Tourism Policy Workshop
Dromoland Castle
24 April 2010

Don Thornhill, Chairman
National Competitiveness Council

Forfás

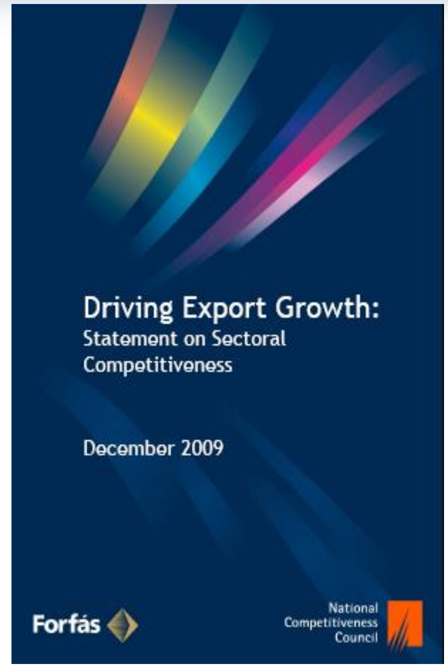
National
Competitiveness
Council

What is the role of the NCC?

Competitiveness encompasses all those factors which impact on the ability of firms in Ireland to compete on international markets in a way which provides our people with the opportunity to improve their quality of life.

Recent work of the NCC

- **Volume 1:** ***Benchmarking Ireland's Performance***



- **Driving Export Growth: Statement on Sectoral Competitiveness**

- **Volume 2:** *Ireland's Competitiveness Challenge*

1. Restoring export values and competitiveness should be the overarching national policy imperative

2. Tourism has a vital contribution to make

3. The competiveness agenda is tourism’s agenda

Transcending challenge for economic policy ?

Can we construct a convincing narrative for a prosperous economic future?

- Robust economic performance
- High levels of employment and return to prosperity
- Capacity to achieve social progress

Easy to construct a dismal narrative?

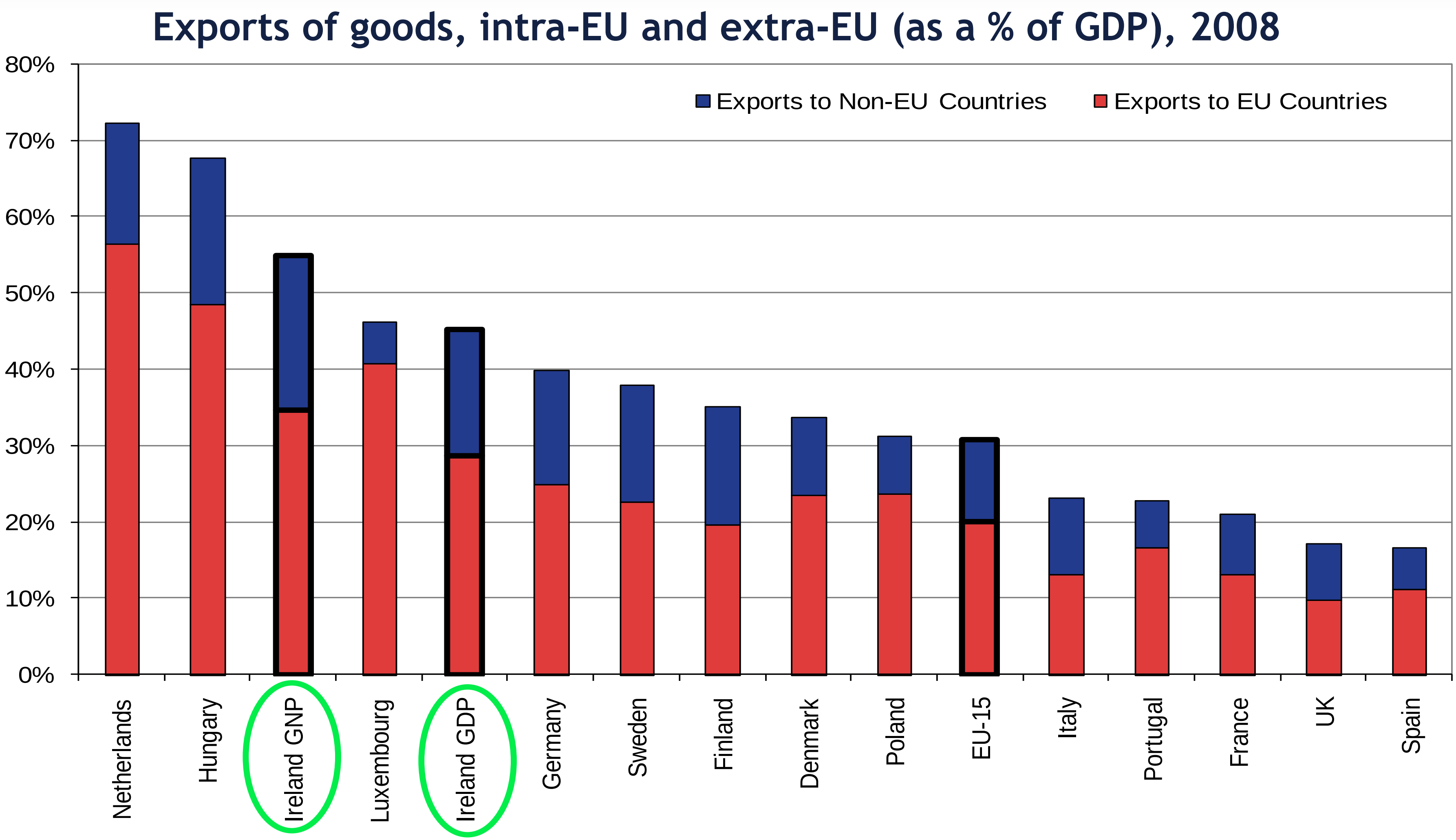
- We remain mired in economic despondency
- Twin deadweights of public and private sector indebtedness
- Declining share of world trade – failing to adjust to changes in global economy
- “Western” economies get stuck; – our exports and inward FDI go into secular decline
- Increased social conflict
- Failure to achieve political and public service reform
- High unemployment and emigration

“In this world, the optimists have it, not because they are always right, but because they are positive. Even when wrong, they are positive, and that is the way of achievement, correction, improvement, and success.

Educated, eye-open optimism pays; pessimism can only offer the empty consolation of being right”

