NATIONAL ECONOMIC AND SOCIAL COUNCIL

Tourism Policy

No. 52

NATIONAL ECONOMIC AND SOCIAL COUNCIL
CONSTITUTION AND TERMS OF REFERENCE

1. The main task of the National Economic and Social Council shall be to provide a forum for discussion of the principles relating to the efficient development of the national economy and the achievement of social justice, and to advise the Government, through the Taoiseach on their application. The Council shall have regard, *inter alia*, to:

(i) the realisation of the highest possible levels of employment at adequate reward.
(ii) the attainment of the highest sustainable rate of economic growth.
(iii) the fair and equitable distribution of the income and wealth of the nation,
(iv) reasonable price stability and long-term equilibrium in the balance of payments,
(v) the balanced development of all regions in the country, and
(vi) the social implications of economic growth, including the need to protect the environment.

2. The Council may consider such matters either on its own initiative or at the request of the Government.

3. Members of the Government shall be entitled to attend the Council's meetings. The Council may at any time present its views to the Government, on matters within its terms of reference. Any reports which the Council may produce shall be submitted to the Government and, together with any comments which the Government may then make thereon, shall be laid before each House of the Oireachtas and published.

4. The membership of the Council shall comprise a Chairman appointed by the Government in consultation with the interests represented on the Council,

Ten persons nominated by agricultural organisations,
Ten persons nominated by the Confederation of Irish Industry and the Irish Employers' Confederation,
Ten persons nominated by the Irish Congress of Trade Unions,
Ten other persons appointed by the Government, and
Six persons representing Government Departments comprising one representative each from the Departments of Finance, Agriculture, Industry, Commerce and Tourism, Labour and Environment and one person representing the Departments of Health and Social Welfare.

Any other Government Department shall have the right of audience at Council meetings if warranted by the Council's agenda, subject to the right of the Chairman to regulate the numbers attending.

5. The term of office of members shall be for three years renewable. Casual vacancies shall be filled by the Government or by the nominating body as appropriate. Members filling casual vacancies may hold office until the expiry of the other members' current term of office and their membership shall then be renewable on the same basis as that of other members.

6. The Council shall have its own Secretariat subject to the approval of the Taoiseach in regard to numbers, remuneration and conditions of service.

7. The Council shall regulate its own procedure.

NATIONAL ECONOMIC AND SOCIAL COUNCIL

Tourism Policy

DUBLIN:
PUBLISHED BY THE STATIONERY OFFICE

To be purchased from
GOVERNMENT PUBLICATIONS SALE OFFICE, G.P.O. ARCADE, DUBLIN 1.
or through any Bookseller.

£2.55

(Prl. 8701)

A

CONTENTS

PART I

LIST OF TABLES

PART II

TOURISM POLICY

by

BRIAN M. DEANE

LIST OF TABLES

Table

Table

Table

Table

PART I
COUNCIL COMMENTS ON TOURISM POLICY

INTRODUCTION[1]

1. In November 1977, the Minister for Economic Planning and Development requested the Council to undertake a study which would examine and advise on "the potential and implications of tourism . . . for economic and social development in Ireland at national, regional and sectoral levels".

2. In April 1978, Mr. Brian M. Deane[2] was engaged as consultant by the Council on this study. The study of the consultant is published in full in Part II of this report; the Conclusions and Recommendations of the consultant are set out in Chapter 8 of his study. While Mr. Deane makes recommendations about many different aspects of tourism policy, the Council does not propose to comment on all of these aspects. The Council does not agree with all the specific conclusions and recommendations of Mr. Deane. However, they all relate to matters which deserve further and careful consideration. In the comments of Council, the concentration is on the broader issues of policy.

3. The Council comments begin by examining the relative importance of tourism; then the principal problems which face the tourism industry are outlined; finally, policies which are designed to overcome these problems are examined. In the consultant's study the focus is on the implications of tourism for national policy. The Regional Policy Committee of the Council is examining the regional policy aspects of tourism, and will report on them later. Hence, the following comments—with some exceptions such as those on the Regional Tourism Organisations—deal with the national aspects of tourism.

[1]Following discussions in the Economic Policy Committee, and in the Council at its meeting on 17 January 1980, the successive drafts of the Council Comments on Tourism Policy were prepared by John Blackwell of the Council secretariat.

[2]Mr. Deane is employed by Bord Fáilte Éireann but was released to work for the Council for the duration of the study: the views expressed in his study are the responsibility of the author and cannot be ascribed to Bord Fáilte.

THE RELATIVE IMPORTANCE OF TOURISM

Contribution to the economy

4. Although a comprehensive study of the direct and indirect effects of tourism on the economy is not available, the relative importance of the tourism industry in Ireland can be indicated as follows. First, the contribution which tourism makes to the economy can be estimated by its contribution to aggregate output. While the proportion of tourism receipts to GNP has been declining in recent years (from 6.1% in 1967 to 3.4% in 1977, Table I), it is not a negligible proportion of total output and has in fact recovered from a "low" of 3.0% in 1976. Second, tourism contributes to foreign exchange earnings. The proportion of total exports of goods and services which was accounted for by "invisible exports" of tourism and travel was 6.2% in 1977 (Table I). While this proportion is significantly lower than that of the 1960s, the decline in the *relative* contribution of tourism is partly due to the increase in agricultural and industrial exports since the accession of Ireland to the EEC.

5. Third, the industry makes a contribution to employment, though the employment is in many cases seasonal in nature. However, estimates of tourism-related employment, other than those which depend on the proportion of tourism output to aggregate output, are not available. For example, it is very difficult to estimate what portion of employment in hotels is due to out-of-State tourism, since hotel facilities serve many different uses. This is indicated indirectly by the fact that, in the hotel sector in 1975, the proportion of revenue obtained from apartments was 22%, from food was 40% and from drink was 34%; by contrast, the proportions for hotels world wide in 1975 were: apartments 48%, food 28%, drink 13%.[3] Thus, an exceptionally high proportion of revenue of Irish hotels is obtained from food and from drink.

6. Fourth, tourism redistributes income spatially-towards the North West, West (Galway-Mayo) and South (Cork-Kerry) and from Dublin

[3]Percentages do not add up to 100% because of miscellaneous other revenue from various sources (e.g. gift shops). Source: National Prices Commission, *Monthly Report*, October 1977, Section 7.

and the East[4] (Table II). Fifth, among the incidental advantages which derive from tourism development are the improvements in food and hygiene standards, together with the general improvements in the quality of life in local communities. Finally, there are intangible elements relating to the creation of good-will for Ireland internationally which can occur through tourism.

7. Domestic tourism contributes to output, since an unknown proportion of the annual expenditure on domestic tourism is in substitution for imports. To this extent, domestic tourism also contributes to the credit items in the current balance of payments.

The changing nature of tourism in recent years

8. The fluctuating performance of the tourist industry in Ireland in recent years can be examined by a number of different measures. While the total *number of visitors* is an inadequate measure of the tourist market, Chart I and Table III show that there was a peak in visitor numbers in 1969 which was not exceeded until 1977. There was renewed growth in 1977 and 1978 and total visitors in 1978 were 20% above the 1969 number. Chart II and Table IV show the patterns in *revenue from tourists.* There was a significant fall in real revenue in 1968-72, partly occasioned by the Northern Ireland position. In the years since 1972, with the exception of 1975 and 1976, there was renewed growth in real revenue. However, the 1968 peak in revenue (at constant prices) was not approached until 1978, when revenue was 4% below that of 1969. In real terms the average revenue received per tourist has declined over time—from £66.1 in 1967 to £50.1 in 1978, at 1968 prices (Chart III). The average length of stay of visitors, from each market area, has also declined over time (Tables V, VI).

9. These figures cloak the notable changes in the composition of tourist revenue by market area which occurred between 1967 and 1978 (Tables VII, VIII, IX). The proportion of revenue from Britain declined from 52% in 1967 to 34% in 1977 and reached 39% in 1978, again partly occasioned by the Northern Ireland position. The proportion from Northern Ireland declined from 17% in 1967 to 10% in

[4]For instance, the North West obtains about 5% of the personal income of the State, but obtains about 10% of tourist revenue of the State.

CHART I

Number of Visitors to Republic of Ireland 1967-78

Note: (a) Number of overseas visitors, plus number of visitors who enter on Cross-Border routes and stay more than one day.

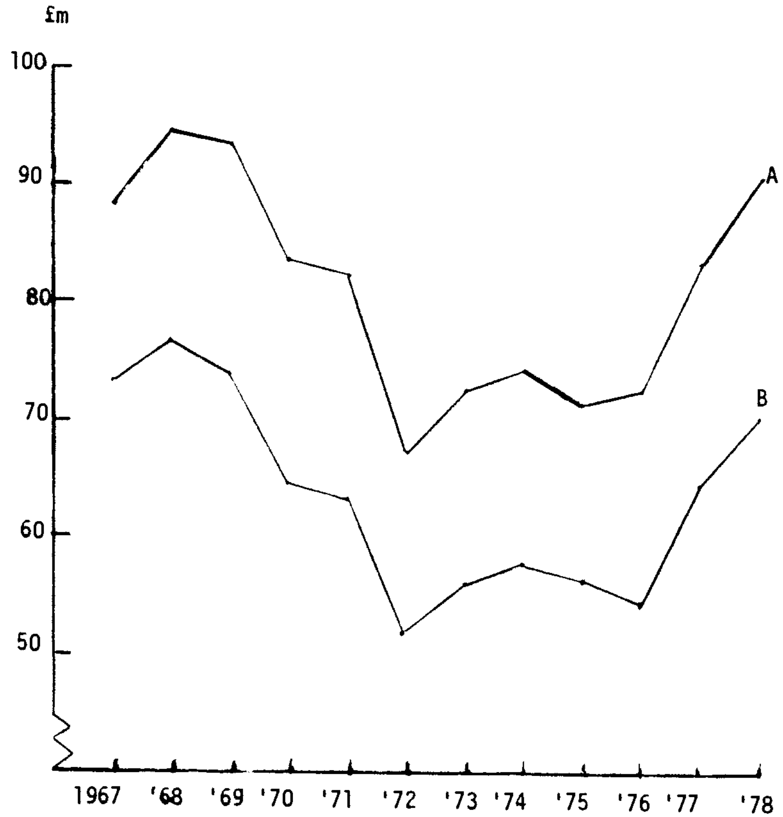
Source: Table III.

