

Second Progress Report
of the
Tourism Action Plan Implementation Group

April 2005

Mr. John O'Donoghue, T.D.
Minister for Arts, Sport and Tourism

Dear Minister

I have the honour, on behalf of the Tourism Action Plan Implementation Group, to submit to you the second report on the implementation of the actions recommended by the Tourism Policy Review Group in its Report, *New Horizons for Irish Tourism: An Agenda for Action*.

This Report has been completed in accordance with the terms of reference you provided to us.

Yours sincerely

John Travers
Chairman
27 April 2005

TABLE OF CONTENTS

<i>Chapter</i>	<i>Page No</i>
Chairman's Foreword	ii
1 Introduction and Overview	1
<ul style="list-style-type: none"> • <i>Introduction</i> • <i>Developments since August 2004</i> • <i>Tourism Contribution to Economy</i> • <i>2004 Performance/2005 Outlook</i> • <i>Tourism Consumers – Profile, Needs and Expectations</i> • <i>Changing Trends in Ireland</i> • <i>Short-run Responses</i> • <i>Ireland's Best Prospects for 2005</i> 	
2 Areas of Good Progress	5
<ul style="list-style-type: none"> • <i>Increased Air Access</i> • <i>New Markets</i> • <i>2005 Marketing Plans and Budgets</i> • <i>Actions by Tourism Ireland</i> • <i>Actions by Fáilte Ireland</i> • <i>Actions by the Tourism Industry</i> • <i>Role of the Department of Arts, Sport and Tourism</i> 	
3 Key Barriers to Development	9
<ul style="list-style-type: none"> • <i>Seven Key Barriers to Development</i> <ul style="list-style-type: none"> ○ <i>Value for Money</i> ○ <i>Ireland-US Bilateral Air Agreement</i> ○ <i>Dublin Airport Terminal Facilities</i> ○ <i>British Market</i> ○ <i>National Conference Centre</i> ○ <i>Countryside Access</i> ○ <i>Cultural infrastructure in Dublin</i> 	
4 Other Areas Requiring Further Progress	15
<ul style="list-style-type: none"> • <i>Product Development and Innovation</i> • <i>Regional Support Structures and Regional Spread</i> • <i>Roads and Signposting</i> • <i>E-Marketing</i> • <i>Taxation Regime for Treatment of Business Expenses for International Conferences/Meetings</i> • <i>Implementation of Human Resource Development Strategy</i> • <i>Hotel and Guesthouse Classification</i> • <i>B&B/Guesthouse Sector</i> 	
5 Next Steps	21
<ul style="list-style-type: none"> • <i>Final Report</i> • <i>2005 Tourism Forum</i> 	
Appendix – Terms of Reference and Membership	

Chairman's Foreword

I am glad, on behalf of the Tourism Action Plan Implementation Group, to have the opportunity to provide this foreword to the Second Progress Report of the Group on the implementation of the action plan for the development of Irish tourism set out in the strategy report published in September 2003 – *New Horizons for Irish Tourism: An Agenda for Action*. The Group wishes to acknowledge the work of the Secretariat in the preparation of the Report and the work generally of the Department of Arts, Sport and Tourism in promoting the development of Irish tourism.

Irish tourism remains a powerful instrument of national and regional development policy. At national level the industry has, in 2004 and 2005, resumed a trajectory of growth following the fall-back in business over the previous two or three years because of the threat of international terrorism and the associated downturn in international economic growth. Provided that the industry continues to make progress in providing visitors with good value for money and that Government policies remain supportive across a range of activities, the ambitious targets for visitor numbers and expenditure set out in the *New Horizons* strategy remain well within reach. Among the most important areas of Government activity critical to a prosperous tourism industry are those which relate to taxation, inflation and cost control, transportation including air and sea access to Ireland and road, rail and air access within Ireland, and environmental and natural resources conservation including a clear operational framework to provide well-structured access to the countryside.

At regional level, however, the development story is not as positive with an increasing share of tourism business being concentrated in the Dublin area and a small number of tourism destinations outside of Dublin. These developments reflect a shift in the profile of overseas visitor requirements towards a pattern of shorter stays in Ireland and an increased demand for low-cost air access at the expense of sea-carriers which provide facilities for tourists with their own cars. Both of these factors inhibit a greater regional spread in the increasing number of overseas visitors to Ireland. A welcome offsetting factor supportive of regional tourism spread lies in the increasing number of domestic visitors taking short-stay breaks in Ireland. It is clear that a significant reorientation and restructuring of the arrangements for regional tourism promotion and development is required.

Overall the Implementation Group is satisfied that the strategy for the development of Irish tourism set out in the *New Horizons* report is being well advanced – both by the industry itself and by Government. Many of the key actions recommended in *New Horizons* are being progressed – if not in all cases with the speed and urgency envisaged by either the Review Group or the Implementation Group. In this, the Second Progress Report, the Group identifies the areas where progress has been good, poor or indifferent.

The mandate given to the Group by the Minister for Arts, Sport and Tourism, Mr. John O'Donoghue T.D., has been to report progress on the implementation process for the *New Horizons* strategy and action plan. The Group identifies clearly where progress is being made or is not being made in delivering on the *New Horizons* strategy. In doing so its objective is to highlight areas where a more effective response is required on the part of industry or of Government if the ambitious targets for the development of Irish tourism set out in the *New Horizons* document are to be achieved.

The Group is grateful for the strong and consistent support which it has received from the Minister for Arts, Sport and Tourism, Mr. John O'Donoghue T.D., and his Department. In completing the work for which it was established it will work with the Minister and his Department to convene a second Forum of the tourism industry before the end of 2005 to consider the overall progress that has been made in developing Irish tourism over the period 2004-2005 and to identify the priorities that require to be concentrated upon in the period beyond 2005 so that Irish tourism can continue to grow and to prosper to the benefit of people throughout all the regions of Ireland.

John Travers
Chairman
Tourism Action Plan Implementation Group.

Chapter 1

Introduction and Overview

The island of Ireland enjoys an enviable brand internationally which, in conjunction with a great product on the ground, has enabled us to continuously grow our share of overseas visitors. Strong partnerships and a quality infrastructure will allow us to weather the shocks and deliver an excellent holiday experience which will further grow the business to the island of Ireland.