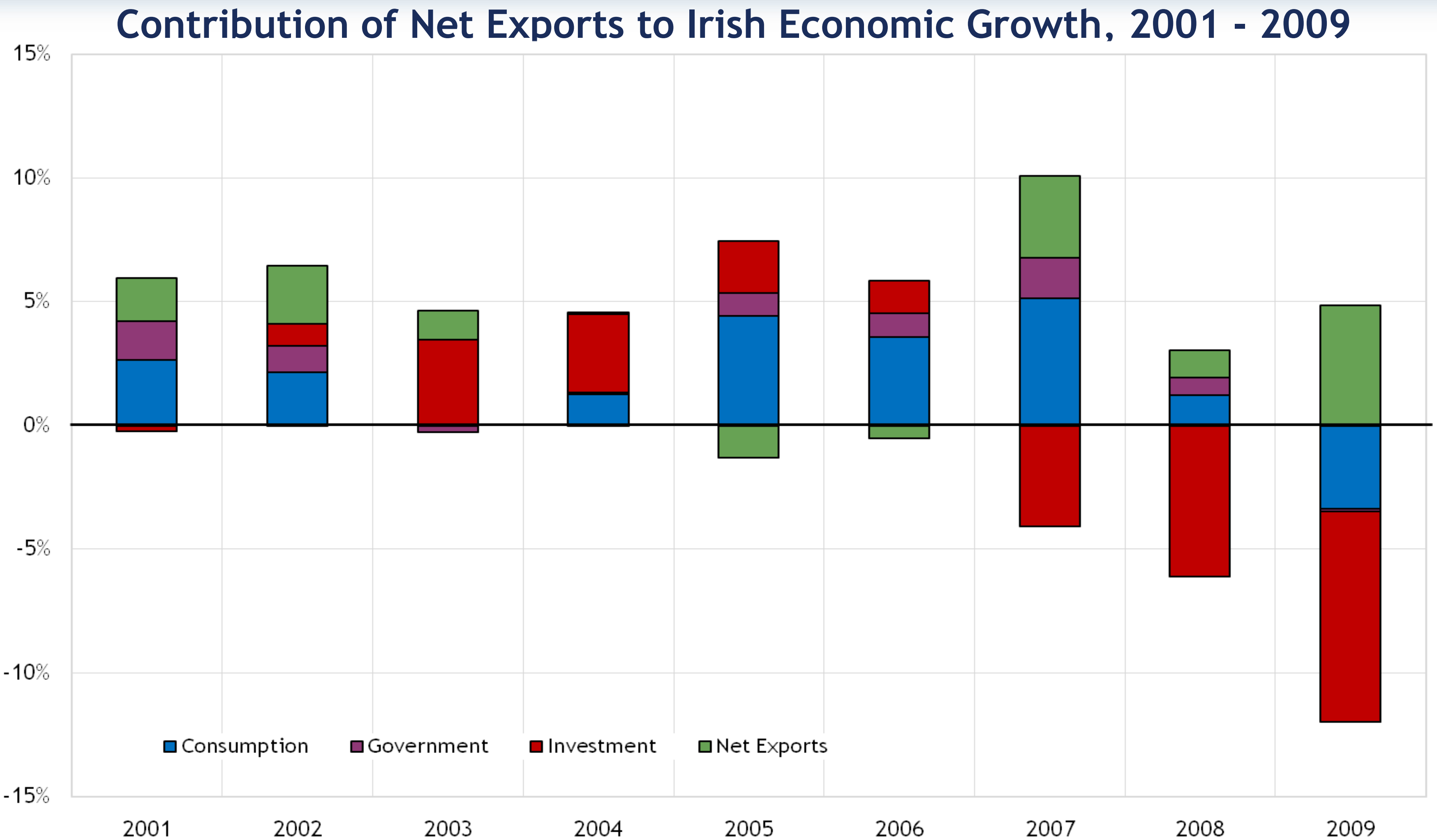
The Wealth and Poverty of Nations - David Landes

Our success as an exporting country is of vital importance



Source: Eurostat, External Trade

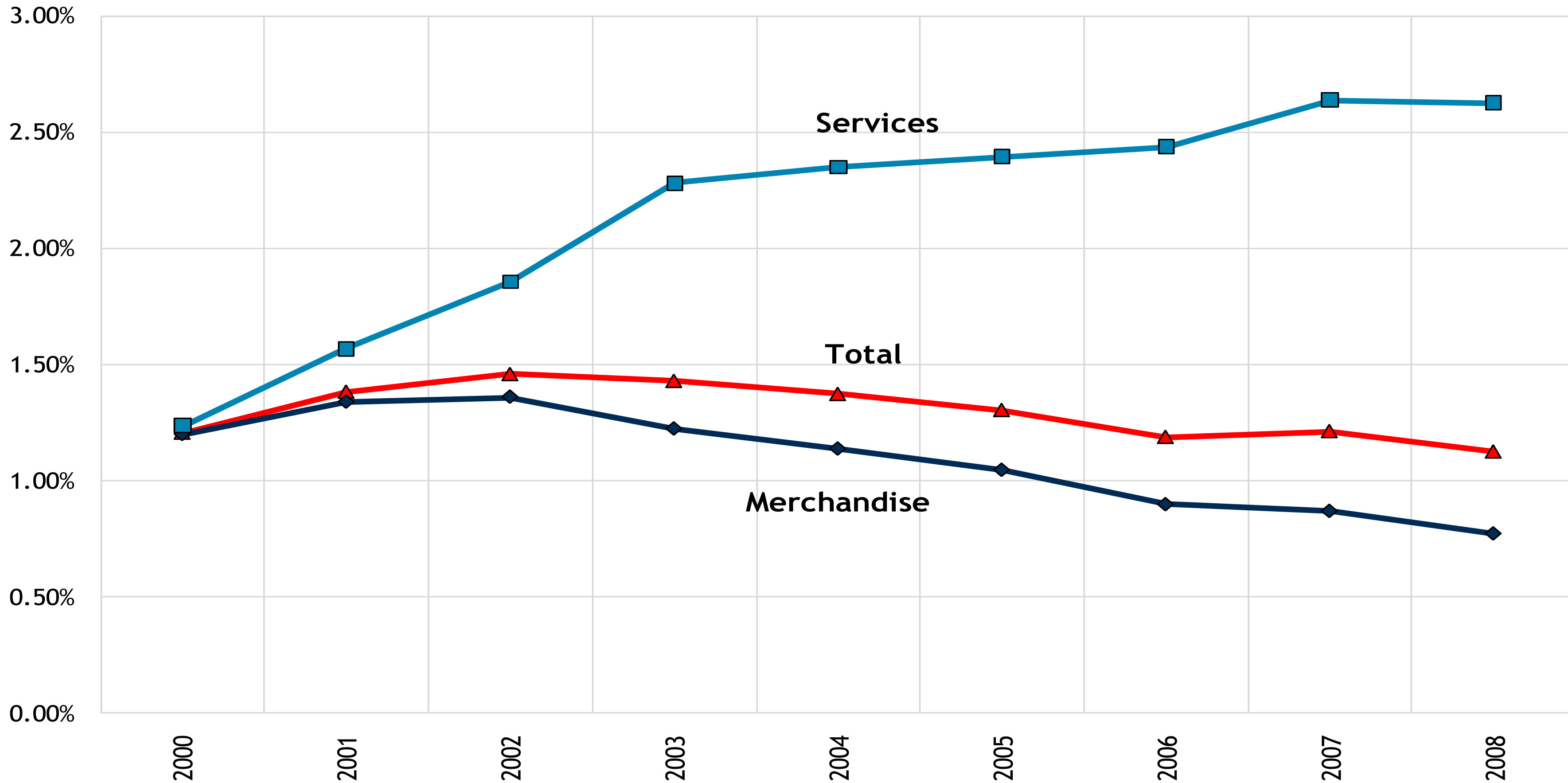
How have we been doing?



Source: NCC Calculations; Central Statistics Office, Annual National Accounts

How have we been doing?

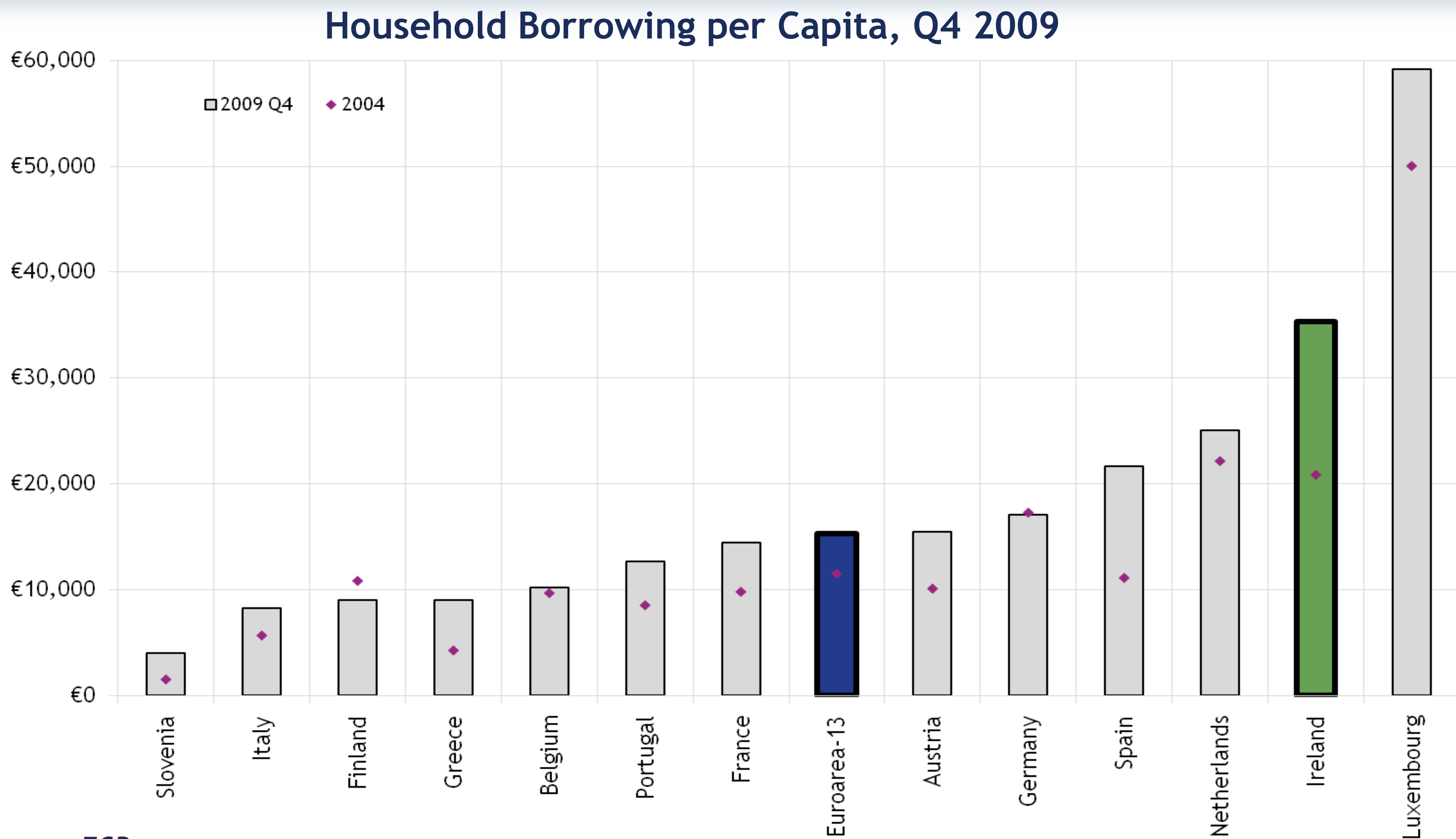
Ireland's Share of World Trade: Total, Merchandise and Services (%), 2000-08