CHART II

Expenditure of Visitors to Ireland 1967-78

A: Total expenditure plus passenger fare receipts, at constant prices of mid-November 1968 (£m).

B: Total expenditure at constant prices of mid-November 1968 (£m).



Source: Table IV.

B

1975 and recovered to 13% in 1978. The proportion from North America increased from 24% to 26% in the period 1967-78. The biggest change in this period has occurred in revenue from travellers from the European Continent: an increase from 5% of total revenue to 19%.

10. One indicator of performance is the share which Ireland obtains of spending by tourists on travel abroad. The Irish share of spending on travel abroad by UK residents has declined from 15% in 1970 to 9% in 1977. (The very high proportion in the late 1960s was affected by the exchange control restrictions which limited the amount of foreign exchange which British holidaymakers could take; this in turn diverted some expenditure to Ireland).[5] The Irish share of US visitor numbers to Europe declined from 9.3% in 1968 to a low point of 4.9% in 1972 and recovered to 7.7% in 1977. The Irish share of US visitor expenditure in Europe declined from 3.2% in 1968 to a low point of 1.9% in 1972 and then increased to 4.1% in 1977.

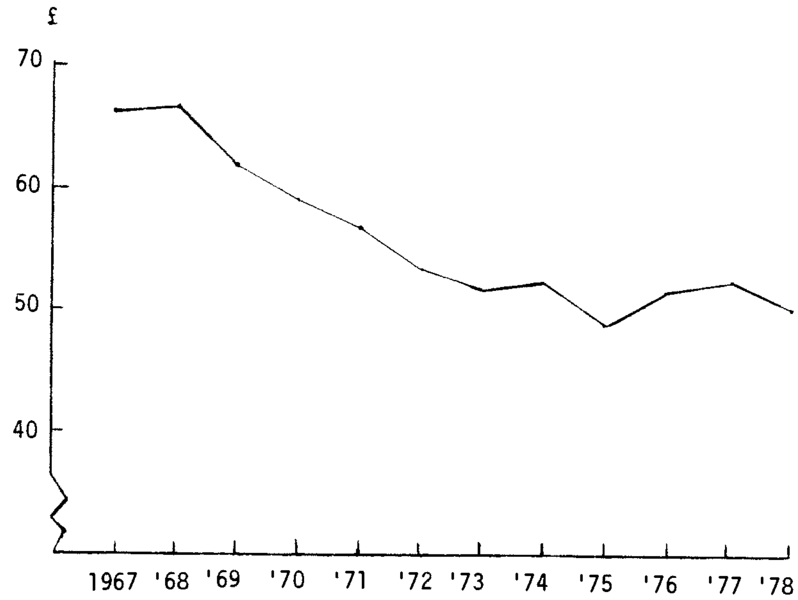
11. Apart from the split by country of origin, there is another way in which the tourism market can be split up—between "pure tourists", those who visit relatives, and those on business. A high proportion of tourists come to visit friends or relatives, and some of the remainder are on business. It is estimated that, in 1977, 50% of the bednights which were spent by out-of-State tourists were spent by those visiting friends or relatives (Table 30 of Mr. Deane's report). However, the proportion of "pure tourists" in total visitor numbers has increased from 42 per cent in 1976 (the first year for which data are available) to 50% in 1978 (Table X). The proportion of total expenditure of visitors which is accounted for by "pure tourists" increased from 52% to 60% in this period.

12. With regard to domestic tourism, the first, and most significant point, is that there has been a marked switch in demand by Irish residents—away from domestic holidays and towards holidays abroad. In 1972, the earliest year for which data are available, the expenditure

[5]On 30 September 1966, the basic travel allowance, for UK residents travelling abroad on holiday, was substantially reduced. This applied to journeys commencing on or after 1 November 1966. These regulations continued in force until 2 January 1970.

CHART III

Expenditure of Visitors per head, at Constant Prices, 1967-78 (a)



Note: (a) Expenditure includes passenger fare receipts; constant prices are of mid-November 1968.
Source: Table IV.

of £46 million by domestic tourists was about the same as that on tourism and travel abroad by Irish residents. By 1978, the expenditure by Irish residents on tourism and travel abroad of £179 million was almost twice the expenditure on domestic tourism. Second, domestic tourism expenditure has, in real terms, declined by 6% in the 1972-78 period (Table XI). Domestic tourism now takes a lower proportion of the total tourism market in Ireland than in 1972. In 1972, domestic tourism accounted for 39% of the total expenditure by out-of-State plus domestic tourists—this proportion has declined to 35% by 1978. (This comparison is affected by the fact that 1972 was a particularly poor year for out-of-State tourism, and the relative proportion of domestic tourism to all tourism was bound to be above trend in that year). The increase in travel abroad in the period 1972-78 was occasioned by factors other than changes in tastes and real incomes (although it is likely to be very sensitive to changes in real income). Demand was influenced by the provision of facilities and tourist packages, and by a decline in the price of holidays abroad (at least relative to domestic holidays in registered accommodation). Moreover, an unknown proportion of the increased travel abroad comprised travel for business. It has been hypothesised that the shift away from domestic tourism has been a reflection of changes in the post-tax distribution of income, i.e., the real incomes of the young, single and female workers and of childless families have increased relative to the income of others.[6]

13. The predominant activities of tourists have changed in recent years. Tourists have become more mobile; they no longer tend to stay in one location. There has also been a significant increase in "special interest" holidays, which often involve greater activity.

14. Some of the changes in tourism policy over time have been in response to these changes in the pattern of Irish tourism. During the 1960s there was a certain emphasis on marketing and promotion in the Continental European markets, and among the potential tourists who would visit Ireland with a car—the number of mobile tourists was increasing markedly. There was also a certain emphasis on promoting "special interest" holidays such as coarse fishing and golf. The Third

[6]K. A. Kennedy and A. Foley, "Tourism Trends in Ireland", *Business and Finance*, 7 April 1977.

Programme[7] recognised that tourists were more mobile and demanded more active recreational holidays; hence, it indicated that there would be concentration on the development of tourist areas with focal points rather than on specific resorts.

Likely future patterns, given unchanged policies

15. In the absence of a detailed quantitative forecasting model, it is hazardous to try to predict tourist trends. However, it is likely that those who visit relatives will continue to account for a declining proportion of visitor numbers, and of visitor expenditure. This is partly because for some years there has been net immigration to the Republic of Ireland, in contrast to the previous net emigration. The *potential* market in North American and in Continental European tourists is likely to increase, because of the observed relationship between increases in real incomes and increases in real expenditure on tourism and travel. However, this is an imperfect indication of future trends, since what matters is the likely share which Ireland obtains in specific sub-markets, and an analysis of this is not available.

PROBLEMS OF THE TOURIST INDUSTRY

16. Given that it is desirable, from the point of view of national development, to increase revenue from tourism, an appraisal of the current policies must begin with an overview of the principal problems which face the Irish tourist industry. Against the background of Mr. Deane's study, the Council believes that these problems are as follows, though not necessarily in this order of priority.

(i) The revenue from out-of-State tourism has declined in real terms in the past decade.

(ii) There is an acute peak in tourism demand.

(iii) Tourism depends on the maintenance of the quality of the environment, which is in a fragile balance.

(iv) The supply of environmental services is deficient.

[7]*Third Programme: Economic and Social Development 1969-72, March 1969.*

(v) Particular problems of co-ordination of planning arise in tourism.

(vi) There is a disappointing local contribution to the work of the Regional Tourism Organisations, and a certain duplication of effort between them and Bord Fáilte.

(vii) A deterioration in the general quality of hotels occurred in the 1970s.

(viii) The traditional resorts have experienced difficulties.

(ix) Domestic costs for at least some facilities in Irish tourism have risen relative to those of competitors.

(x) There are manpower deficiencies in the industry.

17. First, the total revenue from out-of-State tourism has declined in real terms in the decade 1968-78 inclusive. Real revenue per tourist has fallen by 16% in the period 1967-78. Over the shorter period for which data are available (1972-78), real expenditure by domestic tourists has also fallen, and there has been a notable shift by Irish consumers away from domestic holidays towards holidays abroad. In real terms and at constant exchange rates, the static receipts of Irish tourism contrast notably with those of European member countries of OECD which experienced a 6.5% average annual increase over 1969-78 (Table XII). There has been a small growth in demand for hotel accommodation: the number of bednights sold increased by an annual average of 0.8% in 1967-78 (Table 28 of Mr. Deane's study).

18. Second, the seasonality of Irish tourism has been a constant problem over the years. In 1978, 49% of all overseas visitors arrived in the three-month period June-August.[8] The domestic tourism market has an exceptionally acute peak. In August alone, 38% of "long" home holidays are taken, and 27% are taken in July.[9] Thus, 65% of home holidays are taken in these two months; the next most popular month is September, with 13% of home holidays. There is also a pronounced peak in the visitor traffic from Northern Ireland. Chart IV shows the extent of the peak in hotel demand, by month. The acute peak has a number of implications, as follows.

[8]Source: Bord Fáilte. *Survey of Travellers* 1978.

[9]Source: Bord Fáilte. *Holiday Taking by Residents of the Republic of Ireland in 1978*, April 1979. A "long holiday" is a holiday taken away from home for four nights or more.

19. The seasonality contributes to the low utilisation of capacity in Irish hotels (Chart V), and to the low rate of return which is obtained from capital employed in hotels. In the period 1967-78, the proportion of bednight capacity sold by hotels has varied from a "high" of 48% in 1967 to a "low" of 29% in 1972; the proportion in 1978 was 44%. This seasonality, combined with the heavy reliance on food and drink (paragraph 5), has meant that there has been a disparity between the performance of the hotel sector in the urban areas and the more unprofitable and very seasonal sector outside these areas.

20. The extent of the peak inhibits investment in facilities. It is likely to have contributed to the State involvement in financial aids to accommodation.