Andrew Coppel, Chairman of Tourism Ireland

Introduction

This is the Second Report of the Implementation Group established by the Minister for Arts, Sport and Tourism to consider and report on progress in the implementation of the strategy and actions recommended by the Tourism Policy Review Group in their Report, *New Horizons for Irish Tourism: An Agenda for Action*. The membership and terms of reference of the Group are set out in the Appendix.

The format of this document differs from the first progress report which was published in August 2004. While the Group continues to liaise with responsible Departments, agencies and organisations on the implementation of the Tourism Action Plan, it decided that its second report should be a shorter document, focussing very specifically on progress over recent months and the emerging priorities for the development of tourism. The more detailed format of the first report, including an update on each of the Review Group's original recommendations, will be followed in the next and final report of the Group at the end of 2005.

Developments since August 2004

The Group has met on six occasions since last August, when it presented its First Report. In partnership with the Minister for Arts, Sport and Tourism, it also convened a Forum of the Industry in November 2004.

There have also been a number of bilateral meetings involving members of the Group and third parties on priority issues that could not be addressed within regular Group meetings.

Over the past few months, the Group has met with personnel from key Departments/bodies that have a significant contribution to make to the development of sustainable tourism in Ireland and to meeting the targets set by the Review Group. They included

- Department of the Environment, Heritage and Local Government
- Department of Finance
- Department of Community, Rural and Gaeltacht Affairs (including Waterways Ireland)
- Consultants engaged by the Irish Tourist Industry Confederation (ITIC) to review the industry's investment in newer technologies.

The Chief Executives of Fáilte Ireland and Tourism Ireland and some of their senior management teams attended most of the meetings of the Group also. Among the priority issues that the Group considered, in detail, were

- Tourism Ireland's review of the British market

- aviation issues – including increased access/capacity and the implications for tourism of organisational changes in the structures of the airport companies and Aer Lingus
- the impact of certain taxation and other fiscal policy issues on tourism growth
- regional spread and related issues of access to the countryside, special interest/niche products, the roads programme and signage.

Overall the Implementation Group is satisfied that the strategy for the development of Irish tourism set out in the *New Horizons* report is being well advanced – both by the industry itself and by Government. A preliminary analysis of the progress reported in relation to the original seventy-six recommendations by the Review Group has found that by the end of March 2005, twenty-eight actions have been delivered, seven more have been partially delivered and good progress was reported on a further nineteen.

This does not provide any grounds for complacency, however, as many of the actions that have been well advanced are those relating to administrative and coordinating activities by the Department of Arts, Sport and Tourism, the Tourism State Agencies and the tourism industry, as the key actors geared up to implement the new strategy.

It is of significant concern to the Implementation Group that the pace of progress is unsatisfactory in the case of some twenty actions – in some instances where significant barriers to the development of Irish tourism still remain to be resolved. Progress in removing these barriers is essential if the ambitious targets set by the Review Group for the development and growth of the industry are to be achieved. Chapter 3 is devoted to such issues.

Tourism Contribution to Economy

The tourism industry is Ireland's largest internationally traded services sector. The number of overseas visitors to Ireland in 2004 has been estimated at 6.6 million – 6% more than the record numbers achieved in 2000. These visitors generated some €4.1 billion in foreign exchange earnings. This is equivalent to approximately half the value of exports by all Irish-owned manufacturing companies. When added to the €1 billion of tourism spending by Irish residents, Irish tourism has a €5 billion annual turnover.

Irish tourism has an annual turnover of €5 billion

2004 Performance/2005 Outlook

Following three years of slow growth, international tourism recorded impressive results in 2004, when international tourist arrivals reached an all-time record of 760 million - an increase of 10% over 2003. Growth in Asia, the Pacific and the Middle East was particularly strong but Europe, at +4%, performed below the world average.

Europe has been losing market share since the 1990's. With the emergence of new markets such as Asia-Pacific, this share is likely to drop even further. In addition, new destinations have emerged in Eastern and Central Europe which compete directly with Irish tourism. As a result, Ireland is competing with a growing number of players for its share of a relatively slow-growing market into Europe.

Ireland's performance in 2004, with 6.6 million overseas visitors and €4.1 billion in foreign exchange earnings, was broadly consistent with the targets set by the Tourism Policy Review Group in terms of tourism numbers but somewhat disappointing in terms of revenue growth.

The Implementation Group considers that the targets set by the Tourism Policy Review Group continue to be attainable provided the challenges, identified by the Group and widely endorsed by the industry, are addressed and the Tourism Action Plan is implemented effectively.

Tourism Consumers – Profile, Needs and Expectations

According to latest international research, patterns in travel demand will continue to evolve (particularly in overseas markets) in coming years. The key trends relevant to Ireland are that

- more “active” older travellers, who have an interest in heritage, culture and environmentally-based tourism, are seeking quality experiences
- a significant segment of consumers are “cash rich” but “time poor” – this results in greater demand for short breaks with city breaks becoming more popular
- there is an increased interest in niche products and demand for customised holidays tailored to personal leisure or activity interests
- the internet is being used increasingly for looking and booking.

Changing Trends in Ireland

Some trends relating to Irish tourism demand have also emerged including the fact that

- growth in holiday visitors has slowed
- length of stay has declined
- holidaymakers are less likely to engage in touring or activity-based holidays
- growth has been concentrated in urban and eastern areas of the country, reflecting ease of access and shorter lengths of stay
- value for money perceptions continue to be problematic.

Short-run Responses

In its August 2004 Report, the Implementation Group advocated that efforts be concentrated on capitalising on improving economic conditions in the principal overseas source markets for Irish tourism. Four key areas where new initiatives are required were identified, namely

- intensifying the marketing effort on the most accessible market that is exhibiting robust economic growth - Britain
- facilitating improved low-cost tourist access to Ireland by air and sea from a wider range of departure points
- developing new product packages that meet the needs of increasingly price-sensitive overseas visitors
- a stronger focus of marketing activities on ‘promotable’ market segments, including holidaymakers, conference travellers, language study and incentive travellers.

... regaining Ireland's share of the British outbound market constitutes the most immediate and pressing challenge facing Irish tourism...