Source: World Trade Organisation

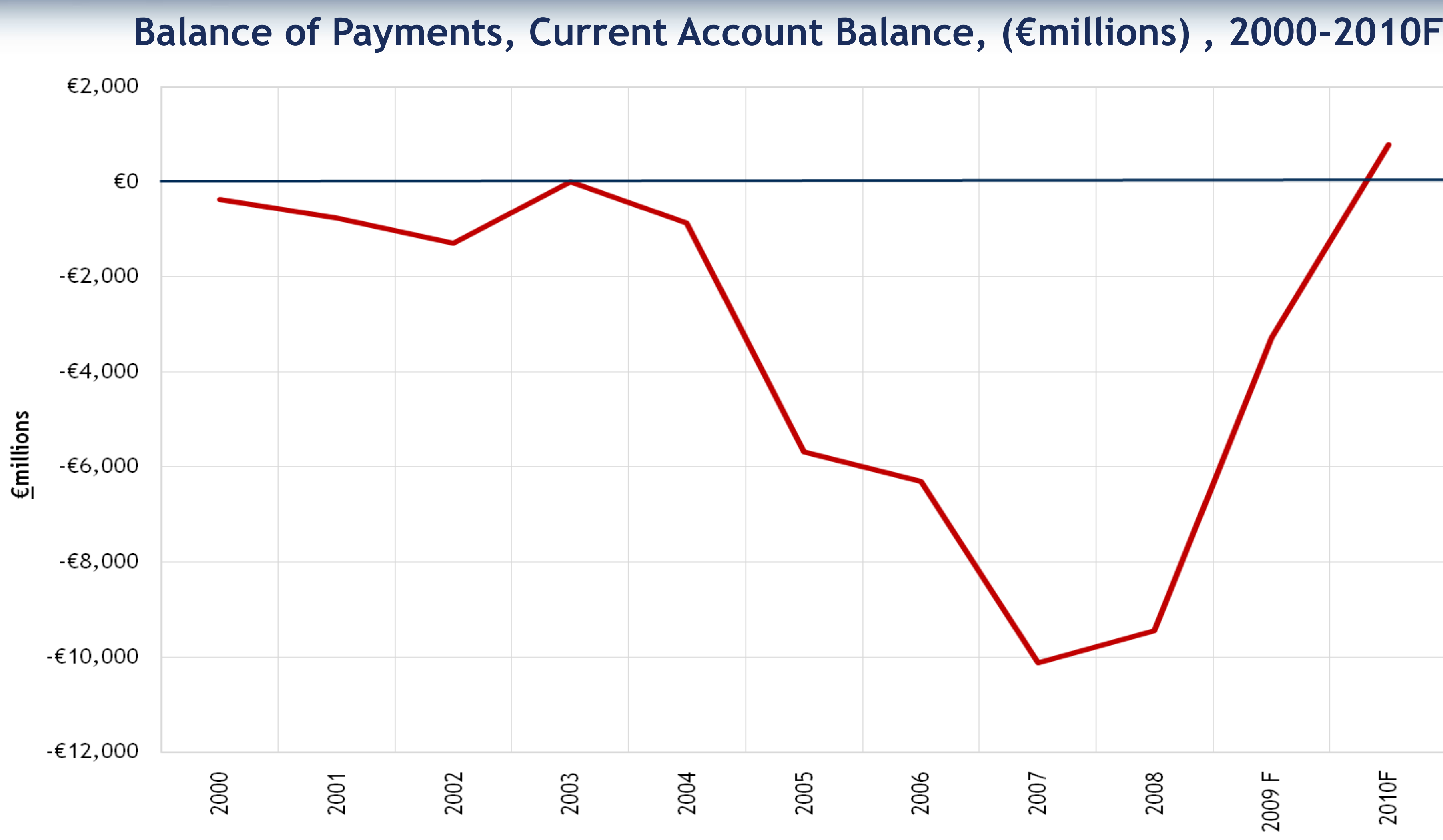
There can be no return to domestic led growth

