

*Irish Tourism: Responding to Change*

**Interim Report of the Tourism Policy Review Group**

**to Mr. John O'Donoghue, T.D.**

**Minister for Arts, Sport and Tourism**

**May 2003**



## Executive Summary

- 1. The Tourism Policy Review Group, established by the Minister for Arts, Sport and Tourism, convened its first meeting on 28 January 2003. Its mandate is to identify the key elements of a strategy for the future sustainable development of tourism in Ireland within which the industry and Government sectors can work together in an effective and beneficial partnership in the years ahead. The Review Group considers it appropriate, at this point in its work, taking account of the comprehensive programme of consultation in which it has engaged and the fundamental changes in the tourism industry worldwide at present underway, to outline for the Minister its initial conclusions and views on what has emerged to date.*
- 2. The Group believes that the economic and social contribution of the Irish tourism industry is seriously undervalued, both nationally and at Government level. The industry generates €4 billion in foreign revenue earnings, employs 150,000, generates up to €2.3 billion in taxation and makes a significant contribution to regional development. Because of the diversity of the customer base and the tourism product, a range of external factors impact on its development. Yet the impact of such factors is often not sufficiently taken into account when decisions are being made by Government or elsewhere.*
- 3. It is clear to the Review Group that the tourism industry in Ireland is now at a crossroads. After a successful decade of growth during the 1990's, there are indications of a deterioration in Ireland's competitiveness in the international tourism market. This is placing the profitability and future prospects of the industry under very real threat. Moreover, the nature and structure of the industry itself is changing in response to major changes in customer demands, information technology and the impact of low cost airlines on patterns of travel supply and demand.*
- 4. The Group concludes that despite recent external shocks, the prospects for the international travel and tourism sector remain in the medium and longer term highly positive. The key to future success for Ireland is for the industry to focus on the quality of the holiday experience to the visitor. A relentless emphasis on value for money, encompassing high quality and service standards and product innovation is essential.*
- 5. In its final Report in the summer, the Review Group will map out in more detail a comprehensive strategy for the future sustainable development of Irish tourism in the 21<sup>st</sup> Century, together with a set of actions for implementation by the industry and the public sector.*
- 6. For the purposes of this Interim Report, a number of key recommendations are being put forward by the Review Group at this stage. Among the more important recommendations are the following:*

### Influencing the wider Government Agenda

- The tourism industry is, arguably, the most important Irish-owned sector of enterprise, national and regional wealth-creation and employment generation. It has major*

*potential to contribute more to national and regional development. These realities do not appear to be sufficiently understood and reflected in the organisational structures of Government for tourism and in the prioritisation of its work. The Department of Arts, Sport and Tourism requires, in consultation with the Tourism State Agencies, to play a more dynamic and effective role in shaping the range of Government policies that impact upon the development of tourism in a significant way. These policies include, in particular, those that relate to competitiveness, taxation, heritage and environmental conservation, and internal and external access transport. This role should be complemented by strengthened industry representation structures to champion industry interests;*

### **Access Transport**

- *An early renegotiation of the Ireland/U.S. Bilateral Air Agreement is necessary to achieve additional air services and enhanced visitor flows from North America, to the ultimate benefit of all regions, including the mid-West;*
- *The provision, at the earliest possible date, of additional, competitive fast turnaround terminal facilities at Dublin Airport is required, in particular to help develop additional air services from Continental European and U.K. markets with strong inward tourism potential;*

### **Competitiveness/Value for Money**

- *The full implementation by all the social partners of the anti-inflation and competitiveness enhancing provisions of the Social Partnership Agreement 2003-2005 – Sustaining Progress is essential, particularly those relating to pay, productivity and the facilitation of change in the workplace;*
- *In order to prevent the embedding of high-inflation expectations throughout the economy, which would have a particularly detrimental impact on the competitiveness of the traded sectors, including tourism, the Government should commit to an inflation target relating to those factors of pricing change within domestic control, including charges for Government services, excise duties and indirect taxation;*
- *An industry focus is necessary on measures to improve competitiveness at company level by improved human resource practices, more efficient use of information technology, more innovative pricing initiatives and a relentless drive to reduce costs;*

### **Exploiting Information Technology**

- *The better exploitation of new e-commerce technologies, such as the internet, by the industry and Tourism State Agencies, is necessary to improve marketing and customer relations management. A new initiative should be put in place by the Tourism State Agencies to support the introduction and development of effective customer friendly e-commerce applications more widely in the industry;*

### **Product Development**

- *The current under-utilisation of accommodation capacity and visitor attractions and facilities should be addressed through a number of measures: better presentation, more integrated packaging, cooperative marketing and through targeted public sector incentives, which encourage innovation and re-investment by the private sector to sustain the quality of the product offering in line with customer requirements; and*
- *The filling, as a priority, of significant gaps in tourism product stock including a dedicated National Conference Centre and a new world class Stadium in Dublin.*