**First Report of Implementation Group,
August 2004**

Ireland's Best Prospects for 2005

The Irish tourism industry is faced with two significant challenges that it must tackle effectively if it is to continue to prosper – changing consumer profiles and preferences, and increased competition from newer destinations.

Ireland's best prospects still lie generally within the high performing markets of the

past and present – Britain, the United States, Germany and France. Together these markets account for 84% of our total incoming visitors. The Irish tourism industry must continue to perform strongly in those markets if the ambitious growth targets for the industry are to be achieved.

2004 saw a major recovery in the North American market, with visitor numbers up 8% on the previous year. However, as highlighted in the August 2004 Report, it is the view of the Implementation Group that .. *regaining Ireland's share of the British outbound market constitutes the most immediate and pressing challenge facing Irish tourism.*

Looking ahead to 2005, growth targets of 5% in both overseas visitor numbers and domestic tourism have been set by the Tourism State Agencies. The revenue target for 2005 has been set to achieve growth of 6.5% implying an increase in per capita spending. These targets remain ambitious

when viewed against the background of changing consumer preferences, tougher international competition and a deterioration in Ireland's relative competitive positioning.

The domestic market continues to be a major source of business, particularly for regional enterprises, and has shown strong growth in recent years. The number of domestic holiday trips grew by 7% in 2004. It is expected that this growth will continue to be concentrated on

- shorter breaks and a growing interest in products associated with health and nature
- an increasing number of older holidaymakers.

In line with the Tourism Action Plan, both Tourism Ireland and Fáilte Ireland have developed a comprehensive set of plans and programmes for 2005 aimed at assisting the industry to respond to the key challenges that lie ahead.

Chapter 2

Areas of Good Progress

The vast majority of overseas visitors who come here have been extremely satisfied with the experience – we must build on this.

Tourism Ireland's Marketing Programme 2005

Good progress can be reported on a number of the recommendations in the Report of the Review Group, including those set out in the following paragraphs.

Increased air access

Three new air routes from the US to the island of Ireland will commence in 2005 and there has been a 17% increase in capacity, since last summer, on the direct air routes from the US to Ireland. 2004 saw a strong recovery in the North American market - a vital source of high yield business – and this is expected to continue this year.

There has also been a 40% growth in direct air access capacity from Mainland Europe since last summer. Capacity from Britain will increase by about 16%. These increases should have a strong positive impact on Irish tourism in 2005.

There has been a 17% increase in capacity, since last summer, on the direct air routes from the US to Ireland and a 40% growth in capacity from Mainland Europe

Ryanair announced that Shannon Airport would become its 12th major European base, from May 2005, with the operation of a network of 6 scheduled routes to Britain and 8 to Mainland Europe. It also announced five new routes from Europe and an additional route from Britain to Dublin, to commence in April and May 2005. The regional airports at Knock, Galway and Cork have also announced a number of new routes for 2005.

Two-thirds of visitors (up from under a half in 2001) now rate Ireland well in terms of competitive and easy access. This is a highly positive development.

New Markets

2004 marked the official opening of the vast Chinese tourism market to Ireland with the signing of an historic Approved Destination Status (ADS) agreement between the tourism authorities of Ireland and China in Dublin Castle in May. China is one of three "incubator" markets now being strategically targeted by the Department of Arts, Sport and Tourism and Tourism Ireland - the others being India and South Korea. Tourism Ireland appointed a sales representative in Shanghai early in 2005. The first group of visitors under the ADS agreement travelled to Ireland in April.

On the initiative of the Department of Arts, Sport and Tourism, the potential of tourism as a growth area, has been highlighted in the new Asia Strategy launched by the Taoiseach and the Minister for Enterprise, Trade and Employment in April 2005.

2005 Marketing Plans and Budgets

For 2005, the Exchequer has allocated €125 million for tourism-related activities by the Department of Arts, Sport and Tourism and the Tourism State Agencies – a 13% increase on 2004. Within this financial envelope, the Tourism Marketing Fund – the Exchequer's specific provision for marketing activities which is administered by the Tourism State Agencies in co-operation with the private sector through the Tourism Marketing Partnership – will increase by €4.3 million to €35.8 million in 2005.

In December 2004, the Minister for Arts, Sport and Tourism launched Tourism Ireland and Fáilte Ireland's marketing programmes for 2005. These incorporate a special emphasis, this year, on promoting a wider spread of tourism business throughout the regions.

At present, strong collaboration is underway between the Tourism State Agencies and the industry to maximise the potential of the worldwide web for marketing purposes with a particular focus on improving websites and developing new platforms for rollout later this year.

Actions by Tourism Ireland

Tourism Ireland has completed major reviews of the British and Mainland European markets.

In 2004, in consultation with an industry steering group, Tourism Ireland began the most comprehensive review ever of the British Market. The conclusions and recommended actions arising from this review are presented in more detail later in this Report.

Tourism Ireland has also completed its review of the market in Mainland Europe. This consisted of an analysis of market trends, Ireland's market share and the opportunities and threats in tourism business in these markets which the tourism industry in Ireland faces. Some of the main recommendations from this review include

- more focus on direct marketing activities with the trade and consumers for campaigns in France and Germany
- greater priority on targeting older holidaymakers, Business Tourism and e-marketing
- marketing campaigns across different European markets to 'sponsor an Irish region' for special marketing attention in 2005 in order to improve the regional spread of visitors.

Actions by Fáilte Ireland

Among the key recommendations of the Review Group on which Fáilte Ireland has made good progress in implementing are

- the preparation of a new Human Resource Development Strategy for the sector which is being launched in May 2005
- a Business Tourism Forum was established in partnership with the industry and a target of €470 million in revenue earnings by 2007 (from €400 million currently) was set for the business tourism sector
- under the Tourism Product Development Scheme
 - grants amounting to some €31.6 million have been approved by the independent Project Management Boards, serviced by Fáilte Ireland, in respect of 44 projects nationwide with a proposed total investment of €50 million – including the development of flagship attractions at the Cliffs of Moher and in Lough Key Forest Park
 - a second call for proposals, with an indicative grant fund of €12 million, was advertised at the end of 2004. Approximately 80 applications were received in response to the call by the February 2005 closing date and these are currently being evaluated by Fáilte Ireland
- a new and enhanced campaign, with a budget of €3m, has been launched by Fáilte Ireland for the domestic and Northern Ireland markets, including year round advertising and the development of an upgraded website
- a range of new initiatives has been developed by Fáilte Ireland to address competitiveness including
 - *Performance Plus* – an online extranet benchmarking device for tourism enterprises to gauge their performance in a range of areas relative to industry norms

- the *Business Solutions Toolkit* – an interactive CD-Rom guide to addressing cost management and business development issues within the tourism industry
- the *Legal Aid/Financial Advice Platform* – a free first consultation service to tourism businesses from a range of professional companies.