Our debt burden grew rapidly and we are now highly indebted



Source: ECB

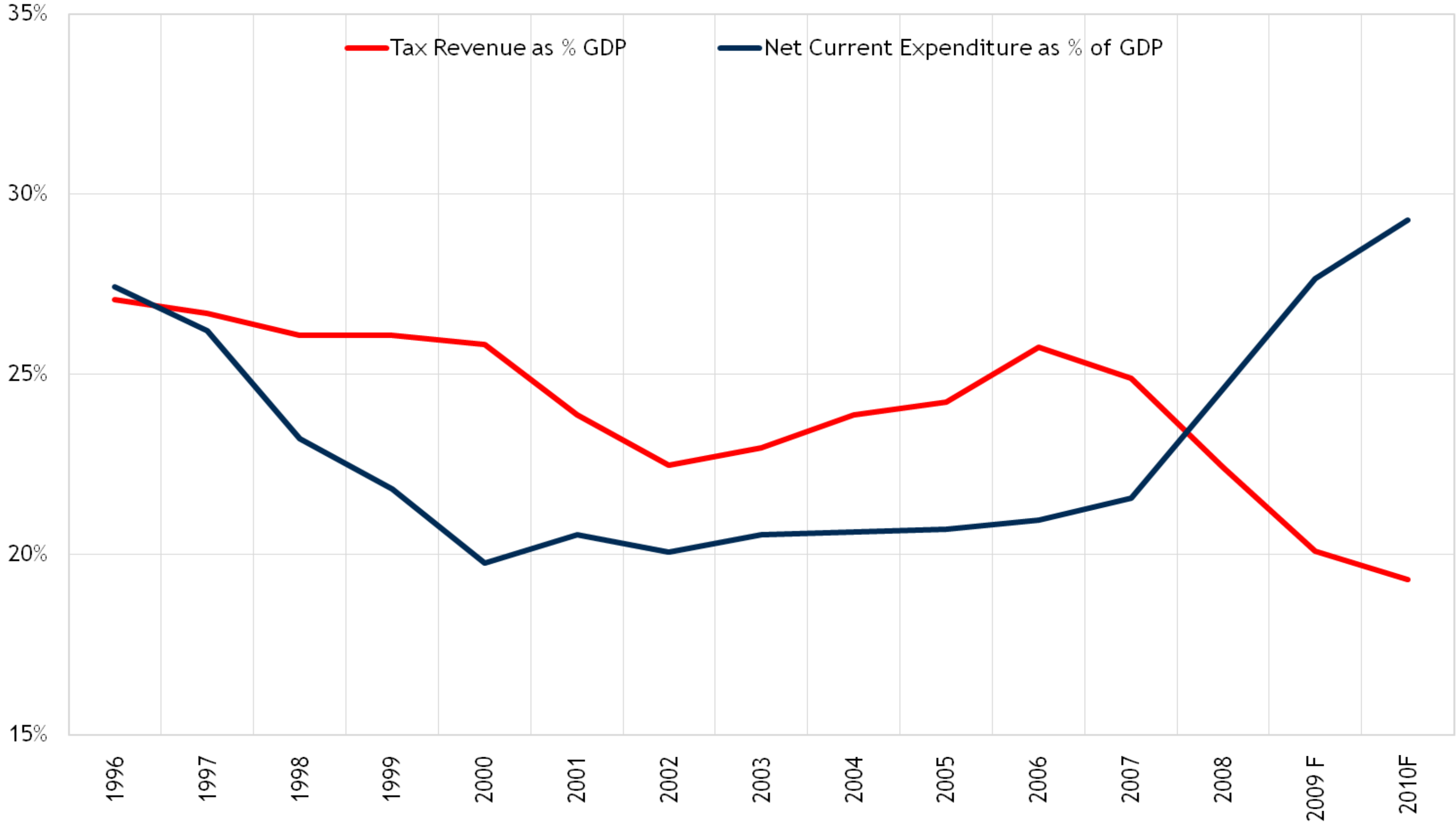
Spending levels were unsustainable



Source: CSO, ESRI Quarterly Economic Commentary, Winter 2009

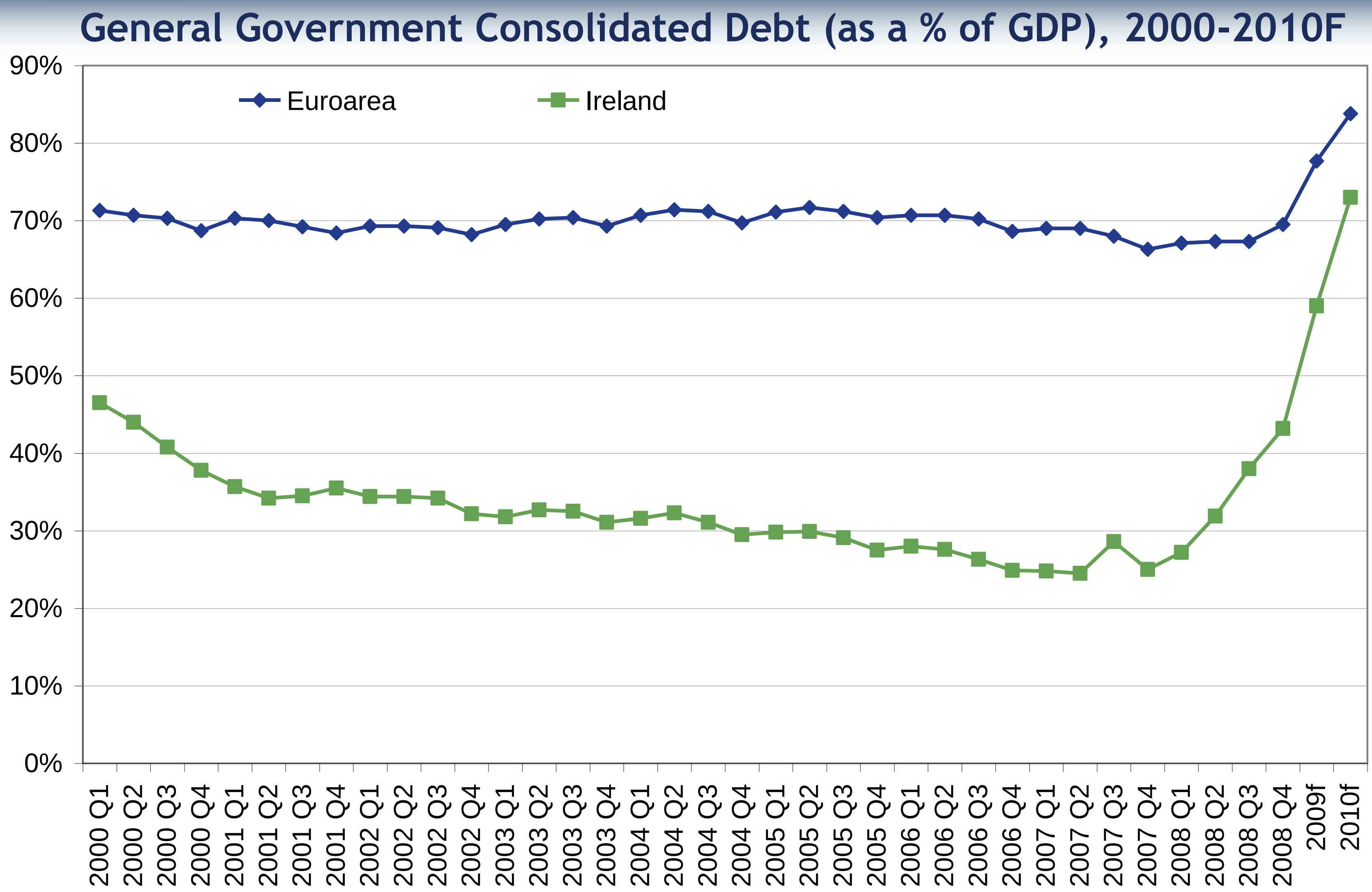
Widening gap in the public finances

Net Current Government Expenditure and Exchequer Tax Revenue (as a % of GDP)



