Vision for Irish Tourism/Policy Objectives

66. The New Vision for Irish Tourism 2003 to 2012, as proposed by the Tourism Policy Review Group, has been accepted as the objective to underpin the strategy for national tourism. It is that 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.

67. In short, the 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.

3.3 Future Drivers of Success

68. 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 agreed for the industry. The key strategic drivers of success for Irish tourism have been discussed in detail in *New Horizons for Irish Tourism,* under the following headings:

- 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.

69. 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.

3.4 Trends in Future Tourism Demand

70. 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 that 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 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 field have entered the market in which Irish tourism has traditionally competed.

71. 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. However, it is not certain that Irish tourism will continue to enjoy the same growth and success as it has over the past decade, nor that the policies and actions that have delivered strong performance in the past will suffice to do so in the future.

72. Ambitious but realistic targets for key indicators of performance are an essential component of Irish tourism strategy. These targets relate to fundamental objectives of tourism policy that are explicitly concerned with sustainable national wealth creation and regional distribution. Targets are 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 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.

73. Strategic targets, while not forecasts, provide a sense of direction for tourism policy and facilitate the prioritisation of actions to support the development of the tourism sector. Targets reflect assumptions about the future course of the underlying factors that affect tourism development. They provide the high-level benchmarks that have been used by the Tourism State Agencies to develop detailed operational programmes.

3.5 Strategic Targets for Irish Tourism 2003–2012

74. The Tourism Policy Review Group set quantitative targets, which have been accepted by the Minister for Arts, Sport and Tourism and by the industry at large, for the following strategic areas

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

Inbound Tourism

75. Table 10 shows the targets set for inbound tourism.

Table 10. Overseas Revenue and Visitor Number Targets to 2012

	2002 Actual	2006 Target	2012 Target	Av. Annual Growth % 2002-2012
Revenue (EURm @ 2002 prices)				
Overseas Visitor Spend	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%

Source: New Horizons for Irish Tourism.

76. Overseas visitors account for over two-thirds of the bed-nights and over 80% of the revenue earned in Irish tourism. It is anticipated that overseas revenue can be doubled to EUR 6 billion and visitor numbers can be increased, from just under 6 million in 2002 to 10 million, by 2012.

77. 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, United States, 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.

78. 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. This share is expected to increase to 50% by 2012. Specific targets for the *promotable* segments, by main market, are set out in Table 11.

Table 11. "Promotable" Overseas Holiday Visitor Targets to 2012

Nos (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%	

Source: New Horizons for Irish Tourism.

Domestic tourism

79. 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 plays a major positive role in extending the seasonal distribution of tourism. It contributes over 50% of the bed nights in hotels, one-third of the demand in guesthouses and B&B (bed and breakfast) 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.

80. The most promotable segment of the domestic market is the segment for holiday trips. The visitor and revenue targets for this market are set out in Table 12.

Table 12. "Promotable" Domestic Holiday Targets to 2012

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

81. 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 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. Ultimately, the market decides. People cannot be forced to go where they do not want to go. Moving tourism development inland and away from its dominant focus on the coast remains one of the great ongoing challenges.

82. Government policy strongly supports balanced regional development – as set out in the National Spatial Strategy published in 2002. There is no doubt that tourism has a significant role to play in developing the potential of certain regions outside the Greater Dublin area. However, tourism is not and will not be a panacea for all rural development ills and it is important to guard against unrealistic assumptions in this regard. Accordingly, a fundamental objective of tourism policy is 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.

83. For regional development purposes, Government policy has placed specific emphasis on the need to promote development in the Border, Midland and Western (BMW) Region[1]. Accordingly, a doubling in absolute terms of the number of overseas promotable visitors staying at least one night in the BMW region has been set as a target over the period to 2012, as shown in Table 13.

Table 13. Regionality Targets 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's share (%) of all promotable	30%	31%	34%	

84. 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. 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.

3.6 Translating Strategy into Action

85. Irish tourism is a highly complex and diverse sector of interdependent, economic activities operating within both the private and public sectors. The actions required to implement the new strategy for Irish tourism are equally diverse and wide-ranging. They encompass many different decision makers in both the private and public sectors. The three fundamental principles that underpin the actions are set out below.

1. The growth and development of the tourism industry throughout Ireland will 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 will be confined to those areas of clear market failure (i.e. where the likely returns may not justify private sector investment) and then only in close consultation and partnership with the industry itself.

86. 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 fundamental components of change require:

[1] In the context of the National Development Plan 2000-2006, two Regions were designated in Ireland (i) the less developed Border, Midland and Western (BMW) Region and (ii) the Southern and Eastern (S&E) Region.

- A 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.

87. The Tourism Policy Review Group recommended, under the strategic success drivers, a set of some seventy specific actions that require to be taken. The actions focus on the period 2003-2005 and are 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.

88. The strategy and action plan provide a coherent framework for the development of Irish tourism, at this stage of its evolution. An inherent element of the framework is an ongoing review process that is being led by the Department of Arts, Sport and Tourism, in partnership with other Government Departments and State Agencies whose policies and actions significantly affect tourism and, importantly, representatives of the key sectors of the industry. The Minister for Arts, Sport and Tourism has appointed a small high-level Group to assist in driving forward the implementation of the initial two year Action Plan. The Group held its first meeting in February 2004 and will present its first six-monthly report, to the Minister, in August 2004.

3.7 Key Challenges for the Future

89. Irish tourism is a major sector of successful enterprise and a significant instrument of national and regional economic and social development. It embraces a wide range of diverse small and medium sized enterprises that are predominantly Irish-owned. Continued tourism growth can deliver significant economic benefits to the country.

90. 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. There is an urgency attaching to getting our costs and prices back into balance with the rest of the European Union.

91. The tourism agenda will be influenced heavily by developments in the wider economy and by concerted action on the part of the tourism industry itself. The effective roll out of the Tourism Action Plan is expected to go a long way towards not only further developing the industry but also to asserting its valuable contribution to the national economy. 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.

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