Actions by the Tourism Industry

The actions delivered, and reported on, by the industry representative groups included the following

- Tourism Representative Bodies are working with the Tourism State Agencies in marketing and promoting special offers, particularly using the internet, in Ireland and overseas
- the Irish Tourist Industry Confederation's (ITIC) Marketing Investment Report has been completed which showed good levels of e-marketing and website capability among Irish firms
- tourism operators are actively targeting the domestic market, with regional marketing linked to specialist activities.

- ***17% of tourism business is now done online – up from 7% in 2000***
- ***90% of enterprises surveyed claimed connectivity***
- ***Ireland is at least up with competitor destinations in terms of web presence***

Role of the Department of Arts, Sport and Tourism

The Department of Arts, Sport and Tourism is now more pro-active in seeking to influence the decisions, programmes and policies of the various other Departments and Agencies that impact on tourism. These efforts are paying dividends with

growing recognition of tourism policy concerns in decision-making and consultative processes outside the Department's primary remit.

Officials of the Department are actively involved in the work of the National Competitiveness Council, the Tax Strategy Group, the Enterprise Strategy monitoring group and the Asia Strategy Group.

A project was completed by a cross-divisional Departmental group identifying the scope for collaborative action across the three functional areas of the Department i.e. arts/culture, sport and tourism in order to mutually enhance the future development of the sectors involved. An implementation framework, and timetable to progress the recommendations in the project was discussed at a meeting of the Chief Executives/Directors of the bodies under the aegis of the Department in April and will be rolled out over the coming months.

In November 2004, over 200 people attended the first Annual Forum of the Tourism Industry, organised by the Implementation Group in conjunction with the Department of Arts, Sport and Tourism, to report progress on the implementation of the strategy and recommendations of the Review Group. The Forum, which was addressed by the Minister for Arts, Sport and Tourism and by the Chief Executive of Ryanair and the Chairman of the Implementation Group, provided an opportunity for the tourism industry to reflect and put forward its views on the progress made in advancing the development of the industry over the previous year. The industry took full advantage of the opportunity and, in doing so, identified the key issues of tourism policy and implementation which it wished to see prioritised over 2005. The views put forward by the industry at the Forum have strongly shaped the work agenda of the Implementation Group for 2005.

Chapter 3

Key Barriers to Development

Much remains to be done if the intrinsic potential and the ambitious targets set for Irish tourism are to be achieved.

Chairman's Preface, First Report of the Implementation Group

Seven Key Barriers to Development

In its August 2004 Report, the Implementation Group identified seven issues as representing *the most serious barriers or impediments to the development of Irish tourism*. They include

- concern about the competitiveness and value for money of Ireland's tourism product against a background of no, or only marginal, improvement in sectoral profitability
- slow progress on the Ireland-US aviation arrangements which currently restrict the opening up of new services from the US
- the need to progress the provision of additional pier and terminal facilities at Dublin Airport
- changing consumer and market trends and associated loss in share of the British outbound market in recent years which make the attraction of increased visitor numbers to Ireland more challenging
- the absence of a National Conference Centre in Dublin
- slow progress in removing the increasing uncertainty about access to the countryside and the development of national guidelines and a code of practice on such access
- significant gaps in Dublin's cultural infrastructure as evidenced by failure to progress the redevelopment of the Abbey Theatre and the National Concert Hall.

Each of these issues is discussed further in the following paragraphs.

Value for Money

Extensive consumer research through Fáilte Ireland's Visitor Attitudes Surveys shows overseas visitors regard Ireland's high cost of living, poor roads and uncertain weather as the main disadvantages to a holiday here. While less than 5% of overseas visitors indicated that their overall expectations for a visit to Ireland were not met in 2004, more than half of all visitors surveyed said they regarded the cost of living, eating and drinking in Ireland to be more expensive than expected.

Some of these issues are also reflected in the findings from the qualitative research undertaken by Tourism Ireland in Britain last year as outlined later in this Chapter. This indicated that Ireland's international image may not be as attractive as the industry here tends to assume. For example, few British visitors can cite compelling reasons to come back to Ireland and many potential visitors know little about Irish culture, historic treasures/landmarks or about opportunities for special interest or activity breaks.

The Tourism Policy Review Group highlighted a wide range of actions required to address the value for money available within Irish tourism. The industry generally has worked hard at the many issues which fall within its own control to bring about a more positive perception among visitors in relation to the value for money they receive in Ireland. Perhaps in response to recent efforts being made by the industry to address the competitiveness issue, the 2004 Visitor Attitudes Survey, in contrast with the trends of recent years, found that there was no deterioration, over the

previous year, in the level of satisfaction among visitors about the cost of access, accommodation or tourism-specific services such as car hire. The objective now for the industry must be to build on this and achieve a reduction in the proportion of visitors who are dissatisfied with price levels here.