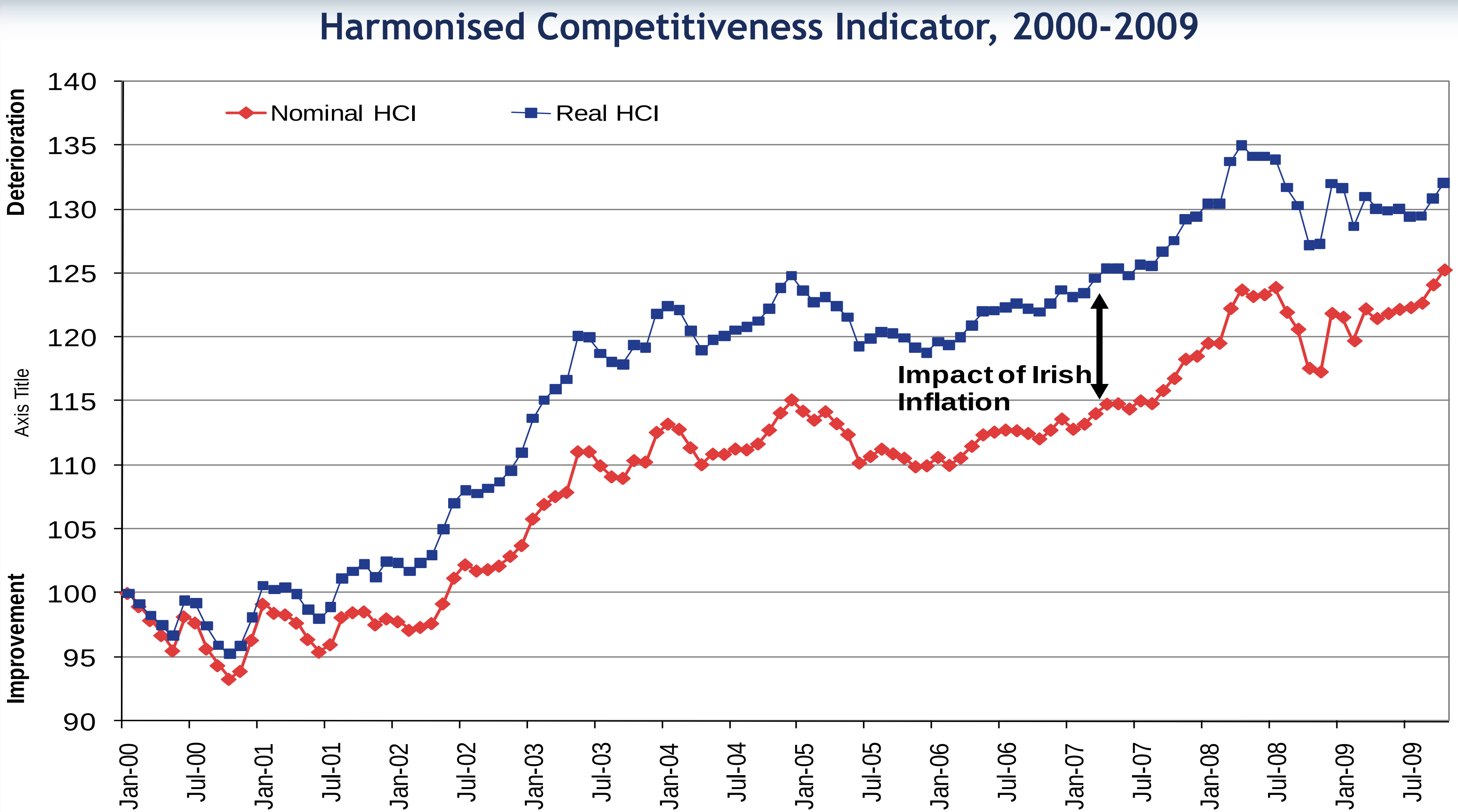
Source: Department of Finance

Government debt is rising sharply



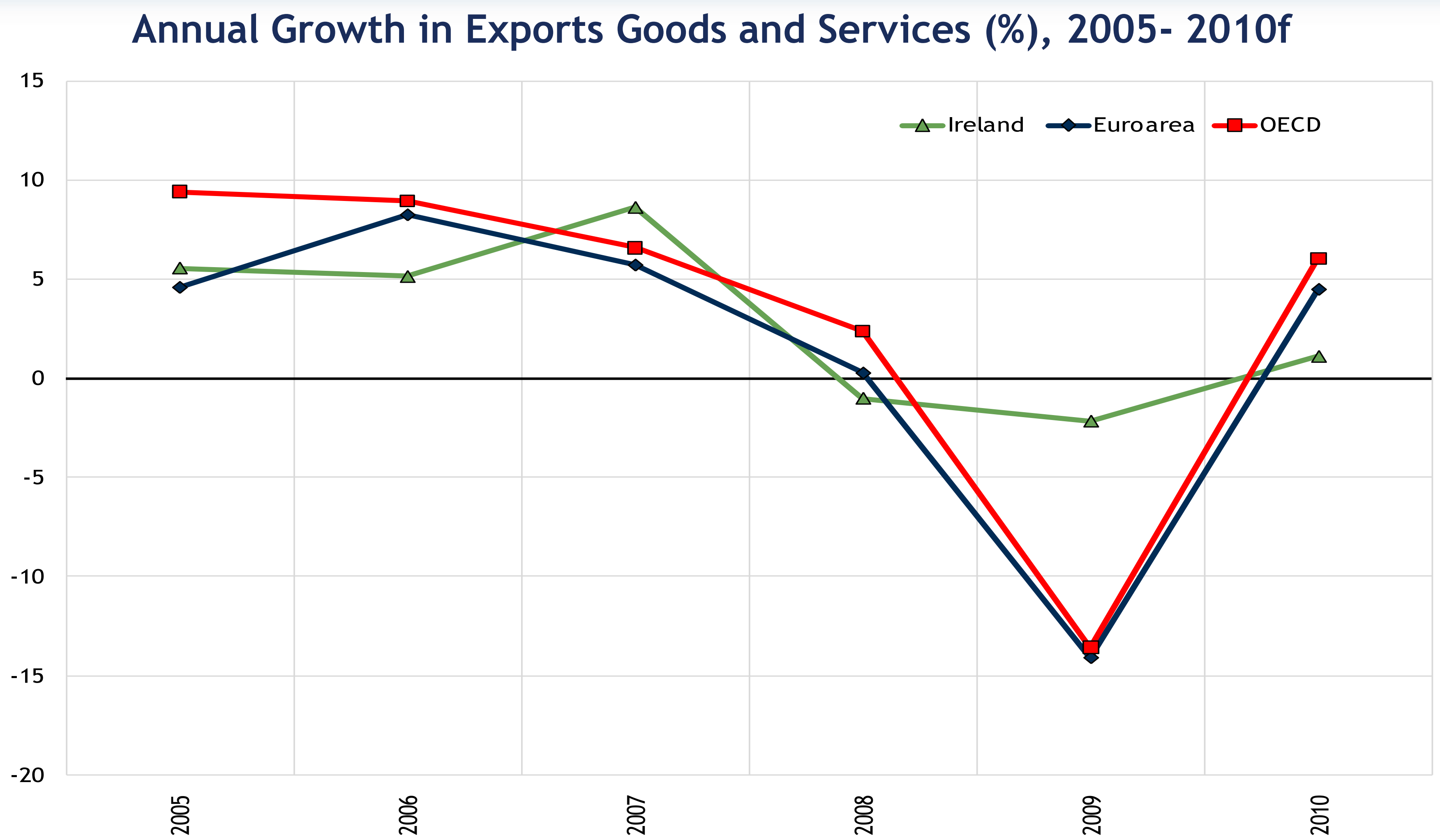
Source: Eurostat, Economy and Finance; Dept of Finance; European Commission

Cost competitiveness has weakened in recent years



Source: Central Bank of Ireland; January 2000=100.