*Details of these and other interim recommendations put forward by the Review Group are set out in the Report below.*

*A background note on the establishment of the Tourism Policy Review Group, including its membership and full terms of reference, is appended to the Report.*



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## CHAPTER 1

### PROSPECTS FOR IRISH TOURISM: AN OVERVIEW

#### *The Approach of the Group to Policy Review*

- 1.1 Growth and development of the tourist industry throughout Ireland must be driven by private sector enterprise, innovation and investment with sensible and appropriate Government support. A fundamental principle guiding the work of the Review Group is that the basic role of tourism policy is to put, and maintain, in place a consistent framework of actions, across all relevant areas of Government activity, within which private sector enterprise, innovation and investment in tourism flourishes. Direct Government intervention should be confined to areas of clear market failure and then only in close consultation and partnership with the industry. Any such intervention should operate in the context of a coherent overall policy framework for tourism development.

#### *1990's - A Decade of Major Advance for Irish Tourism*

- 1.2 The Irish tourism industry made significant advances during the 1990's, with above average international growth rates and gains in market share, in particular from North America and Britain. The achievement of these improvements were underpinned by a generally favourable exchange rate and low inflation environment resulting in significant gains in competitiveness, particularly over the period to 1998. The industry also benefited from substantial investment in product development and access transport infrastructure, marketing and training, primarily from industry sources but supported by a substantial level of EU funding through the Structural Funds. Irish tourism today has strong foundations based on a large customer base, high overall satisfaction levels and strong visitor appeal through its key brand attributes of "people, pace and place".

#### *Tourism - An Undervalued National Resource*

- 1.3 Despite the strong growth in visitor numbers, foreign earnings and employment achieved by the tourism industry, over the past decade and more, the economic and social contribution of the Irish tourism industry is seriously undervalued, both nationally and at Government level. The undervaluation of the contribution of tourism to national and regional development in Ireland is partially explained by the fragmented and diverse nature of the tourism industry, which includes thousands of businesses, the vast majority of which are Irish-owned, owner-managed, small companies. But it goes beyond this to the structural arrangements for the formulation and articulation of tourism policy at Government level and to the structure and effectiveness of the representation groups for the industry.

#### *Tourism's Economic Contribution*

- 1.4 In 2002, Irish tourism attracted 6 million visitors, generated €4 billion in foreign revenue earnings and accounted for approximately 150,000 jobs. When earnings from domestic tourism are included, the overall value of the industry increases to €5 billion. It is estimated that the Government earned as much as €2.3 billion through taxation of tourism expenditure in VAT, excise duties and income tax receipts. The economic contribution of tourism is of particular value given its very low import content in comparison with other exports and its

### ***Irish Tourism - Entering a Period of Major Uncertainty***

1.5 While many of the above industry strengths remain, the external environment for the development of Irish tourism has become less benign over the past three years. These less benign factors include the adverse impact of foot and mouth disease on visitor numbers and internal travel in the Spring of 2001, the international economic downturn from 2000 onwards, and the major negative impact on the travel and tourism trade of the terrorism attacks in the U.S. in September 2001 which continue to cast their shadows forward to the present day and beyond. Geopolitical uncertainty has been compounded in the lead up to the Iraq War and as a result of the current SARS outbreak resulting in changes in international travel behaviour and later and uncertain booking patterns. The recent upward movement of the euro against our major tourism trading currencies (US \$ and £ sterling) and some further deterioration in economic conditions in our major markets in recent times are further factors of negative change within which the Irish tourism industry must operate.

### ***Fundamental Shift in the Nature and Structure of Tourism***

1.6 While these changes represent a major challenge for the tourism sector in Ireland and elsewhere, they do not tell the full story. The nature and structure of the industry itself is also changing rapidly under the influence of:

- Changing work and leisure patterns;
- Significant changes in the number of tourist destinations in Europe and world-wide and associated locational and product-based competition;
- An increasingly knowledgeable and discerning customer profile;
- Significant changes in the ownership, operational, marketing and distribution structures of the accommodation and other sectors of the tourism industry;
- The impact of major changes in information technology on marketing, distribution, competition and customer relations within the industry;
- Changes in transportation, particularly with the development of low-cost, low-fare air services;
- A search for an increasing range and depth of personal experience by visitors combined with a growing concern in relation to personal security; and
- The introduction of the euro which is facilitating greater price transparency between tourist destinations across the Eurozone.

While the nature and structure of international tourism is undergoing fundamental change at the present time the most authoritative sources, including the World Tourism Organisation (WTO), project that despite current difficulties, world tourism arrivals will more than double over the next 20 years – broadly in line with experience over the past 20 years.