In addition to the range of measures highlighted in the Group's first report, further initiatives and recent developments reported to the Implementation Group include the following

- the industry, through Tourism Ireland, is continuing to provide hundreds of special travel offers to overseas visitors on their website, www.tourismireland.com
- Fáilte Ireland has set up and launched its new website (www.ireland.ie), primarily to serve the Irish market, where special offers from the industry are bundled and offered to domestic and Northern Ireland customers
- the special offers section on the Irish Hotels Federation's (IHF) website www.irelandhotels.com has some 500 members actively participating
- the Irish Tour Operators Association (ITOA), through its Winter Value Breaks Programme, offers a *go as you please* programme featuring over 100 hotels and 4 car rental companies (included B&Bs in 2004/5). The packages include up to 40% reductions on normal prices
- the Restaurants' Association of Ireland (RAI) and the IHF, with the support of Fáilte Ireland, re-launched the *Value Menu* initiative in August 2004. The pricing levels for 2004/5 are more flexible with a new value menu for wines supported by the wine trade
- Fáilte Ireland has introduced two new training initiatives for the sector on cost management – Diploma in Financial Management and Cost Control Workshops
- 50 businesses achieved Ireland's Best Awards for top standards in service excellence and the *Optimus* programme was launched by Fáilte Ireland which focuses on building business excellence and quality within tourism enterprises
- there were no increases in excise duties or VAT rates in Budget 2005
- the annualised rate of inflation dropped further to 2.1% in March 2005 – as measured by the EU index it was 1.9% compared to the average of 2.1%
- there have been some reductions in insurance premia due to more competition in the market and the improved legal claims environment.

The Review Group emphasised that the ultimate determinant of success in Irish tourism is an energetic, innovative and profitable private sector. In working to restore the competitiveness of the various elements of the Irish tourism product, a fundamental question facing the industry is whether the price ceiling has been reached and how to raise productivity in every other area of their operations, if intense competition from other destinations is to be met. However, measuring productivity growth in services is particularly difficult when the indicator is the quality of the overall experience.

The Implementation Group welcomes the significant steps taken by many within the industry to address the competitiveness challenge which the industry faces. Even with these improvements, the current perception of competitiveness and value for money in Irish tourism remains a significant barrier to its further development and expansion. The objective now must be to build on the progress that has been made in addressing the further competitiveness gap which the industry faces. Further sustained efforts along the lines of the Review Group's recommended actions, within both the industry itself and within the Government sector – in particular, in terms of local

authority charges and utility charges – are essential to address the issues that have undermined competitiveness.

The current perception of competitiveness and value for money in Irish tourism remains a significant barrier to its further development and expansion

Ireland–US Bilateral Air Agreement

The failure to date to secure agreement on an EU-US "Open Skies" agreement, on foot of the mandate given to the EU Commission in July 2003, and the consequential uncertainties regarding future Ireland-US aviation arrangements remain a major concern of the tourism industry and a serious barrier to achieving the full potential for growth of US visitors to Ireland. Such arrangements would open the prospect of developing a range of new services between the US and Ireland from a number of new gateways by Irish and US based carriers, with the potential for achieving a major increase in incremental visitor numbers from the US. Because of the profile of US visitors, this is likely to benefit all regions of Ireland.

The Implementation Group understands that discussions have been taking place between the Irish and US authorities on this issue. The elements should be in place to secure an early outcome that on the one hand opens up the prospect of new US gateways and services, while at the same time providing for an orderly phasing out of the Shannon stop requirements. The Implementation Group believes that discussions on "Open Skies" arrangements on a bilateral or EU-wide basis must be brought to an early successful conclusion to permit additional services to be developed no later than 2006, to build on the major potential that exists for increased business from North America.

The Implementation Group is concerned that an issue of such major significance to the future development of Irish tourism, which has been highlighted by a series of objective analyses in recent years, including those of the Tourism Policy Review Group and the Implementation Group, has seen such little progress. It represents a lost opportunity for Irish tourism.

In that context, the Implementation Group notes that 2004 has seen a strong recovery in the North American market with an 8% increase in capacity on direct air routes from the US to Ireland for the winter season 2004/5 and a 17% increase in capacity for summer 2005. The announcements by Continental Airlines and American Airlines of three additional services to the island of Ireland from Newark, Boston and Chicago in 2005 are particularly welcome and highlight the potential that exists for further services – especially if additional US gateways are negotiated under revised bilateral arrangements between Ireland and the US.

Given the volatile and cyclical nature of the airline industry, the Group considers that it is of the utmost importance to clarify as soon as possible the position of Aer Lingus as regards access to additional capital funds to facilitate its fleet development programme, in particular for long-haul services.

Dublin Airport Terminal Facilities

The Tourism Policy Review Group endorsed the call from the tourism industry for additional pier and terminal facilities at Dublin Airport. This essential infrastructure is required to enhance the capacity of the airport to service an anticipated increase in the number of visitors, particularly from Mainland Europe and North America, if the targets in the Report of the Review Group are to be reached.

The Implementation Group notes that the new Dublin Airport Authority, which took office in October 2004, was asked to address capacity deficits at the airport and to report to the Department of Transport.

The Implementation Group understands that the Minister for Transport intends to bring proposals to Government in the near future. It is essential that the necessary decisions are taken without delay. Moreover, arrangements need to be put in place to ensure that the additional facilities are delivered as soon as possible and at the lowest feasible cost so that they adequately meet the needs of the airlines that are in a position to develop the tourism potential of our key source markets and of the general travelling public.

While the Group fully appreciates the complexities of the issue and the different stakeholder interests involved, it wishes to highlight that this is a key issue for the tourism industry on which decisions have been outstanding for a number of years.

British Market

Without volume growth from Britain, the targets set in the Report of the Tourism Policy Review Group will be difficult to achieve. Competition from Central and Eastern Europe and long-haul destinations, all with direct low-fare access from Britain, are winning market share in Britain at the cost of more traditional destinations such as Ireland and other West European countries.

In 2004, Tourism Ireland commissioned a fundamental review of the British tourism market, in order to gain a better understanding of trends and strategies so that the full potential of this market for Irish tourism could be realised.

Without volume growth from Britain, the targets set in the Report of the Tourism Policy Review Group will be difficult to achieve

The review involved extensive research into trends in the market, market performance to

Ireland and competitive analysis, including the factors that determined Ireland's appeal to British visitors, its best prospects and their implications. It also covered what factors trigger the selection of a holiday destination, why people chose to visit Ireland and, when they do, what barriers they face. Interviewees included both people who had been to Ireland and those who had not yet considered it as a holiday destination.

What has emerged from the detailed analysis of the qualitative research undertaken is that British visitors

- have, in general, found no compelling reasons to come back to Ireland. However, the research indicates that older people on touring holidays will return and that they represent the ripest market in which to encourage repeat business
- do not regard going on holiday in Ireland as going abroad
- cited the *people* aspect as the most compelling attraction for interested/potential visitors and what, for them, is the key difference between a home holiday and a holiday in Ireland
- know little about Irish culture or historic treasures/landmarks or about opportunities for special interest or activity breaks.