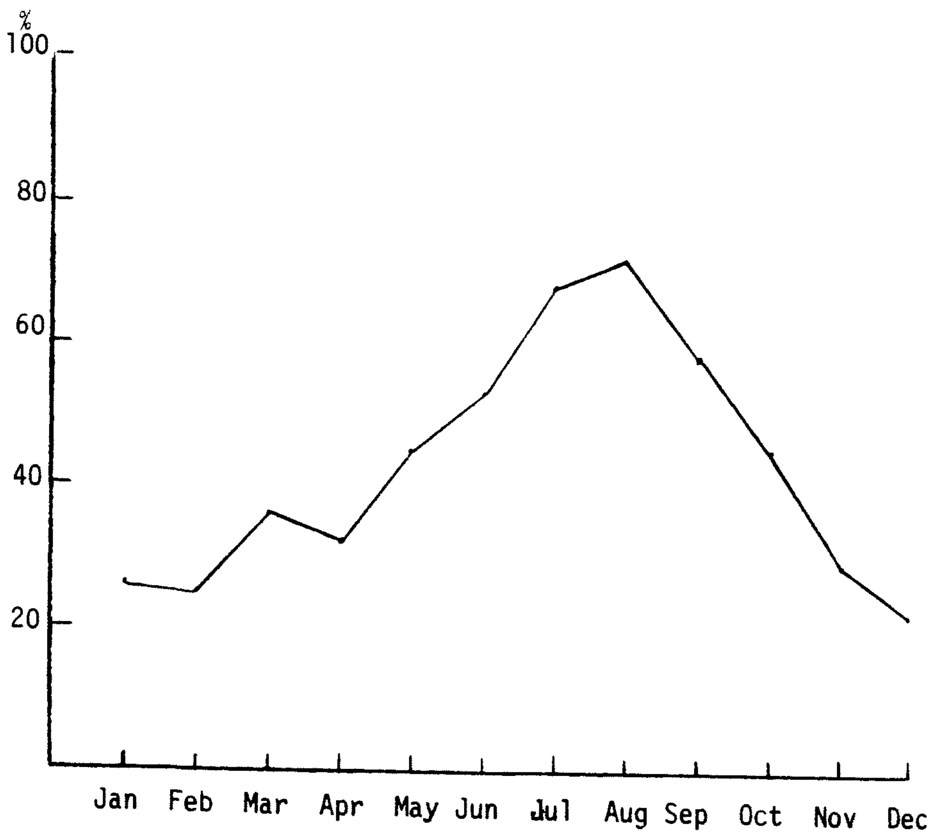
21. The peaks meant that employment in tourism outside the main urban areas has been extremely seasonal. This has implications which are outlined subsequently under manpower.

22. Third, the particular attractions of Ireland as a tourist destination depend critically on the quality of the environment. For the visitors in 1978, the aspects of Irish holidays to which they responded most positively were, in order: people, scenery, way of life, atmosphere.[10] Most "special interest" holidays in Ireland, such as coarse fishing, hiking, golf, depend on the beauty of the natural environment. There is evidence that the quality of the environment has been declining. There has, for example, been a decline in the quality of rivers and lakes.[11] Environmental decay is associated with a wider set of developments than agricultural or industrial development. For example, it occurs through urban decay, which is especially significant insofar as it occurs

[10]Bord Fáilte. *Survey of Travellers* 1978. This ranking excludes the response "family".

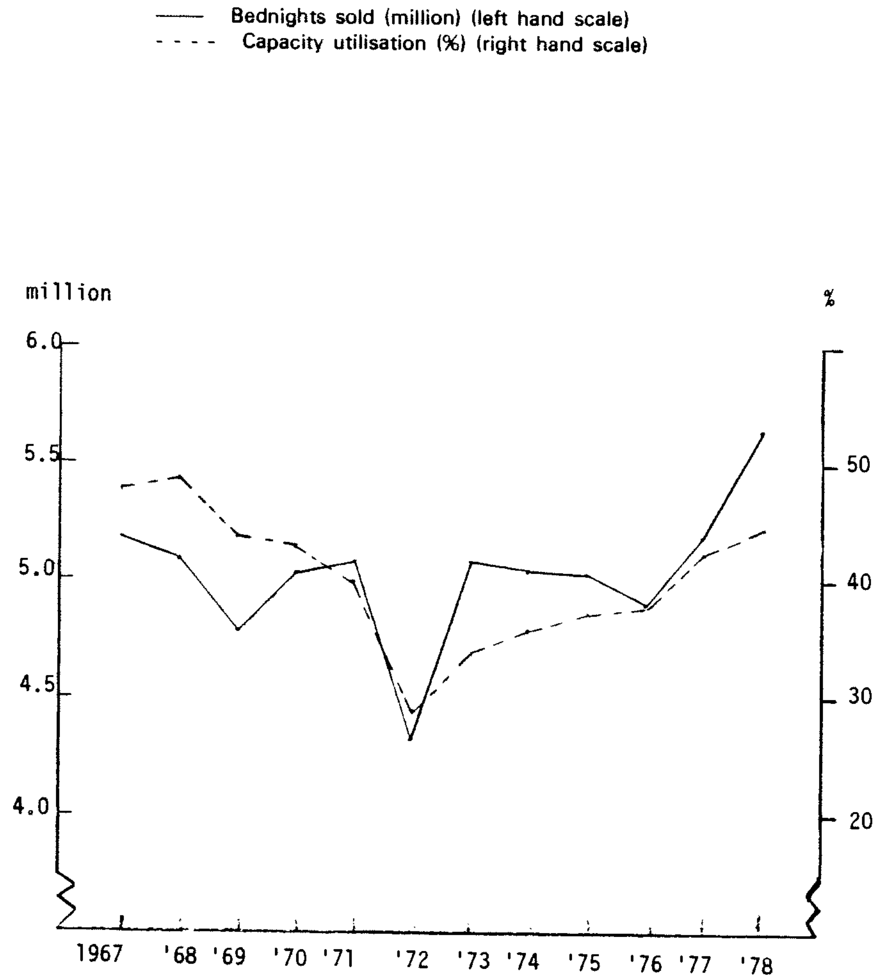
[11]*Report on Water Pollution*, Stationery Office. 1976; P. F. Toner and A. J. O'Sullivan. *Water Pollution in Ireland*. Stationery Office. 1977.

CHART IV
Monthly Occupancy Rates, Hotels 1978



Source: Table XIII.

CHART V
Hotel Bednights: Demand, and Capacity Utilisation, 1967-78



Source: Table 28 of consultant's report.

in Dublin to which many visitors are routed by travel agents. Decay also occurs through "ribbon development" in construction.

23. Bord Fáilte in its *Tourism Development Plan 1976-80* specified designated areas which were critical to the future growth of the tourist industry and needed to be safeguarded; this designation was needed, in the view of Bord Fáilte, because of a deterioration in the quality of the environment. Mr. Deane says that the Local Authorities are in some cases failing to exercise their statutory functions in controlling location and standards in camping and caravanning, and that uncontrolled camping and caravanning has led to environmental blight (paragraph 8.84).

24. Fourth, there is a basic minimum of environmental services which are required by tourists, e.g. a minimum level of hygiene and sanitary facilities. The Council believes that all too often these services are deficient.

25. Fifth, there are the problems of planning for an industry which is essentially the composite product of a number of different sub-sectors of the service sector. Tourism is distinct from other sectors of the economy in that the process of consumption consists of a number of different activities which are engaged in by the tourist. Many different commodities can be involved, hence disparate suppliers of goods and services are implied.

26. The planning problem is not made any easier by the number of public sector agencies which are involved, to varying degrees, in tourism. While Bord Fáilte is the State-sponsored body which is primarily concerned with the promotion of tourism, other State-sponsored bodies (such as Aer Lingus and CIE) directly provide tourist services and some State-sponsored bodies (for example, Shannon Free Airport Development Company) engage in tourist promotion. Also, the Department of the Environment and the eighty-seven local planning authorities have a crucial role insofar as physical planning impinges directly and indirectly on the potential for tourism development.

27. The *aims of tourism policy* have been set out by Bord Fáilte as follows:—

"To enable the people of Ireland to benefit from the promotion and development of tourism both to and within their country by optimising tourism's contribution to the national economy in terms of net value added and taking account of:—

(a) the balance of payments;

(b) the quality of life and the development of the community;

(c) the enhancement and preservation of the nation's cultural heritage;

(d) the conservation of the physical resources of the country".[12]

The Bord Fáilte Tourism Plans, of which there have been four since 1973,[13] are in many respects admirable documents. But they do not provide an adequate framework for planning. The aims which are cited above cannot be faulted. However, they are couched in very general terms and give but limited guidance to those executing policy. In particular, net value added is defined in too general terms and needs to be made more specific. Moreover, the aims implicitly assume that all policy goals can be attained simultaneously and that there are no conflicts between the achievements of certain goals—an assumption which is likely to be untenable.

28. A basic problem in the area of tourism planning is that, while Bord Fáilte compiles a Tourism Plan, it does not have the instruments which can ensure that the Tourism Plan is effected. Inevitably, many of the agencies whose activities impinge on tourism have a different set of objectives than simply the development of tourism. In certain cases when conflicts of interest arise in relation to tourism, there is no arbiter unless the issues are decided at the highest levels of Government.

[12]Bord Fáilte, *Tourism Plan 1973-1976*, January 1973, page 8.
[13]*Tourism Plan 1973-1976*, 1973; *Tourism Development Plan 1976-80*, 1976; *Tourism Plan 1979-83*, 1979; *Tourism Plan 1980-84*, 1979.

29. Sixth, eight Regional Tourism Organisations were established in 1964. They were set up to "co-ordinate and strengthen local activities aimed at the promotion of tourism . . . (to) ensure that local accommodation is more effectively used, that local tours, attractions and entertainment are arranged . . ."[14] It was envisaged that the regional companies would receive funds from local authorities and other local sources, "with guidance and financial assistance from Bord Fáilte in the formative years"; but it was hoped that eventually the companies would be financed solely from local funds.[15] In fact, the proportion of the total revenue of these companies which comes from Bord Fáilte has grown to the point where it accounts for about 80% of their revenues, and there is a disappointing financial contribution from local sources. Mr. Deane says that the influence of the Organisations on the provision of facilities and amenities within the regions has been limited "because they have not had the means, or the authority to oblige others, to carry out tourist projects. Whatever influence they have had has been mainly through incentive grants provided by Bord Fáilte" (paragraph 4.8).