### ***Irish Tourism at Pivotal Point in its Development***

1.7 The fundamental changes under way at present in the nature and structure of international tourism, the economic downturn affecting tourist related travel and spend and the major

uncertainties which have arisen from terrorism activity and geopolitical instability have all undoubtedly contributed to the downturn experienced by the Irish tourist industry in 2001 and 2002 in particular. But there is an additional factor that overlaps these external influences: the competitiveness factor. There is increasing evidence that the competitiveness of Irish tourism, encompassing a range of factors including price, product development and innovation, quality, service, customer perception – all of which can be subsumed under a value-for-money perception – has fallen in recent years. It is this congruence of fundamental change in external factors and in the competitiveness of Irish tourism itself which, in combination, indicates that Irish tourism is at a pivotal point in its development.

1.8 Irish tourism, in all its facets and encompassing the private and public sector components, faces a major challenge if the success of the past decade and more is to be replicated in future. While the challenge now facing the tourism industry is significant, the Group believes that past success can be replicated and exceeded. But this will only happen if significant changes in the structure and operation of the industry in Ireland are accomplished. A fundamental requirement is restoring the competitiveness of Irish tourism across the full range of factors that determine that competitiveness.

1.9 Whether or not the Irish tourism industry is delivering value-for-money is ultimately a matter for customer judgement rather than industry assertion. It derives not just from pricing factors, although these are increasingly important, but from the full range of the experiences enjoyed by visitors and holiday-makers.

1.10 It is self-evident that for an island country the price and range of access transport services – both air and sea – are of fundamental importance. Significant advances in these areas have been made over the past decade and more but major changes remain to be accomplished which will greatly assist in enhancing the competitiveness of Irish tourism.

***Wider Government Policies Have a Major Impact on Tourism***

1.11 Consultations undertaken by the Group have served to emphasise the diversity of the tourism sector and the range of external factors which impact on its development. These include external and internal transport access, inflation, fiscal policy, the environment and physical planning, the natural and built heritage and a number of other areas set out later in this Report.

1.12 The Review Group wishes to highlight, in particular, two recent instances where the impact of wider decisions on the tourism industry appear to have been disregarded. They are:

- the Budget day announcements in relation to VAT increases and the availability of hotel capital allowances and rollover relief; and
- the proposed ban on smoking in hotels and restaurants.

The ability of the industry and the Department of Arts, Sport and Tourism to make a serious impact on policy developments in such areas, in pursuit of sustainable tourism policy goals, will be a key influence in determining the future success of the sector.

***New Performance Targets***

1.13 The Group considers that a new set of strategic performance targets for future growth in Irish tourism is needed. It will return to this issue in its final Report.

***Interim Recommendations***

1.14 In its final Report, the Group will map out a comprehensive strategy for the future sustainable development of Irish Tourism in the 21<sup>st</sup> Century together with a set of actions for implementation by the industry and the public sector. For the purposes of this Interim Report, the Group wishes to put forward a number of interim recommendations on the basis of its discussions and consultations to date. These are set out in the following Chapters.

## CHAPTER 2

### MAKING THE VOICE OF TOURISM COUNT

2.1 ***The Role of the Department of Arts, Sport and Tourism:*** The Department of Arts, Sport and Tourism, in consultation with the Tourism State Agencies, needs to play a more dynamic and effective role in shaping and influencing wider developments at Government level which impact on tourism. Among the more important areas identified by the Group are (a) access and internal transport, (b) fiscal policy, (c) the environment and physical planning, (d) the natural and built heritage, (e) roads and signposting, (f) rural tourism, (g) marine issues, (h) Central and Local Government charges, (i) licensing laws (including the proposed restrictions on smoking), (j) competition policy and (k) especially issues affecting inflation and competitiveness. This role will require new bilateral structural arrangements with other Departments, as well as an internal reorganisation of the Department's Tourism Division and the support structures within the Tourism State Agencies. The articulation of an overall policy framework for tourism by the Minister for Arts, Sport and Tourism and his Department and its updating, at periodic intervals, will be central to the effective discharge of this new role.

2.2 ***A Strengthening of Tourism Industry Representation Bodies:*** Given the fragmented nature of the tourism industry, the Group considers that industry representation structures need to be strengthened to more effectively champion industry interests at Government, Parliamentary and media level. Stronger representation bodies could play a more important role in supporting better management development, cooperative marketing and product development initiatives, and cross-sectoral networks, based on objective research and operational knowledge, to help their members better deal with the competitive challenges facing the industry.