It highlighted that the best prospects for Ireland still lie in marketing to those in the higher income grouping who, on average, stay for up to 10 days and visit a range of places throughout the island.

These findings have helped to shape Tourism Ireland's operational plan for 2005 and a revised strategy for the British market was launched by the Minister for Arts, Sport and Tourism in April 2005. To date, Tourism Ireland has allocated 38% of its enhanced marketing budget this year to Britain.

National Conference Centre

The Implementation Group welcomes the announcement by the Minister for Arts,

Sport and Tourism, in December 2004, that tender documentation had issued to the consortia short-listed for the development of the National Conference Centre in Dublin. The Implementation Group has been informed that final tender submissions are due in May and that a provisional preferred tenderer should be selected by mid-year.

The Implementation Group is concerned about how time-consuming and complex this project has become, while acknowledging the context of the public private partnership process involved. It calls for the remaining stages of the process to be completed without any further slippage, given the Centre's key role in developing conference and meetings business in Ireland and in order to complement the work being done by the Business Tourism Forum recently established by Fáilte Ireland.

Countryside Access

Comhairle na Tuaithe, the Countryside Recreation Council, was set up by the Minister for Community, Rural and Gaeltacht Affairs, in February 2004, to bring together representatives of farmers and landowners, recreational users of the countryside and tourism marketing bodies, with a view to finding a positive and speedy resolution to the access difficulties that have arisen in recent years. These difficulties have had significant negative implications not only for the development of rural tourism but also for marketing Ireland abroad and, indeed, the whole image of Ireland as a welcoming destination.

A Supreme Court judgement of 21 January 2005 has opened the way to clarifying some of the complex issues involved. The case centred on an appeal of a High Court decision that found a landowner was liable for damages sustained by a recreational user. The Supreme Court found that there was no liability on the part of the landowner and set aside the High Court judgement.

While the Implementation Group understands that the discussions by the Comhairle's three Sub-Groups on the way forward are continuing, it is concerned about the policy vacuum in this area. The Group believes that consultations must be progressed rapidly, and a policy framework must quickly be put in place to facilitate an acceptable and reliable level of access to the countryside for recreational walkers.

The Implementation Group believes it is essential that the Department of Arts, Sport and Tourism and Fáilte Ireland continue to work for the urgent resolution of this issue, in order to alleviate the negative effects the impasse has had on the tourism industry and on developing and marketing activity holidays in the regions.

Cultural Infrastructure in Dublin

The Implementation Group is disappointed that, despite the commitment afforded by the Minister for Arts, Sport and Tourism to the redevelopment of the Abbey Theatre and the relocation/redevelopment of the National Concert Hall, progress to date has been limited, mainly because of difficulties in determining and securing appropriate sites.

The Implementation Group has been informed that the Minister for Arts, Sport and Tourism remains committed to bringing proposals to Government, as soon as possible, for the long-term strategic development of the Abbey Theatre and the future of the National Concert Hall. The Group urges that this work be completed without any further delay.

Chapter 4

Other Areas Requiring Further Progress

Irish tourism is now in somewhat uncharted territory as it seeks a route to sustainable and regionally-balanced growth. Past remedies are certainly no guarantee of future success—and there are no quick-fix solutions

Fáilte Ireland: 2005 Summary of Activities

Chapter 2 covered the areas where good progress had been made in the implementation of the recommended actions in the Report of the Tourism Policy Review Group. Chapter 3 dealt with the key barriers to the development of Irish tourism and sets out the Group's views on what needs to be done now, if the targets set by the Tourism Policy Review Group are to be achieved. This Chapter discusses a number of important other actions that require further progress.

Product Development and Innovation

The Tourism Action Plan envisages the establishment of an innovation fund, the development of product clusters, filling of specified gaps in key product areas, (including additional UNESCO World Heritage Site designation) and closer integration between the State Tourism Agencies and the Planning Authorities on environmental and infrastructural requirements.

As indicated earlier, progress continues to be made in the roll out of the Tourism Product Development Scheme 2000-2006, under which 44 projects have already been approved and approximately 80 new applications have been received under the second call for proposals.

In line with the recommendations of the Tourism Policy Review Group, Fáilte Ireland has commenced planning for a new product development strategy for the post 2006 period and has already held a "Tourism Futures Seminar" with industry

representatives. The next steps involve the establishment of an industry advisory group, further research and international benchmarking and the piloting of an innovation fund.

The Implementation Group recommends that Fáilte Ireland should advance its work on producing a new post-2006 product development strategy before the end of this year so that it may be rolled out during the following year for implementation in 2006. Such a strategy is likely to be very different from previous product development programmes, given the impact of investment in recent years, the anticipated reduced overall availability of EU funds and a more rigorous EU State Aids regime.

While some further additions to the Irish tourism product range would be welcome, the view of the Implementation Group, confirmed by the extensive research in the British market, is that much of the existing product, in both public and private ownership, is not packaged, presented or marketed internationally to best effect.

The Group also believes that the potential of Ireland's cultural/heritage attractions also needs to be better developed and marketed. The upgrading of much of the physical and operational elements of the cultural/heritage base over the coming years may also be necessary, particularly in the public attractions area. The Group has been informed that Fáilte Ireland intends to pay greater attention to the promotion and development of this aspect of product development and welcomes this.

In addition, specific development strategies are being put together for key special interest activities such as walking, cycling, angling, golf and wellness etc.

Although some progress had been reported initially in identifying further sites in Ireland for World Heritage designation, negotiations stalled in the light of UNESCO's preference for non-ecclesiastical sites. The Implementation Group understands that a number of other sites, including the Cliffs of Moher, have been identified for possible designation and it considers that these should be progressed as soon as possible. The Department of Arts, Sport and Tourism and Fáilte Ireland should take a more proactive role, on behalf of tourism interests, in helping to secure extra designations.