30. Seventh, the consultant's report states that there was a deterioration in the physical standard of the hotel plant in the 1970s (paragraph 5.58). While precise evidence is not available on this point, Bord Fáilte has said that a deterioration in the quality of hotels has occurred, including a decrease in the quality of service, "because of the economic pressures on the hotel industry".[16] This "economic pressure" has presumably contributed to the reduction of 11% in the number of hotel premises, and the reduction of 10% in hotel rooms, which occurred between 1973 and 1979. (Table XIV). Mr. Deane cites evidence that there has been "a diminution of the strong inspectorial role (exercised by Bord Fáilte) that used to be an important means of obtaining improved standards in the hotel sector" (paragraph 5.29). The Council believes that this situation is regrettable, since hotel inspection is a means of providing information to tourists, especially to out-of-State tourists; and it can be regarded as almost a component of marketing or promotional activity.

[14]*Second Programme for Economic Expansion* Part II, 1964, p. 234.
[15]*Ibid*, p. 234.
[16]Bord Fáilte Submission to the National Prices Commission, Appendix II in: National Prices Commission, *Monthly Report*, October 1977, Section 7.

31. Eighth, traditional resorts have suffered from a static or declining demand, together with an ageing stock of facilities. There has been a fall in both the quantity and quality of hotels and guesthouses in the traditional resorts in the past decade (paragraph 5.51 of Mr. Deane's study). While precise data are not available, Mr. Deane indicates that the traditional resorts are likely to have felt the impact of the relative decline in Irish tourism because of their specialisation in the holiday market (as distinct from business traffic), their dependence on the British and the Northern Ireland markets and the relatively high proportion of hotels and guesthouses in their accommodation (paragraph 5.53). A further reason for the difficulties which have been experienced by resorts is their relative dependence on domestic tourism, which has been a declining market. There is the possibility that the relative rise in the price of fuel could lead to the re-emergence of the resort, as distinct from the motoring holiday-maker. But this is unlikely to happen, given the lack of response in the demand for petrol to relative rises in price.[17]

32. Ninth, at least some elements of domestic costs in Irish tourism have got out of line with those of certain competitors. One indication is the set of data in Table XV on tourist prices; while no other data are readily available, these data convey only a general trend and assume implicitly that the countries listed in the Table are competing in the same tourist markets. (It is only possible to compare hotel charges between countries; while data are available for most other OECD countries on restaurant charges, they are not available for Ireland). This Table shows that, in the period 1970-78, only in Finland and Turkey among OECD countries were there higher rates of increase in hotel prices than the increases which occurred in Ireland. The Table shows that hotel prices have increased by 269% in nominal terms in Ireland in the 1970-78 period, and by 59% in real terms (i.e. after deflating by the Consumer Price Index). The increase in nominal hotel prices was almost exactly the same in the United Kingdom in this period. The increases in the Continental countries in the Table, allowing for exchange rate changes, were between 55% and 73% of those in Ireland. Hence, there was a loss of competitiveness to these European countries, but no loss of competitiveness to the United Kingdom. The data in Table 20 of Mr.

[17]Cf: B. P. Feeney, *The Demand for Petrol*. An Foras Forbartha, RT. 162, 1976.

Deane's study, on rates of inflation corrected for exchange rate changes, show a sharp decline in competitiveness with the United States and Canada.

33. The sharp increase in real price to domestic holiday-makers is likely to be a contributory factor to the decline in the use of hotels by these holiday-makers. Of the long holidays by Irish residents in 1978, only 7 per cent of bednights were in hotels.[18] However, it must be recognised that there is less opportunity for productivity change in the service sector than in other sectors, and hence there is likely to be a relative increase in prices in this sector; and, of course, any attempt to de-personalise hotel service in order to increase productivity could amount to quality reduction (such as has occurred in recent years—paragraph 30).

34. A related question, which is raised by the consultant, is the level of access transport costs and its role in deterring tourists. Table 18 of Mr. Deane's study shows that most transport prices, for travel to Ireland, have increased in real terms since 1970—by as much as 40 per cent.

35. Finally, there are manpower problems in the tourism industry. While both the minimum wage rates for the industry and the statutory work week have improved conditions,[19] one of the manpower problems which remains is the seasonality of employment in the industry (paragraph 21). The seasonality has contributed to the relatively low esteem given to employment in the tourism industry; other reasons for this are the unsocial hours and sociological factors which have to do with attitudes towards service. There have been staff shortages, for certain categories of worker, in hotels, and the difficulties of retaining staff and retaining trainees have contributed to the staff shortages.

[18]Bord Fáilte, *Holiday Taking by Residents of the Republic of Ireland* 1978.

[19]At April 1979, the statutory minimum wage rates set by the Catering Joint Labour Committee varied from £42.40 to £60.00 (depending on occupation), excluding receipts from service charges, with a 40 hour week, i.e., a range of £1.06 to £1.50 per hour excluding service charges. It is understood that, in many cases, the statutory minima are in fact the wage rates which operate. By comparison, average hourly earnings in transportable goods industries in December 1978 were £1.76 with an average work week of 42.9 hours.

POLICIES FOR TOURISM

36. Future policies for tourism would need to have regard to the problems specified in paragraphs 16 to 35 above. The starting point should be an examination of the reasons for the decline in the share which Ireland obtains of world tourism and for the decline in real revenue per head from tourists. It may be, for example, that the market for "special interest" holidays, in which Ireland has a comparative advantage, has not increased at the same rate as the market for holidays in general; or it may be that the market for those who visit friends and relatives is relatively static, and that this is a significant contributory factor to the decline in Ireland's share. An authoritative answer on the reasons for the decline is lacking. In addition to this and before policies can be settled, there is a need for policy-makers to study tourist resources in each region, assess the likely demands for the available tourist products and the costs of supply of public facilities, and then to decide on strategies.

37. The main *instruments of tourism policy* which are used, or have recently been used are:—

(i) Financial incentives, whether in the form of grants or tax reliefs. (The types of aid which are available are outlined in Table XVI).

(ii) The promotional activities of Bord Fáilte, the Regional Tourism Organisations, Shannon Free Airport Development Company, and other State-sponsored bodies.

(iii) The direct operation of tourist facilities by State-sponsored bodies—e.g. hotels by CIE and traditional-style cottages for holiday letting by Shannon Free Airport Development Company.

(iv) The provision of advice for the tourist industry by Bord Fáilte.

It would be very difficult to estimate whether a marginal increase in State investment in tourism would give a higher return than a similar increase in State investment in other activities. But if background studies were available, it would be possible to estimate whether an increase in State investment in some forms of *tourist* activities would give a higher rate of return than in others. It is regrettable that the background studies do not exist which would enable the Council to make a firm judgment on the desired allocation of State investment in tourism. Furthermore, over ten years ago the Third Programme[20] said that the improvement of tourist statistics would be pursued—with some exceptions such as the *Survey of Travellers*, this improvement has not occurred.

38. It is, however, possible to make the following recommendations on policy, which are designed to address the problems outlined in paragraphs 16 to 35.

39. The decline in the revenue per visitor, in real terms, can be addressed by concentrating promotion on certain segments of the market in which Ireland is likely to have a comparative advantage. Partly in view of the reduction in net emigration from Ireland, the future growth is likely to lie in the "tourist" market, rather than in those who visit relatives. There are considerable opportunities for obtaining an increase in traffic from the Continent of Europe. Many of these visitors come on special interest holidays (Table XVII), for which Ireland has a comparative or indeed an absolute advantage. These visitors from Continental Europe had a relatively high expenditure per head in Ireland at £133 in 1978, lower than the North America figure of £171 but much higher than the British figure of £75. The Council agrees with Mr. Deane that future policy should concentrate on revenue per head from tourists rather than on tourist numbers. Indeed, in principle, it is not so much the gross revenue from tourism which is the most important criterion, but the value added due to tourism. However, in the absence of data on value added, revenue must usually serve as a proxy measure. It will never be possible for Ireland to develop mass tourism, and efforts to do so could impair the quality of the environment. In general, tourism policy should be based on the distinctive qualities of Irish life, and should not aim simply to replicate those facilities which tourists can find in other countries.

[20] *Op. cit.*, page 116.

40. The domestic tourism sector merits attention because of:—

(i) The possibilities of import substitution, especially in view of the switch which has occurred to holidays abroad by Irish residents in recent years.

(ii) The re-distribution of income which could occur, both spatially and personally, through the development of domestic tourism.

If air fares remain relatively competitive, and if the trend of increases in domestic costs continues, then the decline in the proportion of long holidays spent in Ireland is unlikely to be reversed. On the assumption that real incomes continue to increase, and in view of the increase in holiday entitlements which has occurred in recent years, there is considerable potential for an increase in second or in short holidays by Irish residents, spent domestically. This would offer the possibility of lessening the seasonal peak. It is likely that a significant proportion of the potential domestic tourists will demand touring holidays and self-catering accommodation, but more needs to be known about these likely demands.

41. There may be need for more effective promotion of the existing facilities to Irish residents. This is indicated by the fact that 86% of those Irish residents who took their main holiday abroad in 1978 had never entertained the idea of a holiday in Ireland.[21] It is also indicated by the fact that, currently, domestic tourists concentrate on a number of favoured regions—pre-eminently Cork-Kerry, recipient of one-third of long holidays by domestic tourists.[22] However, there are limitations to the possibilities of inducing Irish residents to substitute domestic holidays for holidays abroad, if only because the attractions of a different environment and good weather remain the dominant motivations for a Continental European holiday by Irish residents.[23]

42. Over sixteen years ago, in the Second Programme for Economic Expansion, it was said that efforts were being made to lengthen the

[21] Bord Fáilte, *Holiday Taking by Residents of the Republic of Ireland* 1978.
[22] Cork—Kerry accounted for 32 per cent of all long holidays in 1978, and for 30 per cent of long holiday bednights. (Source: *ibid*).
[23] *Ibid.*

holiday season; this was repeated in the Third Programme. There has been little or no progress to this end in the intervening period. This is despite the efforts undertaken over the years to extend the season through the building up of the St. Patrick's week, the development of off-season events, promotions and special interest holidays, and the development of conference and incentive holiday business. But the development of conference business is limited by inadequate facilities (paragraph 61 below).