## CHAPTER 3

### ACCESS TRANSPORT

- 3.1 ***Good Overseas Access Transport Critical to Irish Tourism:*** Given our island location on the edge of the Continental European land mass, a wide range of convenient and competitive access by air and sea, to and from Ireland, is critical to the future success of Irish tourism. The greater integration of policy for different modes of transport, under the new Department of Transport, is a move in the right direction. Integrated transportation plans at national, regional and local levels now require to be articulated under the direction of the new Department. The Department of Arts, Sport and Tourism has an important role to play in ensuring that the requirements of tourism are fully taken into account in these plans. For example, the regional development objectives for tourism can only be realised if the road and public transport infrastructure is in place to facilitate the movement of visitors to, and within, the regions and with a particular need to focus on removing bottle-necks and congestion from the main points of air and sea access.
- 3.2 ***Ireland-US Bilateral Air Agreement:*** The Group is convinced, from its understanding of the position of the air carriers, that additional air services and enhanced visitor flows can be achieved from North America through an early renegotiation of the Ireland/U.S. Bilateral Air Agreement rather than awaiting developments at EU level arising from the recent European Court of Justice ruling. Delay would lead to missed opportunities. The Group believes that the likely pattern of increased visitor flows will ultimately benefit all regions, including the mid-West.
- 3.3 ***Dublin Airport Terminal Facilities:*** The need for additional, competitive, fast turnaround terminal facilities at Dublin Airport, at the earliest possible date, is clear. These are needed, in particular, to help develop additional air services from the U.K. and from Continental European markets in Germany, France, Italy, the Netherlands and others with strong inward tourism potential. The Group strongly supports moves by the Department of Transport to improve competition in the provision of such facilities.
- 3.4 ***Road Access:*** Dissatisfaction with the state of our roads is, perhaps, the leading complaint by many of our overseas visitors of their holiday experience in Ireland. It is essential that the improvement, upgrading and maintenance programmes, for primary, secondary and country roads, should better reflect tourism priorities. The early completion of the Dublin M50 orbital route, and improvements in the route network around international air and sea access points and around routes/centres of high tourism demand (e.g. Kerry, Connemara and the mid-West) are particular areas of priority.
- 3.5 ***Signposting:*** For many years criticism of inadequate directional signposting has been a major source of complaint by visitors. It is essential that a national programme to address such concerns be put in place, as a matter of urgency, by the Department of the Environment and Local Government in consultation with the Department of Transport, the National Roads Authority and the Local Authorities.

**3.6 Car Visitors Joint Marketing Initiative:** Recent years have seen a significant level of investment in capacity on the Irish sea and improved competition. There are good opportunities to build further on these developments to grow visitor numbers through a renewed emphasis on visitors who bring their cars with them to Ireland (i.e. the "car brought" market segment) through cooperative marketing between the industry and Tourism Ireland Ltd. The new initiative in this area, between Tourism Ireland Limited and the industry for 2003, is a good start (see Chapter 6 paragraph 6.3 below).

**3.7 Port Charges Regulator:** There exists a good case for the appointment of a regulator, similar to that for aviation, to determine port charges with the objective of enhancing competitiveness and transparency.

## CHAPTER 4

### COMPETITIVENESS AND VALUE FOR MONEY

4.1 **Inflation:** Growing concerns about competitiveness and dissatisfaction by visitors with the value for money on offer in Ireland is the greatest threat facing Irish tourism. While value for money encompasses a wide range of factors, research - through the Visitor Attitude Surveys conducted by Bord Fáilte - shows that the greatest source of visitor complaints relates to prices on the ground in Ireland. For these visitors the price issue relates not so much to the cost of access and accommodation, which they generally pre-book at a known and fixed price, but to the price of eating out, drink, food in shops and the general cost of living when they get here. It is essential that the provisions of the *Social Partnership Agreement 2003-2005 - Sustaining Progress* are fully implemented by all the social partners, to help restore, and enhance, national competitiveness. In this respect, the provisions relating to pay, productivity and the facilitation of change in the workplace are particularly important to the tourism industry. In this connection, the Group supports the analysis of the measures proposed (May 2003) by the National Competitiveness Council and Forfás to tackle inflation and, in particular, recommends:

- that the Government address and reverse the now strongly embedded expectations of high inflation in the economy so destructive of the competitiveness of traded sectors such as tourism. In order to do this the Government should commit to an inflation target bench-marked to the Eurozone or at least to those components of inflation that are within Government and domestic control; and
- in view of the fact that Government changes in indirect taxes and administrative charges at national and sub-national levels have been a contributory factor to high inflation in recent years, the Government should make an early announcement that no further such increases will take place in indirect taxes and charges under their control over the 2003-2004 period.