In planning for a new product development strategy, the Group considers it important to note that the stock of hotel accommodation in Ireland has almost doubled from 26,000 rooms in 1998 to 45,000 at present. This growth has been driven not only by market demand, but by the availability of generous accelerated capital tax allowances, which are due to be severely curtailed for investment taking place after mid-2006. A number of further hotel investments are in the pipeline, which, combined with current occupancy rates, suggest that there will be no shortage of modern hotel accommodation stock to meet anticipated demand.

British visitors know little about Irish culture or historic treasures/landmarks or about opportunities for special interest or activity breaks

Project Britain 2004

Regional Support Structures and Regional Spread

Promoting a greater distribution of tourism across the different regions remains a core objective of national tourism policy. Various factors have conspired to exacerbate regional growth problems in recent years, most notably, the trend towards shorter and more frequent breaks, which favour the more easily accessible urban destinations.

Recent and anticipated improvements in regional and air transport access, and innovative marketing approaches as outlined earlier in this Report, should contribute to improving regional spread.

However, if an integrated national and regional strategy is to be delivered, a re-shaping of Fáilte Ireland and Regional Tourism Authority structures is needed to give greater emphasis to regional issues. The Group considers that better regional tourism strategies need to be developed by Fáilte Ireland, for roll out in 2006, to deliver improved visitor servicing and to meet the development needs of industry at local level.

The Group notes that in line with the Action Plan, Fáilte Ireland has recently concluded its deliberations on the future of regional structures and supports. The Authority has endorsed the conclusions and recommendations of a major consultancy study which it commissioned, as it seeks to determine how best to carry out its new development mandate at regional level. In so far as the Dublin region is concerned, the Authority has decided that there will be a further short engagement with the relevant parties to ensure that the mechanisms of consultations are complete.

The Group welcomes the complementary study being commissioned by ITIC on promoting a wider regional spread of tourism the results of which, it understands, are expected to be available in June.

Roads and Signposting

The Implementation Group is disappointed that the quality of the roads and signposting remains as serious a concern for tourists now as it was in 1995 – despite the significant expenditure that has been invested in the roads programmes.

While major advances have taken place, over the past year, in the development and upgrading of the National Roads Programme and ambitious programmes, at national and non-national level, are envisaged for 2005, the Implementation Group has no evidence that tourism priorities and tourism routes are adequately taken into account in such national infrastructural development plans.

It is estimated that some 50% of overseas visitors, and the majority of Irish holiday-makers, make considerable use of the road network. Research has shown that the car touring market (both own and hire car) stay longer, spend more and visit more than one region. As the Review Group pointed out, good internal transport and services (road, rail and bus) are essential components of a national tourism strategy. Yet negative feedback, on both Irish roads and on signposting, appears regularly in visitor surveys. Fáilte Ireland's Visitor Attitudes Survey, for example, asks tourists an open-ended question relating to the main advantages and disadvantages of Ireland as a holiday destination. The state of the roads has been consistently listed, with the weather and the cost of living, as one of the top three disadvantages.

The Implementation Group has been informed that Fáilte Ireland is providing the relevant Departments with information on the most frequently used routes by car and coach touring holidaymakers. The Group welcomes the fact that the Traffic Signs Manual, the comprehensive guide to the provision of road signage, is currently being updated by the Department of Transport.

The Implementation Group is not convinced that sufficient cognisance is being taken, in terms of programme planning, of tourism priorities or of how the lack of progress contributes to the quality of the Irish tourism experience, as shown in the Visitor Attitudes Surveys referred to above. This has implications for the marketing of car and coach touring in Ireland with likely downstream effects on future revenues.

The quality of the roads and signposting remains as serious a concern for tourists now as it was in 1995

The Implementation Group calls on the Department of Arts, Sport and Tourism, Fáilte Ireland and the Regional Tourism Authorities to highlight the priority internal transport requirements and to maintain pressure on the relevant authorities, over the coming months, on advancing the actions necessary to improve

- the quality of the roads, both national and non-national, on routes of high tourism demand
- the route network and signposting at all international air and sea access points
- the signposting from Dublin to the regions and the “follow through” signposting along routes – confirming for visitors that the route they are taking is correct – and better advance signage for significant tourism destinations
- initiatives by local authorities to improve access to attractions in local areas and, where relevant, to combat traffic congestion.

E-Marketing

Increasing use of the internet by holidaymakers means that, at national and at enterprise level, the mastery of e-marketing will be a key to survival and future growth. With this in mind, both the

industry and the State Tourism Agencies are investing significantly in building their e-business and e-marketing capabilities. A recent report presented to the Group by ITIC found a sector with a good level of e-awareness and e-capability.

Both Fáilte Ireland and Tourism Ireland are playing their part in ensuring Ireland becomes a market leader in internet communications and are working closely with the industry. They are seeking to maximise e-marketing opportunities and to jointly develop platforms to ensure that the best and most comprehensive information and sales capabilities are available on-line to consumers. From an all-island point of view the development of e-marketing capability will be a cornerstone in the generation of future business from overseas markets.

In 2005, Tourism Ireland will invest nearly €2 million on marketing the island of Ireland on the internet and will be spending an extra €1.1 million on e-marketing development.

Tourism Ireland will invest nearly €2 million on marketing the island of Ireland on the internet and will be spending an extra €1.1 million on e-marketing development

Fáilte Ireland's current advertising campaign on the home market has introduced a creative shift in the way it is reaching out to consumers. It is linking its message closely with the new www.ireland.ie website. The volume of traffic to the website is growing – for example, accommodation providers are getting over 9,000 sales leads a week. Research is underway on the further development of the website and new product sites, along with a relaunched online Business Tourism platform, are in development.

Fáilte Ireland is also working very closely with the Regional Tourism Authorities and Shannon Development on redeveloping their sites to 'fit' with the www.ireland.ie campaign. This work is almost completed.

Notwithstanding these positive developments, the Implementation Group believes that there is considerable room for improvement in this area, in particular given the number and range of official websites and the need to ensure appropriate integration of a comprehensive range of tourist information at various levels. Such a view is also shared by the Irish Tourist Industry Confederation. The Group welcomes the fact that Tourism Ireland, Fáilte Ireland, the Northern Ireland Tourist Board and the Regional Tourism Authorities are working closely together to address these issues and to ensure that Ireland's web capability is of the highest standard to meet customer needs. The Group will continue to monitor progress in this area.