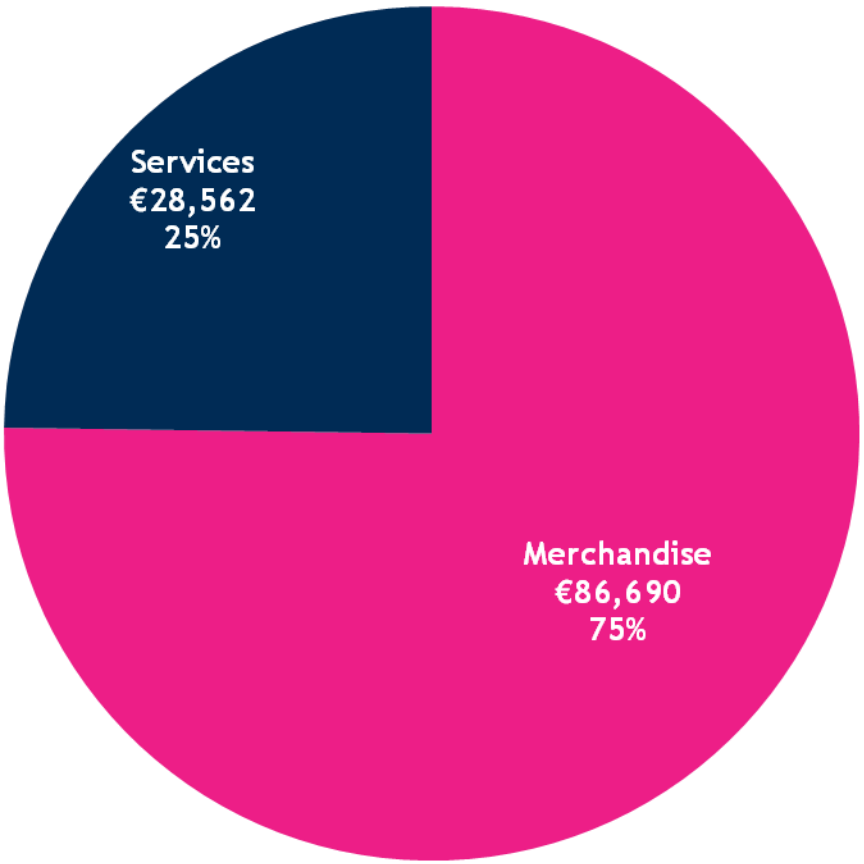
Recent export performance



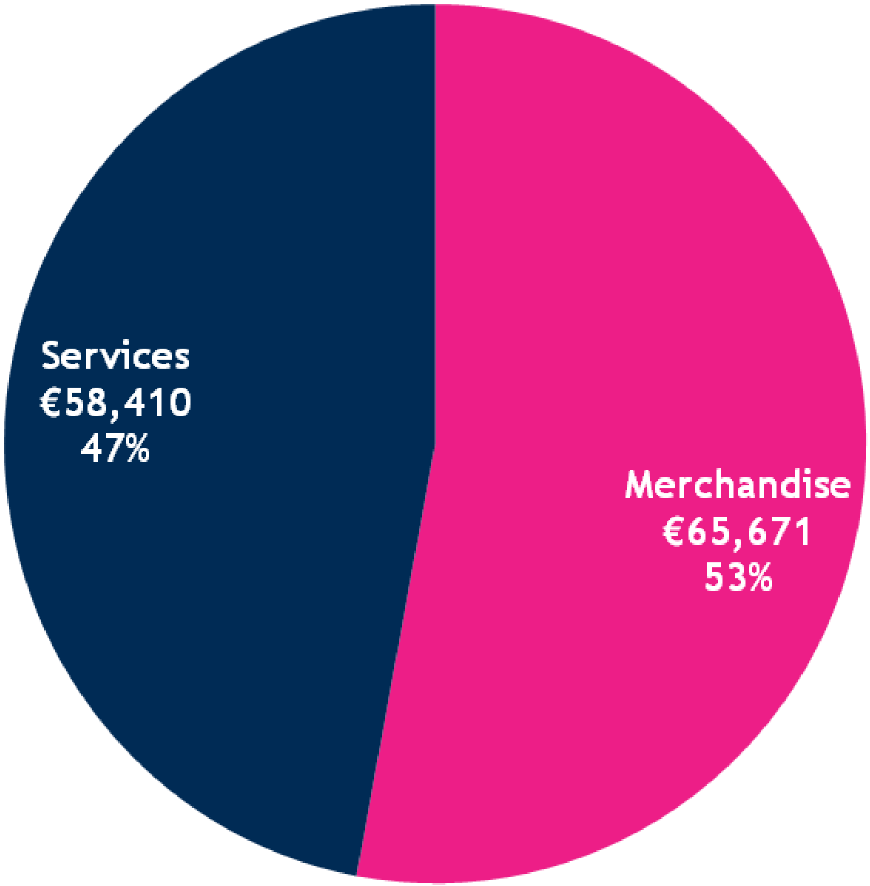
Source: OECD Economic Outlook 86, December 2009

Changing pattern of export earnings

Ireland's Merchandise and Services Exports: 2001 (€121bn)



Ireland's Merchandise and Services Exports: 2009 in real 2001 prices(€124bn)



2009 nominal exports of €147 bn

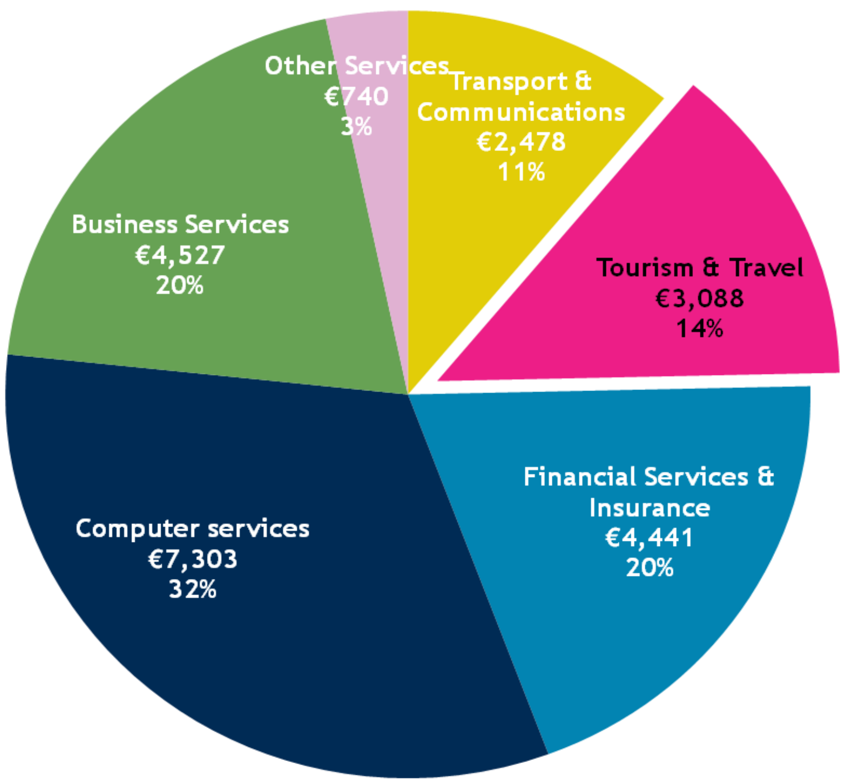
Source: CSO, Balance of Payments, March 2010

Changing pattern of services exports

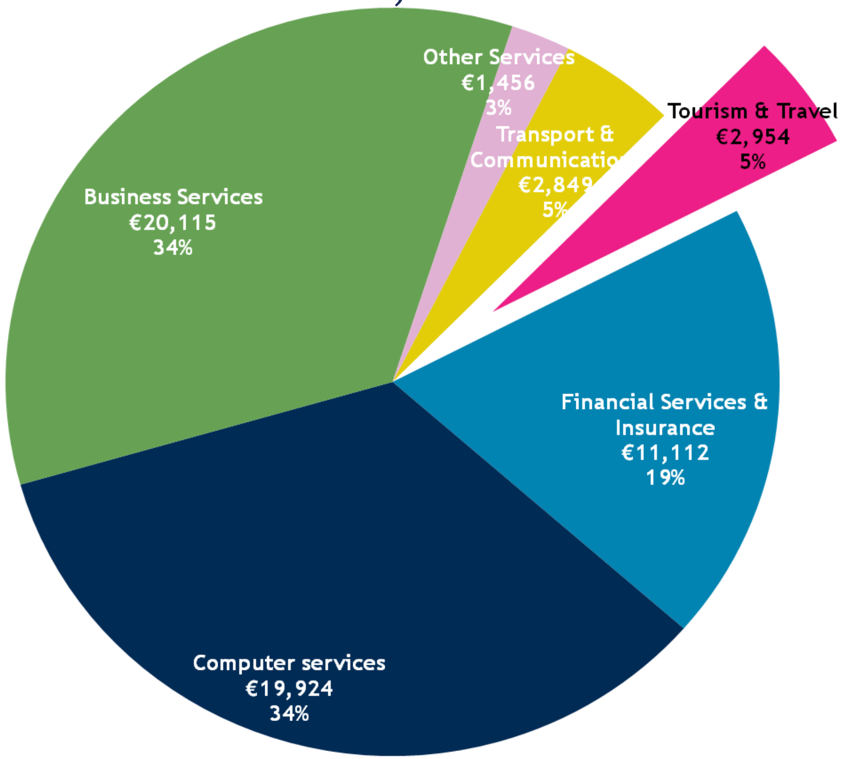
Services exports have grown exponentially