4.2 **Insurance:** High insurance costs are a particular concern of the tourism industry. Not only are general insurance increases raising industry costs, they are also placing in jeopardy many of the activity holiday areas that offer good prospects for future tourism development. The Group strongly supports the special initiative, announced by the Government in the *Social Partnership Agreement 2003-2005 - Sustaining Progress* to address, more effectively, the current difficulties in relation to the cost and availability of insurance, and bring about a reduction in insurance costs to the benefits of consumers and businesses alike. The Group recommends that

- the implementation of the Government's Action Plan should be accelerated as a matter of urgency, by the Minister for Enterprise, Trade and Employment; and
- the Department of Enterprise, Trade and Employment and the Competition Authority, in their study aimed at identifying anti-competitive practices and other

constraints on competition in the non-life insurance market in Ireland, should consider the particular impact of the excessive rise in insurance costs on the tourism sector.

4.3 ***Tourism Industry Initiatives on Inflation:*** The tourism sector itself has a key role to play in driving down costs in the industry. There is a need for the industry to identify concrete measures to improve competitiveness at operational level, by improvements in general management and human resource practices, more effective and efficient use of information technology, more innovative pricing initiatives, such as the Special Value Menu Initiative introduced in recent months by the Restaurants Association of Ireland, and the implementation of cost reduction programmes. Network groups, and the industry representation associations, can play an important role in such initiatives.

## CHAPTER 5

### EXPLOITING INFORMATION TECHNOLOGY

- 5.1 *Need for E-Commerce Strategy for Tourism Industry*: While some good initiatives in the application of information technology and e-commerce are already in place, or are being developed, in the tourism industry, these are not widespread or, in many cases, up to best industry standards. There is a great deal of untapped potential to upgrade the capacity of business, at all levels in the tourist industry, to use e-commerce and other I.T. based applications to increase efficiencies and to generate additional business. Improved capability in I.T. based applications will be an essential, rather than an optional, attribute of business operations in tourism in the years ahead. A first requirement is a strong information and demonstration campaign, by the Tourism State Agencies and industry representation bodies, on the contribution that information technology can make to winning new business, holding existing business and improving efficiencies. This should be the first step of a comprehensive I.T. and e-commerce strategy for the industry.
- 5.2 *Co-operative Networks*: An important requirement arising from the establishment of Fáilte Ireland and the implementation of a new e-marketing strategy by Tourism Ireland Ltd., is for improved interconnection of the websites of the Tourism State Agencies and those of the industry. This will also require joint arrangements to ensure the maintenance of appropriate quality standards.



## CHAPTER 6

### PRODUCT DEVELOPMENT AND INNOVATION

6.1 ***Under-Utilisation of Capacity:*** There has been significant investment in the tourism product in recent years, in particular in the accommodation area and in a range of visitor attractions and facilities. There is now a great deal of unused capacity. Under-utilisation of such facilities needs to be addressed through better presentation, more integrated packaging and cooperative marketing, and through targeted public sector initiatives that encourage innovation and re-investment by the private sector to sustain the quality of the product offering, in line with customer requirements. The industry itself must take the lead in addressing deficiencies in these areas, with strong support from Fáilte Ireland and Tourism Ireland Limited. Much can be done at local and regional levels to cluster, integrate and make more accessible our historical, cultural and sporting attractions.

6.2 ***Product Development Role:*** An important role for the new Tourism State Agency, Fáilte Ireland, will be a strengthening of the capability of the industry in product innovation and development, building on what has been achieved in the past by Bord Fáilte. The objective should be to achieve improvements, in the management and operational capability needed to drive effective product innovation and development, consistent with best environmental and physical planning practice and conservation. A new approach to product development should be an urgent priority for the incoming Board and executive of Fáilte Ireland.

6.3 ***Product Gaps:*** While significant strides have been made in developing the product stock of Irish tourism over the past decade, a number of important gaps remain. These include:

- ***National Conference Centre:*** The development, with State assistance and industry support, of a dedicated state of the art National Conference Centre in Dublin City should be quickly advanced. The early completion of such a Centre would be of considerable benefit in generating high value conference business to the benefit of Dublin and the regions of Ireland generally, through extended stays and repeat visitors. Its absence places Ireland at a considerable disadvantage in competing for high value-added visitor business.
- ***Review criteria and operational procedures and strengthen promotion of Product Development Scheme:*** A new product development scheme for tourism, based on competitive tendering procedures, was introduced in 2002 under the National Development Plan and in consultation with the EU. The focus of the Scheme is on the less-developed tourism areas of the country and on the clustering of visitor attractions to enhance their capacity and effectiveness in attracting visitors. Bord Fáilte has been the body responsible for the day-to-day management of the scheme. The underlying rationale of the scheme remains valid but the processing of project proposals needs to be accelerated, and the criteria and procedures need to be reappraised, in the light of experience of the existing round of applications. In particular, additional

resources require to be put in place to promote the scheme effectively, to encourage innovation and greater private sector participation and to ensure that good projects are brought forward and supported.