43. Mr. Deane recommends that a pilot area be chosen for a concentrated off-peak promotional effort, combined with the availability of suitable plant (which might otherwise be closed down during the off-peak season). This pilot effort should be attempted. Furthermore, some extension of the season could occur through relatively more promotion aimed at Continental European visitors, and relatively less promotion in Britain. A further way of stimulating off-peak tourism would be through the attraction of visitors for conferences (discussed in paragraphs 60 and 61 below).

44. There is little hope of extending the very sharp peak for domestic holidays unless there are changes in the times of school holidays and of holidays in industry. There should at least be efforts at greater flexibility in times of school holidays and in holiday patterns in industry. While many hotels do charge lower prices in the off-peak season, greater use could be made of such differential charges by hotels.

45. With regard to the quality of the environment, there is a need to ensure that the preservation of the environment, especially in areas of special amenity and scenic beauty, is a prime consideration at the time when planning decisions are made. Under the *Planning Act* of 1963[24] local authorities can show the location of areas of special amenity by virtue of natural beauty, scenic or other amenities, and control development for them. Policies should ensure that these powers are used. With regard to camping and caravanning, Council believes that the following measures should be taken:—

[24]*Local Government (Planning and Development) Act,* 1963, section 42.

(i) Local Authorities should use the Planning Acts to control the location of these facilities.

(ii) A number of large parks of high quality should be provided, some of which could be close to resorts in order to compensate these locations for the relative decline in demand which has occurred.

(iii) Consideration should be given to designating isolated areas as camping or trekking areas.

The Council does not see this as inconsistent with its recommendation that there should be a concentration on tourist revenues rather than on tourist numbers. Camping and caravanning facilities for out-of-State tourists are likely to yield low added value, and can result in environmental costs. But to some extent, camping and caravanning facilities serve the domestic market. There will continue to be a demand for these facilities, and what needs to be done is to provide them in a way which is in harmony with the environment.

46. Grants have been provided by Bord Fáilte for the improvement of amenities and facilities. Mr Deane says that the tendency has been to select (for State grants) "amenity type projects that, for the most part, will not result in any change in either the type or number of people visiting or taking holidays in Ireland" (paragraph 5.23). Some of this expenditure has been on lay-byes, access roads, car parks, and multi-purpose entertainment centres. The Council does not have evidence on inappropriate State investment in amenities and facilities, nor does it have the evidence that would support Mr Deane's recommendation that incentive grants by Bord Fáilte to other public sector agencies should be discontinued (paragraph 8.51). But there are grounds for examining the extent to which State investment in amenities and facilities, and Bord Fáilte incentive grants, have been effective. In particular, there could be a better return to be obtained from switching investment towards national parks, the development of wildland related outdoor recreation, and conservation in general.

47. Decisions on the specific plans for tourism can only take place when the reasons for the tourism problems have been pin-pointed and

policies to combat them have been adopted. Because of the wide-ranging implications of tourism development, tourism policy needs to be explicitly defined and to be settled by Government, rather than by Bord Fáilte alone. Without going as far as recommending the Tourism Co-ordination Group which Mr Deane recommends, the Council believes that there is a need to strengthen the Planning Unit in the Department of Tourism and Transport in relation to the formulation of policy for tourist development and in relation to the compilation of and monitoring of a Tourism Plan. This should be done in close consulation with the Department of the Environment, in view of the importance of environmental quality. Considerable efforts are made in the Bord Fáilte Plan to specify the likely market opportunities for Irish tourism—if anything, this needs to be sharpened, since the key indicators are the shares of Irish tourism in certain specified groups of travellers. Surveys of the expenditure patterns of visitors could aid in this work. There is need for greater use of more formal methods of project evaluation when proposed State investment is being assessed.

48. The problems of planning for the tourism industry were outlined in paragraphs 25–28. These problems could be eased if there were systematic methods by which the principal official tourist interests—not just the Department of Tourism and Transport and Bord Fáilte but also the Department of the Environment—could reconcile their different approaches to policy. One of the implications of the strengthening of the Department of Tourism and Transport would be greater inter-Departmental contact which could help to resolve cases where there were conflicts of interest. There is need for an integration of economic and physical planning in relation to recreation and tourism.

49. Policy on the Regional Tourism Organisations needs to be assessed in the light of the Council's earlier *Report on Institutional Arrangements for Regional Economic Development.*[25] In that Report, the Council recommended a review of the composition of the Regional Development Organisations by a Central Committee for Regional Economic Development. This review could embrace an assessment of the role of the Regional Tourism Organisations. There is a role for the Organisations in providing informational services to visitors about their specific regions. However, the promotion which the Organisations engage in should be done by Bord Fáilte, thereby avoiding duplication and competition between the regions. Mr. Deane recommends that the Regional Tourism Organisation be disbanded in their present form and be reformed as regional operations within Bord Fáilte (paragraph 8.31). This recommendation has merit.

[25]Report No. 22, July 1976.

50. The question arises of the best policy towards accommodation aids. There have been schemes of accommodation grants over most of the period since 1958 inclusive.[26] The effectiveness of permanent (as opposed to temporary) grants for hotels deserves re-consideration. In this re-consideration, the following points have relevance:—

(i) The effectiveness of expenditure on hotel grants needs to be compared with the effectiveness of other forms of State expenditure on tourism; this pre-supposes a more precise delineation of the objectives of tourism policy (paragraph 47).

(ii) Related to point (i), hotels are used by a minority of tourists. Even if those who visit relatives are excluded, in 1978 the proportion of bednights which were spent by tourists in hotels was 76% for those from Britain, 26% for those from North America and 16% for those from the Continent.[27]

(iii) Since the *Finance Act* 1978, profitable hotels have had a valuable incentive to engage in hotel development, in the form of free depreciation for expenditure on new hotel buildings, and up to 100% of the capital cost can be written off in the first year.

(iv) There is a case, in principle, for hotel grants if it is unduly difficult to obtain capital for investment in hotels; or if there is otherwise likely to be a distortion of investment choices, at the margin, between hotel investment and other forms of investment; or on the grounds that there are significant benefits, which accrue to the community as a whole, rather than to individual hoteliers. It is not clear that any of these conditions currently apply.

[26]In 1969, Bord Fáilte decided not to enter into new capital grant commitments. However, in subsequent years, grants continued to be made up to at least 1974-75, as commitments fell due. Subsequently, in 1974 a grant scheme for hotels and guesthouses was introduced. (Source: Bord Fáilte Éireann, *Annual Reports*).

[27]Source: Bord Fáilte, *Survey of Travellers* 1978.

51. If hotel grants are to be given, then a "blanket" system of grants is not cost-effective for the following reasons:—

(i) Typically there may be a shortfall in the supply of hotel accommodation in particular locations, and it is difficult to tailor a system of grants to this.

(ii) There is no reason why hotels in urban areas which have a high component of local and business traffic should be the recipients of grants, since in these cases the return is likely to be to the individual hotelier rather than to the community and since there should not be undue difficulty for a hotelier in obtaining finance for a worth-while project.

52. Future policy should concentrate more on stimulating the upgrading of the quality of accommodation outside the hotel sector. This policy could be re-assessed after a number of years. Policy for hotels could concentrate more on easing constraints which those skilled in hotel management may have in starting business. In a restricted number of cases where skilled operators who open their first premises may face a capital constraint, there could be a scheme whereby guarantees were given for loans raised, as long as this did not give rise to excessive administrative delays. This could be combined with the pilot areas scheme for off-season promotion (paragraph 43).

53. There is need to arrest the decline in hotel standards. To this end, the inspectoral role of Bord Fáilte with regard to hotels should be strengthened.

54. Farmhouse holidays are a clearly identifiable part of Irish tourism with an excess of demand over supply in the high season (paragraph 5.62 of Mr. Deane's study). This suggests that promotional efforts should be made to divert demand for these holidays away from the months when the acute peak occurs.

55 If it is not possible to change the peaked pattern of demand for farmhouse holidays, then the only way to overcome the excess demand is through increases in supply. Bord Fáilte has found it extremely difficult to achieve an expansion of the stock of farmhouses which offer

holidays. Mr. Deane says (paragraph 5.62) that "one important reason why it is difficult to achieve increases in the stock of this accommodation is that recent increases in farm incomes have made it less necessary for farm households to seek alternative means of supplementing earnings".

56. There are contrary views to this proposition. Indeed, it can be argued that the potential for expansion in farmhouse holiday facilities *increases* as more farm families improve their income level to a point where they can afford modern household facilities of a standard acceptable to Bord Fáilte. Furthermore, the upward trend in aggregate incomes in the years immediately prior to 1979 (which was not sustained in the year 1979), was accompanied by widening income disparities within the farming population, as between regions and farm size categories. And farm incomes would tend to fluctuate more over time than would income from tourism.

57. No opportunity should be overlooked for providing supplementary income sources for farm families on small holdings in areas which are popular for holidays, but difficult to farm profitably. Moreover, the contribution which farmhouse holidays and rurally based leisure activities can make in the increasingly important area of urban-rural understanding merits consideration. Thus, the Council recommends that, if it is not possible to achieve a change in the peaked pattern of demand, a study be made as to whether further supply inducements for these holidays can be justified.

58. With regard to promotional policy, it is not possible to say, on the basis of published analysis, what the effects of past tourism promotion have been. But there is no evidence that an increase in real expenditure on promotion will, by itself, lead to increased revenue, in real terms, from tourism. Mr. Deane recommends a relative shift to advertising. The Council does not have evidence which would support this. A *relative* shift to advertising could, of course, be tried on an experimental basis, provided it were closely monitored for its effectiveness.