Percentage of Services Exports

2001
Total services exports
€22,557 million



2009 (real 2001 prices)
Total services exports
€58, 410 million



Decrease in real earnings from Tourism and Travel

Source: CSO, Balance of Payments

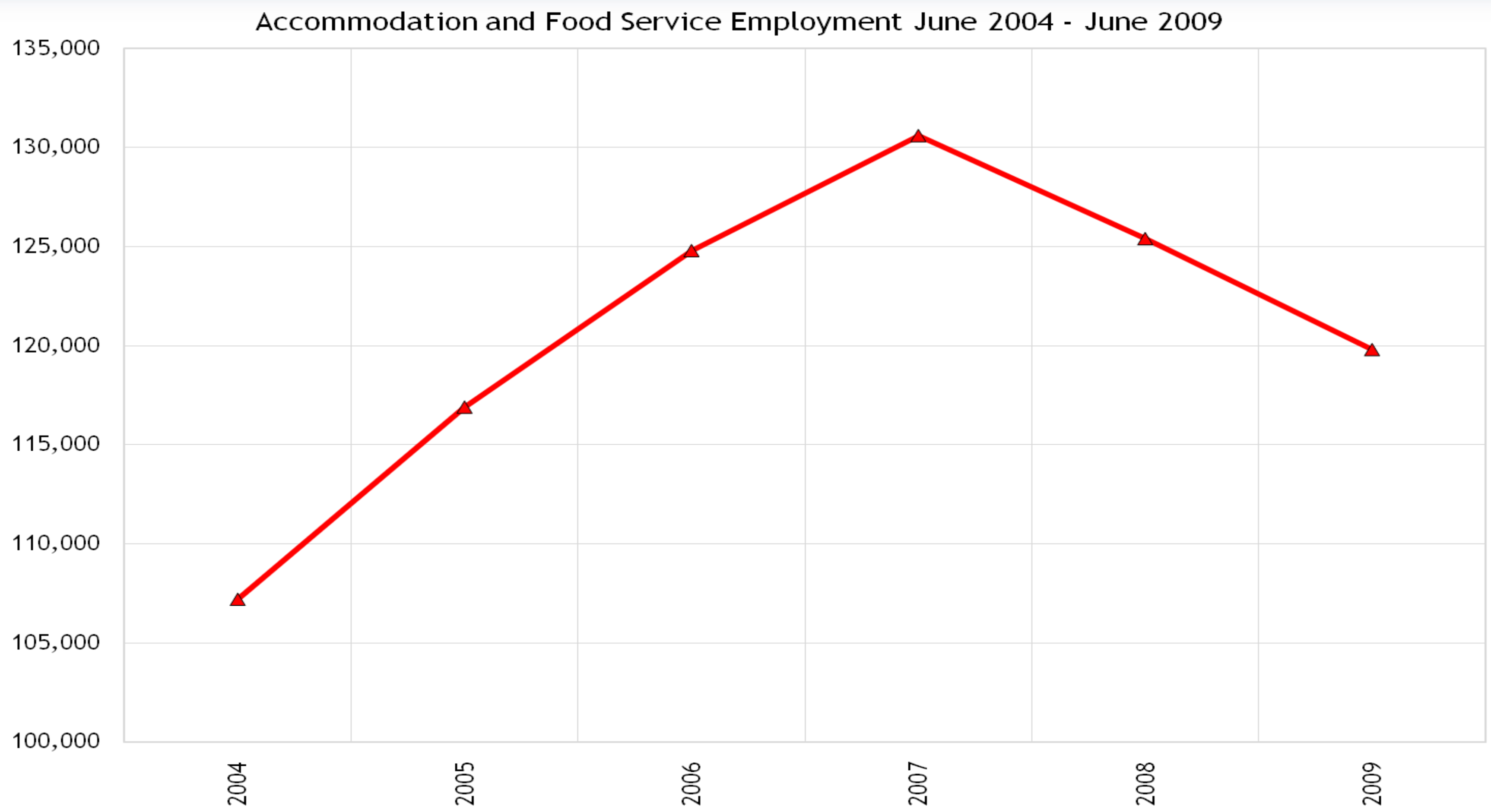
Overarching policy imperative

The growth of the export base (and its extension into currently mainly non-traded areas (e.g. education)) should be the essential foundation for all policies.

Tourism has a key role!

