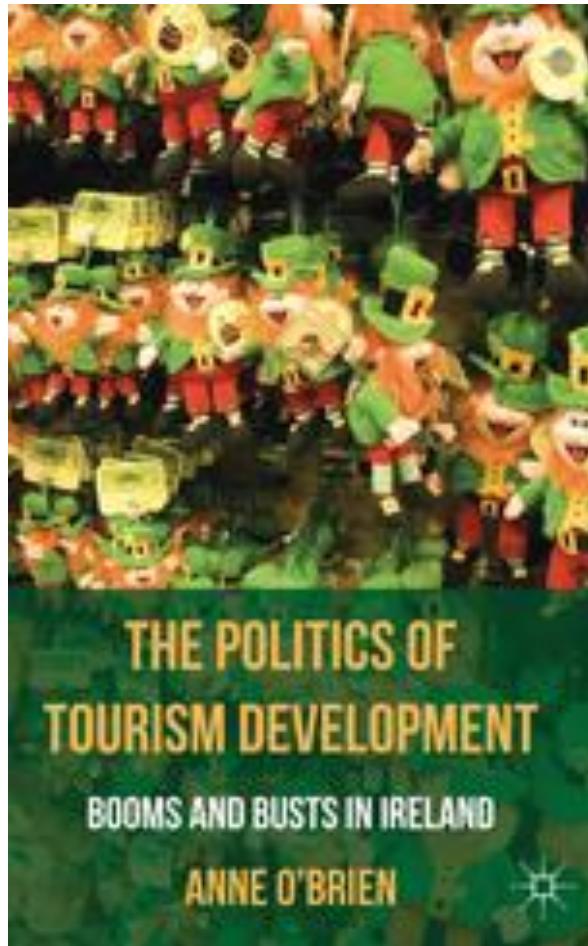


# The Politics of Tourism Development in Ireland: Past Lessons, Future Growth?



# Tourism and development

Analysts have closely examined political matters such as the policy-making process, policy networks and interest groups impacts on governments' roles in development

(Anastasiadou, 2008; Edgell, DelMastro Allen, Smith, & Swanson, 2008; Pforr, 2005; Treuren & Lane, 2003; Tyler & Dinan, 2001).

# Development State Analysis

State capacity for development depends on:

1. Its **relationship with the private sector**
2. As well as on its own **institutional capacity to effectively promote development** (Johnson, 1982) – in other words a degree of **bureaucratic autonomy** (Onis, 1991).

# More than public private partnership?

The coexistence of an **independent bureaucracy** and **links between the public and private sectors** means that the state and bureaucratic elites can develop independent national goals and translate these broad national goals into effective development action (Onis, 1991).

# Embedded autonomy

The state is:

‘Embedded in a concrete set of social ties that bind the state to society and provide institutionalised channels for the continual negotiation and renegotiation of goals and policies’ (Evans, 1995, p. 59)

‘This is not an easy combination to put together, but when it is done properly, it can produce miracles of economic development’

(Woo-Cummings, 1999, p. 60).

# Development Regime

- **Power arrangements**-the presence of one or more powerful interest groups supporting the regime.
- **Policy paradigm**-ideology or set of assumptions about problems & solutions.
- **Organisations** – government, industry, policy.
- **Policy goals** – rules and routines of implementation.

# A case of state development?

Between 1987 and 2007 Irish tourism grew significantly from tourism arrivals of 2.4 million, with 69,000 people employed, to a peak of tourism arrivals of 7.7 million, with 322,000/190,000 people employed.

# Organisational change

‘ITIC got together in the early 1980s with a pretty good constitution and deliberately kept the focus on national policy rather than trade difficulties . . . if you come together to form a strong group you can influence policy . . . The second thing was that a policy must be industry led, in other words if a policy emerged and we weren’t consulted we would say sorry the industry isn’t part of this . . . The third thing was that the industry should participate in national structures. That’s terribly important...’ (Leahy).

# Policy Paradigm

‘The question we put to the consultants to find out for us was could Ireland’s tourism double in five years? ...The response was yes the market could yield this . . . One of the primary impediments was access and the cost of access. But the financial return on the jobs creation would be much greater than a similar investment in agriculture or in manufacturing . . .’ (Flannery).

‘Late in 1986 a general election had been called, John Bruton was leading Fine Gael, Dessie O’ Malley was leading the Progressive Democrats, MacGiolla was leading Labour, and Charlie Haughey was leading Fianna Fáil. We took the report outcome to all of them . . . The Labour Party disappointed us . . . Dessie O’ Malley attacked us for not attacking Aer Lingus . . . Charlie was the one that had the positive response. He said ‘Could I make it a plank in the (election) manifesto?’ We said ‘ok it’s your platform’. So he ran with it’ (Flannery).

# ‘Revitalising tourism must be a top national priority’

(Fianna Fáil,  
1987: 3).