- ***Sports Infrastructure/National Stadium:*** There has been significant investment in sports infrastructure throughout the country, in recent years, which has strengthened Ireland's attraction for visitors. There remains considerable untapped potential in this area. In this context, the Group also believes that there are opportunities arising from the hosting of international sports events, which would be strengthened through the development of the proposed world class Stadium in Dublin.
- ***Arts and Heritage:*** There is significant scope for product development and innovation in arts/heritage for tourism development purposes, which is consistent with the changing expectations and requirements of people with an interest in these areas. There are significant mutual interests between the development of the arts and heritage facilities in Ireland and tourism development. The full exploitation of the potential of these mutual interests requires close consultation between both. There is an important role for Fáilte Ireland and the Department of Arts, Sport and Tourism in developing such consultation procedures. In this context, arising from its initial considerations, the Group recommends that:
  - arrangements be made to ensure that a number of additional sites/locations - other than the two so designated at present, Boyne Valley and Skellig Michael – achieve UNESCO's World Heritage Site designation. Such designation requires highly professional management and conservation arrangements and would add to the range of promotional products in Irish tourism for both domestic and overseas visitors in an area of strongly increasing interest to a more knowledgeable and discerning tourist base;
  - the quality of the cultural and artistic infrastructure in Dublin needs to be enhanced. Dublin lags behind other European capital cities in the quality of its performance and display space for the arts; and
  - in many cases, community events, festivals, regional theatre and arts centres, built up in many parts of Ireland with the support of significant EU and public sector investment over the past 10 years, provide what represent unique attractions. The further development and marketing of this product base should be an important objective for Fáilte Ireland and the Regional Tourism Authorities.
- ***Touring:*** As indicated in Chapter 3 - paragraph 3.6 above, there remains untapped potential in developing the touring (car brought or hired) niche market segment and other specialist activities areas, using the golf model already successfully developed by Bord Fáilte in recent years. Specialist marketing initiatives should be developed by the Tourism State Agencies, in

close consultation with industry representatives including sea and air carriers, to better exploit this potential.

- **Hotel Classification:** There have been significant additions to, and upgrading of, the tourist accommodation stock in recent years. However, while *registration* is mandatory for hotels and guesthouses, there is a high opt-out rate for hotel *classification* (grading) under the existing official voluntary scheme. There is a strong case for a mandatory classification scheme which should be explored with the industry by Fáilte Ireland, on the basis of modern upgraded criteria with a greater emphasis on service standards.
- **B&B Sector:** The B&B sector in Ireland offers considerable scope in promoting the unique *people, place and pace* attributes of Irish tourism and in addressing the value-for-money concerns of many visitors. There is scope for the more effective promotion of the sector. A unified representation association, speaking with one voice for the sector, would contribute greatly in achieving improved effectiveness. Accordingly, the Group advocates that the different representation associations for the sector come together, into a more unified structure, to work closely with Fáilte Ireland and Tourism Ireland Ltd.



## CHAPTER 7

### PROMOTION AND MARKETING

- 7.1 ***Exchequer Marketing Support***: The current level of Exchequer funding for direct support of the marketing of Irish tourism is considerable, amounting to some €50 million in 2002. This is in addition to the very considerable direct spend by the industry itself. Exchequer spend is concentrated on general destination marketing and on special product areas covering the activities of a multiplicity of small operators – areas of clear market failure. While this level of Exchequer expenditure needs to be kept under continuous review, and results appraised against objectives, the Review Group considers that the overall level of marketing expenditure is broadly appropriate at the present time. However, there is scope for better coordination of local and regional activity in this area with that of the national bodies and industry. This will be an important function for Fáilte Ireland. Looking ahead, market conditions at home and abroad should determine the overall Exchequer allocation for marketing purposes, and its deployment between spending areas, based on solid market research.
- 7.2 ***Co-operative Marketing Initiatives***: Given the significant level of direct marketing spend by the industry, there is scope for a greater level of cooperative advertising, promotion and marketing between the State and industry.
- 7.3 ***“Brochurisation”***: The value in marketing terms of the production of promotional brochures, in particular at local and regional level, needs to be more seriously questioned and the organisation of international marketing activity at regional level needs to be better coordinated centrally.