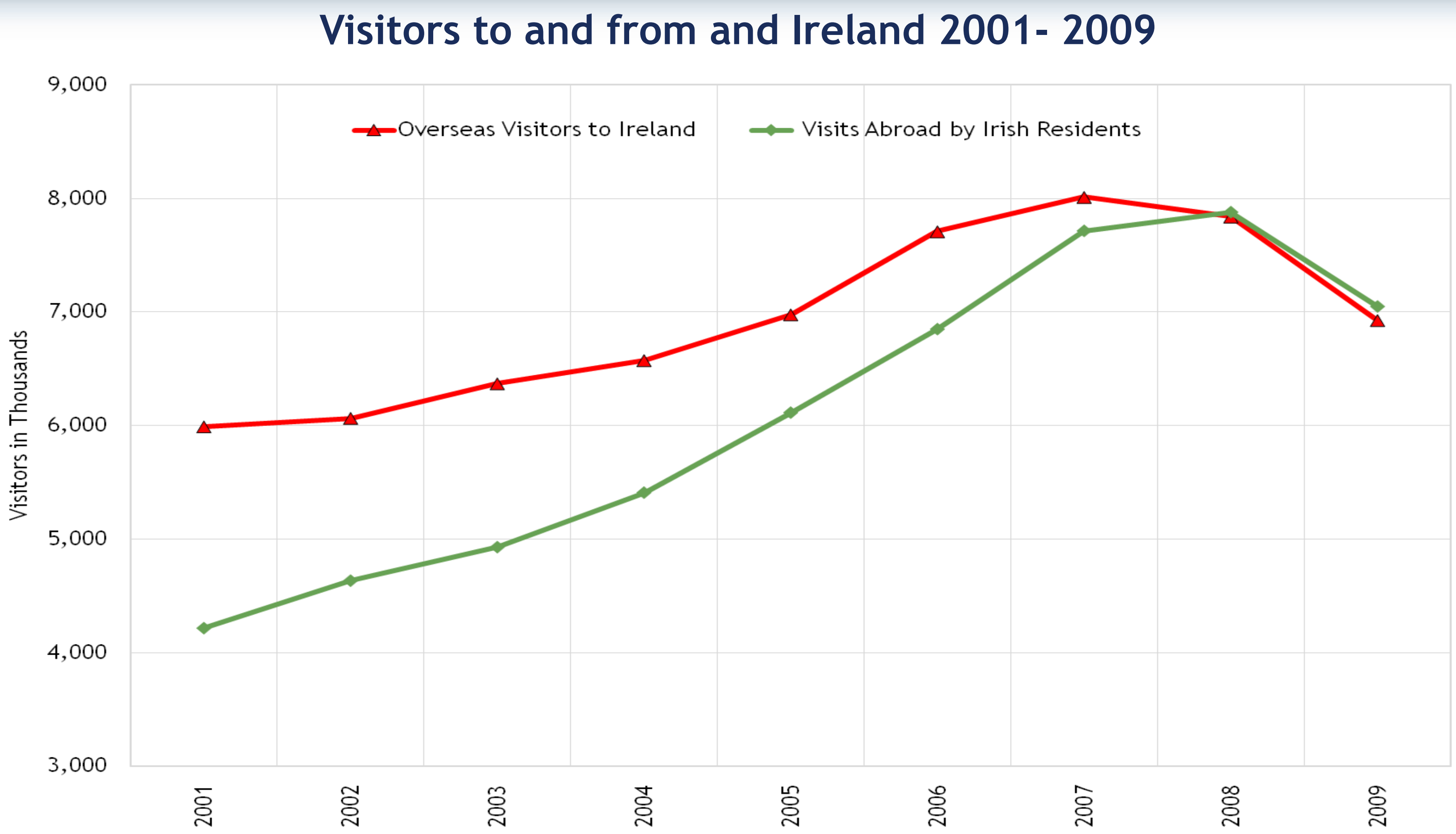
Tourism

Employment in the sector



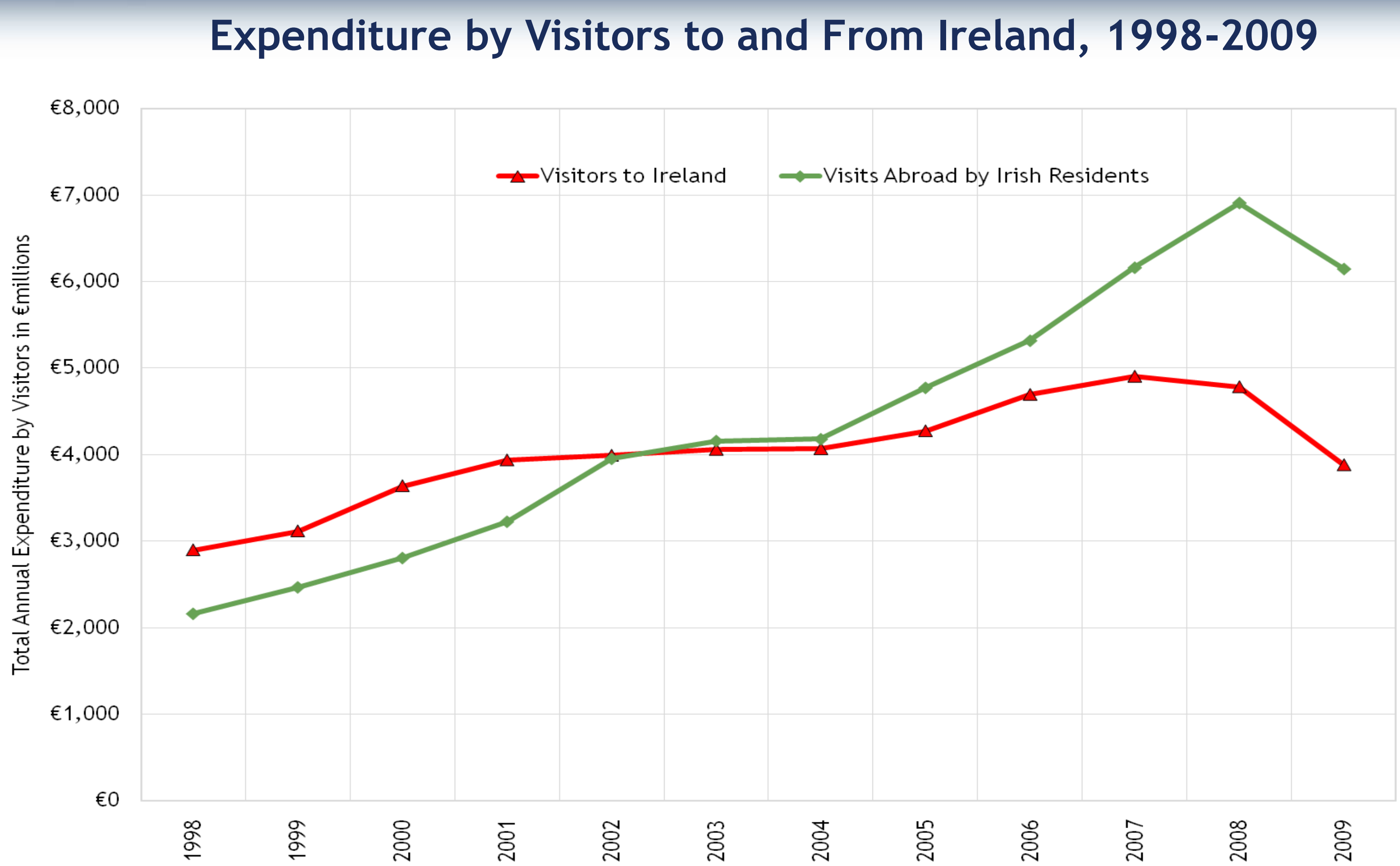
Source: CSO, Employment and Unemployment, 2010

Visitor numbers



Source: CSO, Tourism and Travel, 2010

Tourist expenditure



Source: CSO, Tourism and Travel, 2009

World Economic Forum Travel and Tourism Survey 2009

Ireland's Rank Performance Out of 130 Countries

Overall	**18**
Sports Stadium Capacity per capita*	1
Attitude towards Tourists	3
Hotel Rooms per capita*	14
Quality of Railroads	51
Quality of Ports	64
Quality of Roads	70
Number of World Heritage Natural Sites*	74
Quality of Ground Transport Network	108

* *Based on hard data, other rankings based on perception*

Source: WEF, 2009

Potential future growth areas

- **Business Tourism:** Potential to grow Ireland's well developed business tourism market with the opening of the Convention Centre in Dublin.
- **Eco-Tourism:** This rapidly growing area presents opportunities to exploit Ireland's "clean, green" image - **need for "reality check"?**
- **Experiential Tourism:** Need to develop products which provide tourists with 'authentic experiences' to better meet the needs of the 'culture seekers' market segment.
- **New Markets:** Need to re-orientate the current product to new markets such as China and India. We also need to make tourist visa arrangements more visitor friendly.
- **Silver to Gold**

Silver to Gold

- The 50-plus group have 80 per cent of the wealth in the US and 75 per cent across the EU.
- The over-50 US consumer expected to outspend younger adults by $1 trillion in 2010; they account for 54 per cent of household expenditure in the US and half of consumer spending in the EU.
- Yet majority of products are targeted at the youth market. Only 10 per cent of marketing spend is aimed at the over-50s, and research has shown they find most marketing aimed at them insulting (Older people apparently don't have sex and don't drive cars!).

Challenges and Recommendations for Action

Forfás

National Competitiveness Council

Tourism- drivers of competitiveness

Critical Competitiveness Issues

- Sophistication of Offering
- Taxation
- Labour Regulation
- Access to Finance
- Transport
- Labour Costs

Important Competitiveness Issues

- Environmental Regulation
- Energy Infrastructure
- Broadband
- Skills and Training
- R&D and Innovation
- Utility Costs
- Property Costs
- Business Service Costs

Key policy actions (1)

- **Tourist Offering**
  - Choice and quality of accommodation has improved
  - Develop a more sophisticated choice of products and services with better value for money
- **Taxation**
  - High rate of indirect taxes have a direct impact on sector. Unlikely to be scope for mitigation
  - Excess hotel capacity due to tax reliefs. Costly and damaging example of distortionary impact of tax incentives

Role of taxation incentives?

Problematic

1. State of the Exchequer finances
2. Risk of distortions e.g. displacement effects and inappropriate transfer of costs to competitors
3. Incentives can be justified if they are focused on enhancing foreign earnings and reinforce market signals for profitable activity – not promoting reckless expansion of capacity!

Key policy actions (2)

- Public Investment
  - Prioritise funding, **on basis of transparent cost benefit assessment**, to ensure Ireland's international tourism profile and offering is not diminished
  - Prioritise public spending on tourism related investment across Government departments and agencies – and ensure coherence
  - Greater role for firms and representative bodies within sector – relevance of French example of Syndicats d'Initiative?

Key policy actions (3)

- **Access to Finance**
  - SMEs and seasonality feature strongly – importance of channelling credit to viable businesses.

- **Cost Competitiveness**
  - Cost competitiveness a key determinant; enhancing competition within Ireland's domestic economy is vital to improving our overall competitiveness.
  - Labour costs a particular issue for the sector.
  - Actions are also required to reduce the cost of utilities, particularly energy and waste, and local authority charges.

Key policy actions (4)

- Are local authorities potentially important tourism development agencies? But their revenue base is very weak, with undue reliance on business rates and charges
- Reform of local authority finance
- Importance of water charges and a widely based residential property tax
- Importance of communities and local business interests – particularly litter mitigation?

Key policy actions (5)

- **External and Internal Connectivity**
  - Critical to plan now to ensure our air and sea port infrastructure and services meet the longer term needs of business, citizens and tourists.
  - Continued, focused attention on road and rail infrastructure is required to improve Ireland’s internal connectivity.
  - Need to prioritise investment in broadband networks and services given the increasing importance of the online marketplace for the tourism sector.

Conclusions - the big picture!

1. Commitment to promotion of a competitive tourism sector transcends the sector; it should be part of the national “export imperative”
2. It’s a “whole of government” and “whole of society” issue
3. Implications for physical planning, property development, waste and litter policies and measures … and NAMA!

Micro matters!

Email to Spanish Embassy Dublin

My wife and I are planning a cycling holiday in Spain this summer and are attracted by the tours provided by what appears to be a Spanish registered tour company and agency S -Cape (website http://www.s-cape.eu/) . Before we commit ourselves to paying money to this company we would be grateful if you could inform us if this agency is registered with the Spanish authorities and if it is a reputable company.

Four days later - joined up government in action!

From the Spanish Tourism Office, Dublin

Regarding your request, we have been in contact with Asturias Tourism Board (the region of Spain where the company S-Cape is located). They have informed us that S-Cape is one of the most respectable travel agencies in the area. They personally know its manager, María Knaapen, and every time she has received great comments about S-Cape cycling tours. So we can assure you that this company is availed and with good references.

Compare and contrast

1. Identical email request regarding Irish Cycling Safaris sent to Irish Embassy, London
2. Reply received suggesting contact with Tourism Ireland and giving phone number
3. No reply to email enquiries to Tourism Ireland

Thank you

ncc@forfas.ie

Forfás

National Competitiveness Council