Taxation Regime for Treatment of Business Expenses for International Conferences/Meetings

Ireland is currently at a disadvantage compared to competing destinations in developing business tourism, as business expenses are not treated equally for VAT purposes throughout the EU. In Ireland, unlike certain other EU countries, the VAT paid on hotel and restaurant expenses is not deductible. This situation is exacerbated by the relatively high VAT rates applying to such activities here.

The industry, in a number of detailed submissions from ITIC, the IHF and the ITOA, has made a strong case to the Department of Finance to remove this disincentive so that Ireland's business tourism can be further developed. Such a move would complement support from the new Business Tourism Forum established by Fáilte Ireland and plans to develop a National Conference Centre in Dublin.

The Group strongly supports the industry's efforts to remove existing disincentives in this area at the earliest practicable date and will continue to do so in its consultations with the Department of Finance.

Implementation of Human Resource Development Strategy

The Group welcomes the completion by Fáilte Ireland of its new Human Resource Development Strategy, 2005-10, which is due to be launched in early May. The development of such a strategy, in line with the Tourism Action Plan, places a particular emphasis on

- craft and management skills
- the pressing need to make education and training more accessible and convenient
- the kind of frameworks required to support people development, including management capability, in smaller businesses
- the need to address the growing levels of employment of non-national labour.

The Implementation Group believes that an energetic joint approach on the part of the tourism sector and the Tourism State Agencies to the early implementation of the recommendations in the new Human Resource Development Strategy will be essential to ensure that the programmes and initiatives are in place to serve the needs of people in the industry and allow them to follow a successful and rewarding career path.

Hotel and Guesthouse Classification

Fáilte Ireland has completed its benchmarking of alternative classification systems and proposals for a new classification system have been prepared. Discussions with the Irish Hotels Federation have taken place and agreement in principle has been reached on a new mandatory system by year end.

The Group believes that the early introduction of a mandatory classification system, as recommended in the Action Plan, which combines the best of the existing Irish system with best practice internationally, would represent a major milestone for the sector. Such a system would complement the expansion in hotel stock in recent years to the benefit of the overall tourism product in Ireland. The Group considers that a mandatory system is essential to avoid the situation where a significant number of hotel properties remain unclassified, given the current consumer emphasis on transparent quality service levels and standards. It urges the parties to conclude all the details with a view to a new system being up and running during 2006.

B&B/Guesthouse Sector

The B&B and Guesthouse sector has experienced a loss in market share in recent years for a number of reasons, including changes in consumer preferences, growth in urban and shorthaul holiday taking and the large addition of budget hotel accommodation stock.

The Group believes that the implementation of the recommendation for a unified B&B representative body as set out in the Action Plan could do much to re-energise the sector to meet changing consumer trends. Given the difficulties experienced in recent years, an urgent priority for 2005 will be the completion of Fáilte Ireland's strategic review of this sector to feed into the development of a series of targeted actions to underpin future growth.

The implementation of the recommendation for a unified B&B representative body ... could do much to re-energise the sector to meet changing consumer trends

Chapter 5

Next Steps

Final Report

The Tourism Action Plan Implementation Group will complete its work by the end of 2005. In its final report, the Group will provide a comprehensive overview of the progress made in implementing the recommendations of the Tourism Policy Review Group and, in particular, the first rolling Tourism Action Plan, from 2003 to 2005.

Among the issues to which the Group will pay particular attention in the coming months are

- the continuing competitiveness challenge facing Irish tourism
- the further improvements required in access transport
- the substantive upgrading recommended in roads/internal transport
- the changes required in certain limited areas of taxation to enhance the competitiveness of specific tourism products with high potential

- the scope and need for innovation and development of the tourism product
- the need to improve e-capability of Irish tourism.

2005 Tourism Forum

Later this year, in the autumn, the Group will convene, in partnership with the Minister for Arts, Sport and Tourism, the second Forum of the Tourism Industry.

The purpose of the Forum will be to take feedback from the industry on the progress reported and on the priority issues for the industry looking forward.

The Implementation Group will incorporate the outcome of the Forum into its third and final report to the Minister for Arts, Sport and Tourism.

Terms of Reference

Having regard to the new strategy for Irish tourism over the period 2003 to 2012, as set out in ***New Horizons for Irish Tourism; An Agenda for Action*** (September 2003) and in order to drive forward and give best effect to the implementation of the first *rolling action plan*, the terms of reference for the Implementation Group are

- to advise the Minister for Arts, Sport and Tourism, John O'Donoghue, T.D., on the implementation on the Tourism Action Plan 2003-2005
- to publish a report on its work, results and deliberations at six-monthly intervals
- to sit for a period up to the end of 2005

and, in that context,

- capitalise on the current impetus for change and modernisation within both the public and private sectors, ensuring that the Action Plan is seen as an integrated set of actions requiring a co-ordinated and partnership approach, across Departments, agencies and industry, towards implementation
- discuss with lead actors their operational plans for, and commitments to, the implementation of actions falling within their remit including effectiveness indicators against which performance will be measured
- highlight any constraints to progress and recommend how they might be addressed and by whom
- recommend any changes that should be made to the Action Plan in the light of experience as it is rolled out

and also

- to contribute to the evaluation of the tourism strategy in autumn 2005 (or earlier if the tourism environment proves to be more volatile than anticipated) – this step to be a major milestone in the ongoing review process which will be an inherent element of the development process for the industry going forward.

Members of the Implementation Group

The membership of the Implementation Group is as follows:

John Travers (Chairman)	former Chief Executive of Forfás, also chaired the Interim Board of the National Tourism Development Authority and the Tourism Policy Review Group
Philip Furlong	Secretary General, Department of Arts, Sport and Tourism
Jim Murphy	Managing Director, Prem Group and former President of the Irish Hotels Federation
Michael O'Donoghue	Managing Director, O'Donoghue/Ring Hotels
Eileen O'Mara Walsh	O'Mara Travel and former Chairperson of the Irish Tourist Industry Confederation
Raymond J Rooney	Managing Director, Rooney Auctioneers Ltd
Paul Tansey	Economist