## CHAPTER 8

### PEOPLE IN TOURISM

- 8.1 ***Improving the Employment Status of the Tourism Industry:*** The successful development of tourism to date can be largely attributed to the quality of those working in the industry. While many have made excellent careers in the sector, much needs to be done to enhance the appeal of tourism as a provider of good quality employment in Ireland. Achieving this fundamentally important objective requires the development of clear career paths for those entering the industry through different job doors, the adoption of better human resource policies including partnership and productivity arrangements, and the provision of terms and conditions of employment that are competitive with alternative sectors.
- 8.2 ***Recruitment and Training:*** The primary responsibility for recruitment, induction, training and development and staff retention lies with the industry itself. There is considerable scope for development in this area, and for industry representation groups to stimulate initiatives that would achieve greater effectiveness and success, through management networks, joint initiatives and programmes and stronger linkages with training and education institutions.
- 8.3 ***Role of State in Tourism Training and Education:*** The establishment of Fáilte Ireland provides a major opportunity to review the State's role in tourism education and training. In this context, it is clear that an important role for the State lies in encouraging best practice and benchmarking training and education arrangements in Ireland with those of other countries with which Ireland competes for visitors, the development of course content, the setting of standards of performance and of attainment, and the provision of appropriate support for pilot schemes and development programmes.
- 8.4 ***Education Sector and Tourism:*** The quality and attitude of people in the tourism industry will determine whether it will continue to be a significant instrument of social and economic progress. This quality and attitude will be greatly determined by training and education systems for tourism. The Review Group is highly supportive of tourism-related courses at both second and third-levels. Strong links between the tourism industry and the providers in the tourism training and education sector should be maintained and continuously developed on a national, regional and local basis, so that there is a flexible and responsive delivery of education and training programmes that meet the needs of industry. The objective must be to have an integrated system of training and education for the tourism industry, from operative to management levels, and from skills level training to third-level post-graduate level. This will encourage the highest standards, provide internationally accepted qualifications and facilitate life-long learning and progression across, and between, the different segments of training and education.
- 8.5 ***Importance of Non-nationals in Tourism Employment:*** The Group believes that, in current economic circumstances, the employment of a significant number of non-nationals in the Irish tourism industry is both desirable and inevitable. The employment of non-nationals does, however, bring with it responsibilities and needs on all sides. The industry, supported

by Fáilte Ireland and other bodies in the training and education sector, should come together to develop and provide specialist training and education courses designed to fully integrate these employees into the industry. This will ensure that they achieve their full potential to contribute to the development of the industry and that the unique attributes of Irish tourism for visitors based on the *people, place and pace* experience are retained. Non-nationals are an increasingly significant part of the primary interface with visitors and as such will impact heavily on visitor perceptions.

## CHAPTER 9

### REGIONAL ORGANISATION

9.1 **Local Delivery:** The supply and receipt of the tourism experience for each visitor occurs in place and time at local level. There is, accordingly, a need for administrative arrangements at local level in respect of tourism promotion and development that reflect this reality. These arrangements require to be organised at a level and scale which ensures their effectiveness and a maximum level of efficiency.

9.2 **Multiple Organisations:** There are at present a large number of organisations active in the promotion and development of tourism at regional, county and local levels. Many of these are voluntary bodies which play an important part in securing community support and developing initiatives which support tourism. The involvement of so many bodies in the promotion and development of tourism has the advantage of harnessing a great deal of essential knowledge and enthusiasm to this purpose. But it also carries with it the danger of duplication, inefficiency and confusion in the minds of visitors.

9.3 **Need for a Strategic Framework:** There is considerable evidence to indicate that some rationalisation of administrative structures for the promotion and development of tourism is needed, in a way that continues to harness local support and initiative. This needs to take place within a regional strategic framework which provides an appropriate scale and perspective for tourism development. This issue will be addressed in further detail in the final Report of the Group.



## CHAPTER 10

### INFORMATION, INTELLIGENCE AND RESEARCH

- 10.1 ***Importance of Information, Intelligence and Research:*** Good information, intelligence and research are essential for the formulation of effective tourism policy and development of supports which best meet the needs of a rapidly changing industry. They need to cover areas which bear on markets, competitor offerings, economic and demographic projections, new technologies affecting tourism and so on in order to provide an essential information input into the investment decisions that will drive the development of the tourism sector in Ireland in future years.
- 10.2 ***Coordination of Research:*** Given the range and variety of information and research arising from different sources active in the tourism sector in Ireland, there is clear need for improved coordination of such activities in order to prevent duplication and waste. A database of such information and research should be compiled and maintained on a centralised basis by Fáilte Ireland. All new proposals for research should be coordinated by a coordination group comprising the Department of Arts, Sport and Tourism, the Tourism State Agencies and representatives of the industry and the research community.
- 10.3 ***Closing Information Gaps:*** Existing research and planning gaps such as data on industry profitability, the provision of earlier market statistics, and the development of Tourism Satellite Accounts should be addressed under the new arrangements set out in the preceding paragraph.