**FIANNA FÁIL**  
THE REPUBLICAN PARTY

## THE PROGRAMME FOR NATIONAL RECOVERY



*Mr. Charles J. Haughey, T.D.  
Leader of Fianna Fáil*

### THE ISSUE IS GROWTH

After four years of high taxation, high unemployment and high emigration:

- \* We must restore people's confidence in the future;
- \* We need better management of the economy;
- \* We must increase employment;
- \* The burden of taxation must be reduced.

- \* To increase the number of people at work;
- \* To increase positive economic growth;
- \* To develop a high income, high technology economy and to place high quality products on international markets
- \* To reform the system of taxation;
- \* To reduce interest rates;
- \* To rebuild national confidence

### THE FINANCIAL FRAMEWORK

- \* Government expenditure will be contained in real terms at or below the 1986 expenditure levels (as a % of GNP);
- \* The current budget deficit will be progressively reduced;
- \* The growth of national debt will be slowed down and in due course reversed;
- \* A major priority will be to reduce the level of interest rates so as to encourage investment.

#### Fianna Fáil's approach:

- \* To implement a comprehensive programme of economic recovery.
- \* To prudently and carefully manage the public finances.
- \* To stimulate growth and seek out development opportunities.

The key objectives of the Fianna Fáil Programme for National Recovery include:

# Changing Power Arrangements

‘We became involved in the ERDF committee and with the Department. We were in partnership with them on that committee and then we would work with them in between meetings. To be fair the Department were quite receptive after a while . . . But I think the Tourist Board saw the emergence of ITIC as an erosion of their influence both with the department and within industry and certainly watched what ITIC were doing very carefully and they were members of ITIC which was quite interesting . . . Tension would emerge more in petty ways . . . They were losing their status as a planning body’ (Leahy).

# Power Arrangements

‘You do have to establish that level of trust, because the private sector sometimes do not trust the government sector and vice versa. They see things from different perspectives so it takes, in my view, years to get that aligned so that there is a reasonable view by both sides . . . When the ERDF partnerships were formed I made a rule indicating that no person from the tourist board or public sector could chair any of them. So they were all chaired by the private sector . . . and this caused quite a lot of aggravation obviously for me because our people didn’t like that because the opposite would have happened before’ (McNulty).

# Power Arrangements

‘The coming of the Operational Programme for Tourism . . . was when we broke down this barrier of ‘them and us’. And since then there has been a willingness to continue this, pushed by the government; and the Ministers wanted it, they wanted industry onboard and the industry got more organised too in a sense . . . and we’re still very much involved in the lobbying issues; we have various policy inputs into things like National Development Plans... We would be strongly represented on the boards of Tourism Ireland and Fáilte Ireland. We would have ongoing dialogue with the department, the department work very closely with us now, there was a time when they didn’t want to see you. Now nothing happens but they’re talking about it’ (Power).

# Policy Goals

- *Programme for National Recovery* in 1987, which proposed the doubling of tourism earnings and the creation of 25,000 jobs (Stationery Office, 1987).
- The *Programme for Economic and Social Progress*, in 1990 set targets for growth for 1991–1993 at an increase in visitor numbers from 1.4 to 4.5 million with the creation of 15,000 jobs (Stationery Office, 1990).
- The *Second Operational Programme for Tourism 1994–1998* proposed to create a further 35,000 jobs, as well as extend the tourism season and improve the quality of service through training (Stationery Office, 1994).
- The *Tourism Development Strategy 2000–2006* set targets for 9 million tourist trips (Bord Fáilte, 2000).

# Outcomes

By 2007, 20 years after the first change in the development regime, tourism arrivals were 7.7 million, the industry employed 322,000/190,000 people and revenue earnings from tourism were €6.45 billion.

But...

# State development and failure

- Tourism's cost competitiveness began to deteriorate in the early 2000s due to relatively high labour costs, high domestic inflation and the strength of the Euro against the dollar and sterling (ITIC, 2008, p. 3).
- Annual inflation in the European Union between 2000 and 2006, was approximately 2% but in Ireland it averaged 3.6% and peaked at 4.8% in 2007 (CSO, 2008; Eurostat, 2008).

# State development and failure

- Moreover, tourist satisfaction declined throughout this period: 63% of tourists found value for money in Ireland good or excellent in 2000, but this declined to 45% in 2002 and 16% by 2007 (Fáilte Ireland, 2003, 2007).
- Demand had also fallen by 19% within the main British market, while the domestic market increasingly dominated, following 15 years of continuous growth.

# Hotels as ‘property’

- But the introduction of tax incentives for hotel development in 1994, saw investors in hotel property claim 15% of the capital cost of a hotel for each of the first six years of operation and the remaining 10% in year seven, against tax liability.
- Between 1996–2006 the number of hotel rooms doubled from 26,000 to 52,000 (Fáilte Ireland, 2008).

# Hotels as 'debt'

- Just at the time when room stock capacity was at its highest level ever, with 58,467 rooms in 905 hotels, demand dropped suddenly in the second part of 2008 (Howarth Bastow Charleton, 2008b).
- By September 2009, Irish banks had €7 billion in debt from the hotel sector (Howarth Bastow Charleton, 2008a).