59. The extent to which promotion should be concentrated on particular groups of visitors depends on a fine calculation of costs and

benefits. The costs can consist of the costs of provision of special facilities, as well as environmental costs. For instance, tourist programmes which involved pressure on capacity which was already fully utilised would mean that additional investment would have to be undertaken, and this would reduce the net benefits to the State. In the absence of an assessment of these costs and benefits it is not possible to be dogmatic, but it is likely that the net return from North American inclusive tours is lower than for a number of other types of tourism. This is in view of the likely benefits, reflected in expenditure in Ireland, which are obtained from this activity and the additional costs—including capital investment in facilities—which are involved. Also, the data on promotional expenditure given by Mr. Deane show that there is a high promotional cost per "tourist" from certain markets and suggest that there should be a relative shift away from promotion in the British market (already indicated for other reasons in paragraph 43).

60. One of the few ways in which business traffic can be stimulated is through the promotion of conferences. This promotion could yield a high return. A higher *proportion* of promotion in Britain could with benefit be directed to conference visitors.

61. At the moment, Dublin lacks the facilities which are required to handle a large conference, that is, facilities such as a well-equipped auditorium. An objective study should examine the net return from a Conference Centre, which Mr. Deane indicates could have a high rate of return.

62. Future policy on improving the quality of the product should concentrate more on improving manpower skills in the tourist industry. Mr. Deane indicates that there is a need to improve and expand in-service training (as distinct from pre-entry training) in tourism: the Council agrees. Mr. Deane also says (paragraph 6.8) that the shortcomings in the quality of manpower are "particularly the case at management level". An examination of the underlying reasons for these shortcomings should be made, to be followed by appropriate action.

63. There is a need to obtain a much greater involvement from the hotel industry itself in the training of personnel, instead of leaving this

to CERT (Council for Education, Recruitment and Training for the Hotel, Catering and Tourism Industries). It is in the interests of the hotels to ensure a higher level of skills, including management skills, since one result of this would be a higher return from hotel operation. If hotel grants are given, they should be made conditional on the pursuit of a manpower development plan. In this way, a greater commitment to manpower policy on the part of hotels would be achieved.

64. The Council agrees with Mr. Deane on the need for a strong advisory service to the tourism industry, provided as a consultancy service by Bord Fáilte. This would be especially valuable for the smaller tourism units.

TABLE I

Three indicators of relative importance of tourism, 1967-77

Year	Proportion of "invisible exports" of tourism and travel to GNP (a)	"Invisible exports" of tourism and travel as proportion of total exports of goods and services (a)	Expenditure by non-resident tourists in Ireland as proportion of total personal expenditure on consumers' goods and services (b)
	%	%	%
1967	6.1	15.0	8.2
1968	5.9	14.3	7.9
1969	5.3	13.5	7.2
1970	4.5	11.5	6.2
1971	4.2	10.9	5.9
1972	3.1	8.3	4.6
1973	3.1	7.6	4.7
1974	3.4	7.3	4.8
1975	3.2	6.7	4.7
1976	3.0	5.9	4.5
1977	3.4	6.2	5.1
Average 1967-1977	4.1	8.0	5.4

Notes:
(a) Foreign passenger receipts of Irish sea and air carriers are not included.
(b) The numerator used in calculating the proportion is col. (3) of Table IV. The denominator is total expenditure by residents and non-residents.

Sources:
Table IV, col. (3); *National Income and Expenditure* 1977.

TABLE II

Proportion of personal income by Region in 1973, compared with proportion of tourist revenue by Region in 1978

Region (a)	(1) Proportion of personal income of State in 1973	(2) Proportion of tourism revenue of State in region in 1978 (b)
	%	%
North West	4.8	10.8
Dublin and East	44.8	27.7
South East	10.4	12.2
South	15.3	21.5
Mid-West	8.6	9.2
West	7.0	12.1
Midlands	9.1	6.6

Notes:
(a) The regions are defined as follows for tourism purposes:
- North West: Donegal, Leitrim, Sligo
- Dublin: Dublin City
- East: Rest of County Dublin, Counties Kildare, Louth, Meath, Wicklow.
- South East: Carlow, Kilkenny, Tipperary (S.R.), Waterford, Wexford.
- South: Cork, Kerry.
- Mid-West: Clare, Limerick, Tipperary (N.R.).
- West: Galway, Mayo.
- Midlands: Cavan, Laois, Longford, Monaghan, Offaly, Roscommon, Westmeath.

(b) Data include overseas and domestic tourists, and Northern Ireland tourist traffic excluding business trips.

Sources:
Col. (1): NESC, *Personal Incomes by County in 1973*, Report No. 30, 1977, Table 4.
Col. (2): Bord Fáilte, *Report and Accounts for the year ended 31 December 1978*, p. 10.

TABLE III

Number of visitors to Republic of Ireland, 1967-78
('000)

Year	(1) Number of visitors who enter on "overseas" routes (a)	(2) Number of visitors who enter on Cross-Border routes and who stay more than one day (b)	(3) Total number of visitors =(1)+(2)
967	1173	162	1335
968	1261	177	1438
969	1348	165	1513
970	1299	124	1423
971	1330	120	1450
972	1164	92	1265
973	1304	105	1409
974	1321	103	1424
975	1345	113	1458
976	1312	97	1409
977	1473	115	1588
978	1673	137	1810

otes:

(a) An unknown number of these are excursionists, i.e. they stay for less than one day.

(b) These data cover those who enter on Cross-Border routes by rail and road (omnibus) and who stay more than one day. Data are not available for the whole period on the numbers on Cross-Border routes by road (private car) who stay more than one day, hence these data exclude *all* those who enter on Cross-Border routes by road (private car).

urce: Irish Statistical Bulletin.

TABLE IV

Expenditure of visitors to Republic of Ireland, 1967-78
£m

Year	(1) Expenditure of those who enter via "overseas" routes (a) £m	(2) Expenditure of Cross-Border visitors (b) £m	(3) Total expenditure =(1)+(2) £m	(4) Passenger fare receipts £m	(5) Total expenditure plus passenger fare receipts =(3)+(4) £m	(6) Total expenditure at constant prices (of mid-Nov 1968) (c) £m	(7) Total expenditure plus passenger fare receipts, at constant prices (of mid-Nov 1968) (c) £m	(8) Expenditure (including passenger fare receipts) per head at mid-Nov 1978 prices (d)
1967	n.a.	n.a.	68.9	14.0	82.9	73.3	88.2	66.1
1968	46.2	29.5	75.7	17.3	93.0	76.9	94.5	65.7
1969	52.6	25.5	78.1	20.6	98.7	73.9	93.4	61.7
1970	52.7	21.6	74.3	21.7	96.0	64.9	83.9	59.0
1971	61.2	17.8	79.0	23.6	102.6	63.4	82.3	56.8
1972	55.2	15.2	70.4	20.8	91.2	52.0	67.4	53.3
1973	66.0	18.8	84.8	25.3	110.1	56.2	73.0	51.8
1974	79.6	23.3	102.9	29.2	132.1	58.3	74.9	52.6
1975	88.5	29.5	118.0	34.1	152.1	55.3	71.3	48.9
1976	103.2	34.0	137.2	46.0	183.2	54.5	72.8	51.7
1977	146.6	38.0	184.6	53.3	237.9	64.6	83.2	52.4
1978	172.9	43.0	215.9	62.8	278.7	70.2	90.6	50.1

n.a.: not available.

Notes:

(a) These data include an unknown amount of expenditure by excursionists, i.e. visitors who stay for less than one day.

(b) These data include expenditure of those on visits of 1 day or less.

(c) Cols. (6) and (7) each use the Consumer Price Index as deflator.

(d) Col. (8)=Col. (7) divided by Col. (3) of Table III.

Source: Irish Statistical Bulletin.

TABLE V

Average length of stay of visitors to Ireland, classified by route of travel 1969-78

Route	Number of Days									
	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
Cross-Channel, air	7.9	7.6	8.2	8.5	8.1	8.5	7.8	9.3	8.3	7.8
Cross-Channel, sea	12.7	12.4	12.6	13.1	13.4	12.9	12.6	13.7	12.6	11.8
Cross-Border, rail	7.3	7.5	6.7	5.5	5.3	4.9	4.7	4.7	4.5	4.5
Cross-Border, road (omnibus)	3.0	3.0	2.7	1.8	2.0	2.2	1.8	1.5	1.6	1.8
Continental European	n.a.	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	14.8	14.1	13.3
Transatlantic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.2	12.6	12.7

n.a.: not available.

Note: Visitors who come by rail and by road (omnibus) on Cross-Border routes are included in these data.

Source:—Irish Statistical Bulletin.

TABLE VI

Average length of stay of visitors to Ireland by market, 1972-78

Market	Number of Days						
	1972	1973	1974	1975	1976	1977	1978
Britain	12.3	12.7	12.3	12.8	12.5	12.5	11.3
North America	14.0	12.4	14.2	14.6	13.9	14.0	12.5
Continental Europe	15.0	15.1	15.0	14.4	15.6	14.0	14.1

Source: Bord Fáilte, *Survey of Travellers.*

TABLE VII

Proportion of revenue (excluding carrier receipts) from each main market, 1967-78

%

Year	Great Britain	Northern Ireland	North America	Continental Europe	Other Areas
1967	51.9	17.1	23.7	5.4	1.9
1968	52.3	16.1	24.3	5.5	1.8
1969	49.6	12.5	28.5	7.2	2.2
1970	49.8	9.4	29.7	8.3	2.9
1971	42.8	9.3	33.3	10.9	3.7
1972	38.3	10.2	35.9	12.2	3.3
1973	44.3	10.4	32.5	10.8	2.0
1974	41.7	10.4	33.0	13.2	1.7
1975	41.8	9.9	31.6	14.7	2.0
1976	37.5	10.0	32.9	17.0	2.5
1977	34.0	14.1	29.9	17.9	4.2
1978	38.8	12.8	25.9	18.7	3.9

Note: The data for Northern Ireland cover those who visit for more than one day.

Sources: Bord Fáilte, *Tourism Plan* 1980-84; Bord Fáilte.