**BACKGROUND TO ESTABLISHMENT OF REVIEW GROUP  
AND WORKING PROCEDURES (including membership)**

1. The Tourism Policy Review Group was established by the Minister for Arts, Sport and Tourism at the end of December 2002 and convened its first meeting on 28 January 2003 at which it was addressed by the Minister. The Review Group's full terms of reference are set out in **Appendix B** attached.
2. Chaired by Mr. John Travers, former Chief Executive of Forfás, the membership includes
  - Paul Bates, Assistant Secretary, Department of Arts, Sport and Tourism
  - Gillian Bowler, businesswoman
  - Peter Cassells, Executive Chairman, National Centre for Partnership and Performance
  - Tony Kelly, Marketing Director, Irish Ferries Ltd.
  - Pat McCann, Chief Executive, Jurys Doyle Hotel Group
  - Patrick O'Donoghue, Chief Executive, Gleneagle Hotel
  - Paul O'Toole, Chief Executive, Tourism Ireland Ltd.
  - Brian Patterson, Chairman, The Irish Times
  - Shaun Quinn, Chief Executive Designate, National Tourism Development Authority
  - Niall Reddy, Acting Chief Executive, Bord Fáilte
  - Professor Frank Roche, Academic
  - Paschal Taggart, businessman.
3. The Group has met on 6 occasions to date. This included two full days of bilateral meetings with the following 14 key representation groups and companies associated with the development of tourism in Ireland:

|   |  |
|---|--|
| Aer Lingus                                  | Aer Rianta                             |
| Association of Regional Tourism Authorities | European Tourism Marketing Partnership |
| Irish Farmhouse Holidays Association        | Irish Ferries                          |
| Irish Hotels Federation                     | Irish Tour Operators Association       |
| Irish Tourist Industry Confederation        | Ryanair                                |
| Stena Line                                  | Town and Country Homes Association     |
| U.S. Tourism Marketing Partnership          | UK Tourism Marketing Partnership       |

4. The Group also convened an all-day Open Public Forum on 14 April 2003 that was attended by over 100 people. Invitations to the Open Forum were pre-advertised in the national press. The Forum covered four themes:
  - Marketing and Access;
  - Tourism Product and People in Tourism;
  - Value for Money and Competitiveness; and
  - Sustainable Tourism and Regional Development.

5. The Group also invited, by advertisement in the national press, written submissions from interested parties in connection with its work. Eighty-eight written submissions have been received in response to the invitation.
6. In addition to the written submissions and comments made by interested parties, the Group has already considered a range of detailed material prepared by its secretariat, drawn from the Department of Arts, Sport and Tourism, Tourism Ireland Ltd, Bord Fáilte and CERT. Some supplementary consultancy work in specialist areas is also being commissioned as appropriate.
7. The Group will produce its final Report to the Minister by the summer.
8. At its inaugural meeting, the Minister for Arts, Sport and Tourism requested the Group to produce an interim Report by the end of April indicating progress made and outlining initial views on its work to date. While the Group has developed a six-month programme of work to complete the task assigned to it by the Minister it has, on the basis of submissions already received and its discussions and consultations to date, developed a number of initial conclusions and interim recommendations which are set out earlier in this Report. The nature and brevity of this Report does not permit the inclusion of the full background and rationale for all the interim recommendations put forward: this will be elaborated on in the Group's final Report.

**Terms of Reference for the Tourism Policy Review (approved 28 January 2003)**

**Phase 1 – Review of Tourism Performance and Prospects**

- Assess the performance and economic impact of the tourism sector in Ireland over the past 10 years in terms of categories of visitor (overseas and domestic), revenue earnings, sectoral and geographical source markets and internal regional distribution, including international comparisons and movements in Ireland's share of key source markets
- Assess the formulation and evolution of tourism policy and the evolution of, and contribution by, the industry to the development of the sector
- Assess the trends in the international competitiveness of the Irish tourism product over the past 10 years and future prospects in terms of value for money, pricing, quality and service levels
- Assess the future tourism market potential for Ireland in terms of priority source markets, categories of visitors, changes in holiday taking trends and level of international competition
- Identify total public and private funding for tourism development over the past 10 years, the sources and modes of delivery and any value for money assessments

**Phase 2 – Strategy for Future Sustainable Development of the Sector**

- Identify the key elements of a strategy, both industry-led and Government-led, for the further sustainable development of tourism in Ireland, under the following headings and including controllable sector specific issues,
  - product utilisation, development and innovation
  - business capability (including human resource development and training)
  - enhancing international competitiveness in terms of value for money, pricing, quality standards and service levels
  - marketing
  - access transport
  - infrastructural and environmental requirements
  - statistics, research and planning
  - institutional development arrangements, including regional structures and coordination of support measures
- Identify appropriate actions and recommendations for the implementation of the future strategy.