Between 1997 and 2007, over 30,000 additional rooms and 480 new hotels had been built, representing an investment of €4 billion, and room stock had increased by 98.7% over the previous ten years

(Howarth Bastow Charleton, 2008b).

# Organisations and recovery

- Northern Ireland peace agreement & North-South tourism institutions.
- Bord Fáilte 2001-03 then Fáilte Ireland
- Divided development and marketing remits

How could organisations access power structures?

# Policy paradigm or vision

‘We failed in our role of ensuring that our overseas markets were being addressed in the right way. . . I think we have a responsibility to help the government agencies write the script; why should we think that they know how to resolve it all because we don’t even know how to resolve it all. I think it would be unfair to say that they don’t know what to do, we all collectively don’t know what to do. . .we the private sector need to meet and lead to some workable objectives’ (IHF, 2010).

We thought 2009 would be difficult with no growth and modest growth in 2010 and back to normal by 2011. But we misread the situation. Things continued to get worse, and worse and worse. . . .We could have lived with the international downturn but the banking thing on top of it put us in a really bad state . . .”  
(Anonymous, personal communication, November 2010).

We need to regroup, we need to rebuild, we need to start over, we've got to get the unviable businesses out of the way, the hotels business is such a big part of tourism, we've got to sort out that capacity issue, I wish I knew how but I can speculate that the market will prevail . . . If we don't get the overseas business back and growing at a much greater rate than 2–3% we're in big trouble, so there is room for a major initiative but I don't know what that is yet . . .(Anonymous, personal communication, November 2010).

‘Our response to the crisis in 2008 was to adjust our role as a national tourism development agency. We identified ten key tourism destinations, so what that means is we’re abandoning or removing ourselves from traditional ideas of ‘the North West region’, which was just a health board administrative region. What we’ve identified now is ten key destinations and that’s a big shift in terms of the way we think about tourism. We’ve clamped the geographies where our tourists go and have inventories of everything in those destinations and we focus all of our efforts in all of these destinations’

(Anonymous, personal communication, November 2010).

# Product

‘A significant part of developing a market is about advertising and media but a significant part of it is about events and activities—so creating festivals, events, giving people a reason to come. . .We see two strands of time 8am-8pm and 8pm-8am. The core problem for Irish tourism is the former, the things to do and see. For decades it could be argued we’ve been too light touch on this and we’ve been foot to the pedal on the accommodation and food end. The real development challenge, the deficit in Irish tourism, which has become much more pointedly acute because of the crash in the last few years, has been to go back and recognise the uncomfortable truth that the real driver of tourism is not hotels or bars, those things are a derived demand, a secondary demand that comes from a primary demand which is to come to Ireland. As a development agency, since we were established in 2003 we have been trying to turn that around’ (Anonymous, November 2010).

# Power and failure

‘The private sector was driving a lot of policy and was quite dominant. Without being critical, I think it conforms to textbook notions of regulatory capture. In many ways the private sector and state agencies have a bilateral relationship and that evolves in a certain way depending on the balance and shifts of power between both actors and could involve the capture of one party by another and there’s elements of that in Irish tourism’  
(Anonymous, personal communication, November 2010).

‘In the hotel sector we had a very powerful lobby group, it was well resourced, it had cash, it had financial and organisational muscle, and so consequently it was prominent in decision making and captured a lot of political attention, and to this day that’s still true . . . they have a leverage they can exercise’

(Anonymous, personal communication, November 2010).

‘It probably reflects something about Irish politics and the very localized nature of Irish politics . . . Tourism is an industry that’s in every parish . . . and consequently it’s important politically and maps very well onto our political mindset, which is very local. And the hotels scheme reflects a sense in Irish society of trying to do something everywhere . . . tourism infrastructure must cluster where people have gone for decades. But for the last ten years we’ve had hotel development that’s followed tax incentives, and that’s distorted development and has shifted from a fundamental tourism business model to a tax incentive model. Why did it happen? Again you had a powerful hotels group in the form of the IHF who were keen to see this, and property developers with profits they wanted to divert into hotels’

(Anonymous, personal communication, November 2010).

'We realised well before 2008 that there were problems in the industry, and we flagged it publicly, with the Minister and with the agencies, but large sections of the industry itself had trouble recognising it . . . The response we got to the reports was that the industry is always complaining. . . Ministers would be out talking to the grass roots and hoteliers were busy . . . they don't care who they're busy with, Irish or international tourists . . . **the idea that there were problems wasn't credible** . . . our Taoiseach was saying that people who talk down the economy should go and commit suicide . . . it could only have been shifted by a charismatic leader who went before the nation to decide what we were doing with the resources of the exchequer revenue. . . and we didn't have the right kind of leadership in politicians. . . and state agencies' masters are the political system and it doesn't like state agencies flagging bad news. . . I would be aware of issues where Bord Fáilte was told to back off'

(Anonymous, personal communication, November 2010).

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