TABLE VIII

Irish share of spending on travel abroad by UK residents, 1967-77

Year	(1) Receipts from tourism and travel from the United Kingdom	(2) Spending on travel abroad by UK residents	(3) Irish share of UK spending ((1) as % of (2))
	£m	£m	%
1967	57.6	274	21.0
1968	60.3	271	22.3
1969	59.1	324	18.2
1970	55.6	382	14.6
1971	49.5	439	11.3
1972	46.9	527	8.9
1973	58.0	682	8.5
1974	66.8	683	9.8
1975	75.0	878	8.5
1976	79.0	1006	7.9
1977	96.6	1102	8.8

Sources: col (1): *Irish Statistical Bulletin:* Balance of International Payments statements.

col (2): *Annual Abstract of Statistics* 1979, H.M.S.O.

TABLE IX

U.S. travel abroad, and to Ireland, 1967-77

Year	(1) Number of U.S. travellers to Europe	(2) Number of U.S. travellers to Ireland	(3) Irish share (2) as % of (1)	(4) Average expenditure per traveller to Europe, at current prices	(5) Average expenditure per traveller to Ireland, at current prices	(6) Irish share of total expenditure by U.S. travellers to Europe, at current prices
	('000)	('000)	(%)	($)	($)	(%)
1967	1800	154	8.6	563	185	2.8
1968	1937	180	9.3	512	177	3.2
1969	2363	190	8.0	490	190	3.1
1970	2898	230	7.9	490	183	2.9
1971	3202	232	7.2	481	223	3.4
1972	3843	190	4.9	482	190	1.9
1973	3915	210	5.4	509	214	2.3
1974	3325	175	5.3	542	270	2.6
1975	3185	191	6.0	602	287	2.8
1976	3523	251	7.1	610	331	3.9
1977	3920	303	7.7	612	320	4.1

Source: U.S. Department of Commerce, *Survey of Current Business.*

TABLE X

Proportion of total number of visitors and of visitor expenditure, by category of visitor, and average expenditure per visitor, 1976-78

Category	Proportion of total number of visitors (%)			Proportion of total expenditure by visitors (%)			Average expenditure per visitor (£)		
	1976	1977	1978	1976	1977	1978	1976	1977	1978
Tourist	42.1	45.1	50.1	52.4	52.8	59.9	97.8	116.4	123.5
Visit to relatives	37.7	33.5	29.0	32.7	30.2	23.8	68.2	89.7	84.8
Business	14.3	14.5	16.1	11.7	10.8	12.8	64.4	74.3	82.5
Other (incl not stated)	5.7	6.9	4.8	3.3	6.1	3.5	45.3	88.2	76.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	78.7	99.5	103.3

Notes: Published data are not available for years prior to 1975. These data exclude visitors who come on Cross-Border routes. (Expenditure data for those who come on Cross-Border routes are not available for 1976-78 inclusive, and visitor numbers data are not available for 1977-78 inclusive). The expenditure data exclude international fares.

Source: Irish Statistical Bulletin.

TABLE XI

Expenditure by Irish residents on tourism abroad and on domestic tourism, 1967-78

Year	(1) Tourism and travel abroad £m	(2) Domestic tourism at current prices £m	(3) Domestic tourism at constant prices (of mid-November 1968) £m	(4) Ratio of (1) to (2)
1967	30.1	n.a.	n.a.	n.a.
1968	36.3	n.a.	n.a.	n.a.
1969	37.8	n.a.	n.a.	n.a.
1970	40.1	n.a.	n.a.	n.a.
1971	42.8	n.a.	n.a.	n.a.
1972	46.9	45.9	33.9	1.02
1973	60.3	48.8	32.4	1.24
1974	72.8	52.0	29.5	1.40
1975	94.2	63.8	29.9	1.48
1976	109.4	64.0	25.8	1.71
1977	135.6	87.8	30.7	1.54
1978	178.5	97.8	31.8	1.83

n.a.: not available.

Sources: Col. (1): *Irish Statistical Bulletin:* Balance of International Payments Statements.
Col. (2): Bord Fáilte, *Tourism Plan 1980-84.*

Table XII

Trends in international tourist receipts in real terms: OECD countries and Ireland, 1968-1978
% change per annum

Year	European Countries of OECD	OECD Countries	Ireland
1969	+ 9.0	+ 9.0	− 4.1
1970	+12.8	+11.9	−11.9
1971	+11.4	+ 9.8	− 0.5
1972	+ 8.0	+ 6.1	−18.1
1973	+ 1.9	+ 3.7	−10.0
1974	− 7.3	− 3.3	+ 3.3
1975	+ 2.5	+ 3.1	+14.4
1976	+ 6.0	+ 6.8	0.0
1977	+17.6	+12.9	+24.5
1978	+ 5.6	+ 5.5	+ 6.9
Average annual change 1968-78	+ 6.5	+ 6.5	0.0

Note: Data for 1969-1971 inclusive are in US $ at 1968 exchange rates; data for 1972 onwards are in US $ at 1972 prices and 1972 exchange rates.

Source: OECD, *Tourism Policy and International Tourism in OECD Member Countries: 1977 and 1979.*

Table XIII

Monthly bed occupancy rates, all hotels, 1978

Month	Occupancy Rate
	%
January	26
February	25
March	36
April	32
May	45
June	53
July	68
August	72
September	58
October	45
November	29
December	22
Calendar year	45

Source: Bord Fáilte, *Hotel Survey* 1978.

Table XIV

Stock of accommodation by type, 1971, 1973, 1979

Category	Number of premises			Number of rooms		
	1971	1973	1979	1971	1973	1979
Hotels						
Grade A*	24	24	15	2791		2367
Grade A	121	132	110	6660		5092
Grade B*	205	201	170	5455		2353
Grade B	182	207	234	3544		1054
Grade C	173	173	135	2520	23,979	258
Grade D	17	14	0	169		0
Motor Hotels	26	26	21	1,043		906
Grade pending	45	18	22	1,803		233
All Hotels	793	795	707	23,985	23,979	21,506
Guest Houses	500	451	291	4,428	4,002	2,864
Town Homes	n.a.	n.a.	940	n.a.	n.a.	4,058
Country Homes	n.a.	n.a.	345	n.a.	n.a.	1,465
Farm Houses	n.a.	n.a.	465	n.a.	n.a.	2,200

n.a.: not available.

Sources: Bord Fáilte, *Hotel Survey* 1978; Bord Fáilte.

TABLE XV

Trends in tourist prices, Ireland and certain other OECD countries, 1970-78

Country	(1) % increase in consumer prices	(2) % increase in hotel charges	(3) Appreciation of currency against sterling (%)	(4) % increase in hotel charges in £ sterling
France	99.2	97.2	35.1	166.4
Germany Federal Republic (a)	50.1	58.9	56.1	148.0
Ireland	168.8	268.5	0.0	268.5
Italy	165.8	213.0	8.1	187.6
United Kingdom (b)	166.8	265.9	—	265.9

Notes: (a) Room including breakfast, year ending August.
(b) In July 1974, VAT was reduced from 10 per cent to 8 per cent which resulted in prices rising about 1.8 per cent less than they would otherwise have done.

Sources: *Tourism Policy and International Tourism in OECD Member Countries:* 1979; Central Statistical Office, *Financial Statistics; Bank of England Quarterly Bulletin.*

TABLE XVI

Types of aid available in the tourist sector in 1979

Category	Aid: Location	Aid: Grant	Aid: Maximum
1. *Accommodation Development*			
(i) Hotel/Guesthouse Improvements Scheme (for private bathrooms to bedrooms).	Dublin and Cork Cities Other Urban Rural	25% of standard cost 30% ,, ,, 35% ,, ,,	£2,360 per room
(ii) Hotel new bedroom scheme (extensions to all existing registered hotels and new hotels outside Dublin, Cork, Limerick, Shannon, and Killarney) (a).	As above	As above	£3,850 per room
(iii) Caravan and Camping Parks. (Pitches for Touring Caravans and related facilities only).	All areas	50%	£125,000 per park
(iv) Youth Hostels.	All areas	80%	None
(v) Self-Catering (Group Schemes).	None at present		
(vi) Rural Supplementary Accommodation Scheme (SHA). Structural work and furnishings to new or existing Farmhouses, Town and Country Houses, and Self-Catering Houses (excluding towns with a population of 3,000 or more, locations within 3 miles of such towns and all of Co. Dublin).	non-SDAs Special Development Areas (SDAs)(b)	$37\frac{1}{2}$% 50%	£1,000 £1,330

TABLE XVI—*continued.*

Category	Aid: Location	Aid: Grant	Aid: Maximum
2. *Other Capital Development*			
Main products:—Angling; Inland Cruising Boats/Waterways Development; General Amenities/Environmental development; Historic and Cultural projects; Resort development; general recreational facilities; Equestrian, Golf, Sailing and other water sports; Entertainment; Visitor Purchases; Regional Development TIO Offices, etc.	All areas	Generally up to 50% on joint expenditure with other parties.	Negotiable ,,
3. *Promotion*	All areas	As 2 (i) and (ii) above.	,,
(i) Regional Tourism Organisation subventions, for current marketing, development and servicing activity.	All regions	Varying from 65% to 80% of their expenditure.	,,
(ii) Entertainment, Festivals and Events	All areas	Discretionary depending on the circumstances of each project.	,,

Notes: (a) This scheme was launched on 11 October 1979 and the final date for receipt of applications was 23 November 1979

(b) SDAs are Counties Cavan, Clare, Donegal, Galway, Kerry, Leitrim, West Limerick, Longford, Mayo, Monaghan, Roscommon, Sligo, West County Cork.

TABLE XVII

Principal activities engaged in by tourists from the Continent, 1978

Activity	Of all visitors who came to Ireland principally for this activity—% from Continent
	%
Pike Fishing	81
Salmon, Brown Trout	46
Deep Sea Fishing	34
Cabin Cruising	79
Sailing, Yachting	64
Game Shooting	55
Horse-Riding, Trekking	68
Hiking	70
Horse-Drawn Caravans	56

Source: Bord Fáilte, *Survey of Travellers* 1978.

PART II

TOURISM POLICY

by

BRIAN M. DEANE

ACKNOWLEDGEMENTS

The author would like to thank the many people in the industry who gave so freely of their time to advise in the preparation of this report. A special word of thanks is due to Mr. John Blackwell, Secretary to the Economic Policy Committee of NESC, whose help and guidance was of immeasurable benefit.

CHAPTER I

Introduction

1.1 This report is concerned with examining and advising on the implications and potential of tourism for economic and social development in Ireland. The report is mainly concerned with the implications of tourism for national policy, but does nevertheless give some consideration to regional implications. Particular attention is given to setting out the areas for Government decision taking and the form of State involvement best suited to the tourist sector of the economy.

1.2 This report is divided into eight chapters, Chapter 2 reviews the extent of tourism activity in Ireland and the impact it has on the economy. Chapter 3 assesses future demand and the resulting levels of revenue and employment. This is followed by chapters reviewing the structure and problems of the industry under the headings of: Organisation, The Product, Manpower and Promotion. The final chapter sets out the conclusions and recommendations that follow from the earlier analysis.

Definitions of Tourism

1.3 It is generally accepted practice to divide tourism into International Tourism and Domestic Tourism. International tourism represents movements across frontiers and gives rise to flows of funds in and out of countries. Movement into a country is frequently referred to as 'export tourism' since it generates export earnings for that country, while tourist movement out of a country is referred to as 'import tourism'. This report is only peripherally concerned with the latter.

1.4 The formal definition of an international tourist, as given by the United Nations, is as follows:

> 'For statistical purposes, the term tourist describes any person visiting a country, other than that in which he has his normal place of residence, for at least one night, for any reason other than following an occupation remunerated from within the country visited.'[1]

This definition encompasses people visiting Ireland on business, language students, visits to relatives, as well as those who come with the main purpose of taking a holiday. The needs of these and other groups, although overlapping at points, have their own characteristics. These characteristics play an important role in tourism development and marketing policy.

1.5 Domestic tourism, on the other hand, takes place within the country of residence of the tourist. It includes all trips of one night or more away from home made by Irish residents in Ireland on purposes other than purely business. These trips are often broken down into long holidays of at least four nights and short holidays of one to three nights.

1.6 In this report the following terms are used:
Visitor: A person who visits the Republic of Ireland for a period of at least one night.

Overseas Visitor: Someone who visits the Republic of Ireland for a period of at least one night from any area other than Northern Ireland.

Excursionist: Someone who visits Ireland for a period of less than twenty-four hours.

Domestic Tourism: This covers all trips of one night or more away from home made by Irish residents within Ireland on purposes other than purely business. Normally, these trips are divided into short trips of one to three nights away from home and long trips of four or more nights. Both categories may include personal trips, i.e., visits to family

[1]United Nations: *Guidlines for Tourist Statistics,* TD/B/C. 3/86. 1971

as distinct from holiday visits. This report distinguishes between personal and holiday visits.

Carrier Receipts: The earnings of Irish air and sea operations from business originating outside Ireland.

Purpose of Visit: Three categories of visitor are referred to in this report: business, predisposed and discretionary.

(i) The 'business' category includes those who state their main purpose of visit to be business.
(ii) The 'predisposed' category represents those visitors who have a strong predilection to visit Ireland. It is an estimate derived from an analysis of data provided in the Bord Fáilte Survey of Travellers. The basis for determining the size of this segment is set out in Appendix A.
(iii) The 'discretionary' category represents those who are uninfluenced by ethnic or other ties. The visitors in this segment are relatively unrestricted in determining their destination.

The Product

1.7 Tourism is a product, just like any other, which is exchanged for money in the market place. From the consumer's point of view, it is a set of activities which starts from the time of leaving home, includes everything that takes place during the period away from home and ends with the return. The providers, on the other hand, tend to see themselves as supplying a product or service which is an entity in itself. Each provider deals normally with only one element in the spectrum of product needs of the tourist.

1.8 The essential facilities of tourism are transport and accommodation. However, there is a set of elements which, because it is somewhat less tangible, has received proportionately less attention in tourism development. These are the elements which determine the choice of a country as a destination. These motivating influences are based on attractions.

The attractions may be site attractions (for example, scenic, climatic, historical) or event attractions (for example, congresses, exhibitions and sporting events), both of which exercise a gravitational influence on non-residents.'[2]

The essential point is that the 'attraction' determines the choice of destination. Examples in Ireland would be the scenic qualities of the West Coast, Shannon cruising and international rugby matches.

1.9 The other elements of the tourist product are those which 'facilitate' the stay of the tourist once he has reached his destination. For example, internal transport and restaurants are facilities.

1.10 Although this categorisation is not perfect it does serve in an industry as diverse as tourism, to make a general distinction which has important investment and marketing implications. Thus, tourism, although seen in terms of a single product by the tourist, is composed of many elements.

[2]A J Burkart and S Medlik: *Tourism: Past, Present and Future*, Heinemann, London, 1974.

CHAPTER 2

TOURISM IN THE ECONOMY

Introduction

2.1 The aim of this chapter is to indicate the scale and significance of Irish tourism within the economy and how this has changed over time.

2.2 Data on export tourism revenue are prepared by the Central Statistics Office (CSO) and Bord Fáilte. The CSO provide an estimate of aggregate tourism revenue during the course of determining movements in the balance of international payments. The allocation of tourism revenue between the various source markets is undertaken by Bord Fáilte. Revenue arising from domestic tourism is prepared by Bord Fáilte on the basis of survey material.

2.3 Data on the number of visits are collected by the CSO. However, this data relates to the number of visits by route of entry only and does not take account of the country of permanent residence of the visitor and is therefore of limited use in tourism analysis. Consequently, it is necessary to estimate the number of visitors from North America, Continental Europe and Other Areas arriving indirectly in Ireland via Britain. This estimate is made by Bord Fáilte using data collected in their annual Survey of Travellers.

2.4 With regard to tourism data on the Northern Ireland market area, the position is problematic. The CSO are not entirely satisfied that their sampling procedure at border posts, where there are in excess of 8.0 million crossings annually, is satisfactory. It has been the intention of the CSO to introduce an improved system for some time; however, until this is done, there must be an element of doubt as to the accuracy of data in relation to the Northern Ireland market.

2.5 While it may be said that every effort is made to ensure the accuracy of tourism data, it must be accepted that for the most part it represents estimates based on survey material and will therefore be subject to a margin of error.

Export Tourism

2.6 Export tourism, or visits made by people who normally reside outside the twenty-six counties, became an important part of the development strategy of Government as a result of the First Programme for Economic Expansion. Following its publication, a concerted effort was made to develop tourism through substantial public investment. Data on tourist traffic for the period of this more active State involvement (1960 to 1978) are in Table 1.

TABLE 1

Number of Out-of-State Tourists (Visitors staying more than 1 day), 1960-78

Year	Number of Out-of-State tourists (000s)	Year	Number of Out-of-State tourists (000s)
1960	1,373	1970	1,758
1961	1,449	1971	1,692
1962	1,459	1972	1,458
1963	1,508	1973	1,614
1964	1,687	1974	1,628
1965	1,733	1975	1,688
1966	1,696	1976	1,720
1967	1,812	1977	1,963
1968	1,917	1978	2,257
1969	1,942		

Source: Bord Fáilte, Annual Reports.

2.7 The period 1960-69 shows a strong growth pattern in the number of visitors to Ireland. This expansion resulted mainly from the recognition in the First Programme for Economic Expansion that Ireland had the potential to benefit from the accelerating growth in world tourism. It was seen that if Ireland was to share in this growth an expansion and improvement in tourism plant would be required. Consequently, this period was one of substantial investment, a large part of which was initiated by the public sector.

2.8 The growth pattern in visitors was reversed and a period of decline followed between 1970 and 1972. This decline was partly due to the political instability that beset Northern Ireland but was later exacerbated by world economic circumstances. The period 1973-77 was one in which recovery started slowly and began to accelerate. In 1978 there were 2.257 million visitors to Ireland, surpassing the previous peak of 1.942 million in 1969.

2.9 Revenue, on the other hand, as may be seen in Table 2, has grown substantially in current terms. In constant (1960) prices revenue

TABLE 2

Tourism Revenue (including revenue from excursionists) at Current and at Constant Prices (of 1960), 1960-78

Year	Revenue (a)	Revenue at Constant 1960 Prices (of mid-November 1968)
	£ million	£ million
1960	44.2	44.2
1961	49.5	48.1
1962	52.5	49.0
1963	57.1	52.0
1964	68.0	58.0
1965	78.2	63.5
1966	77.7	61.3
1967	82.9	63.4
1968	93.0	67.9
1969	98.7	67.1
1970	96.0	60.3
1971	102.6	59.1
1972	91.4	48.5
1973	110.1	52.4
1974	132.1	53.8
1975	152.1	51.3
1976	183.2	52.3
1977	237.9	59.8
1978	278.7	65.1

Note (a) includes carrier receipts.
Sources: *Irish Statistical Bulletin*: CSO.

grew by 52 per cent during the period 1960-69. After 1969 the disrupting influences of Northern Ireland and the world economy led to a decline in revenue which lasted until 1975. Since then there has been a substantial improvement and revenue in constant 1960 prices was £65.1 million in 1978. The peak year for tourism receipts was 1968 when revenue reached £67.9 million.

2.10 An indication of the relative importance of export tourism and how this has changed over time can be seen from the direct contribution made to Gross National Product from 1960 onwards. These data are in Table 3.

TABLE 3

Contribution of Export Tourism (including Carrier Receipts and Revenue from Excursionists) to GNP, 1960-78

Year	% Contribution	Year	% Contribution
1960	6.7	1970	5.7
1961	7.0	1971	5.4
1962	6.9	1972	4.0
1963	6.9	1973	4.0
1964	7.3	1974	4.4
1965	7.8	1975	4.1
1966	7.4	1976	4.2
1967	7.2	1977	4.4
1968	7.1	1978	4.4
1969	6.6		

Sources:
National Income and Expenditure, 1977, Central Bank Ireland, *Quarterly Bulletin*, February 1978, Table 2.

2.11 From the table it may be seen that the proportion of national output arising from export tourism increased a little during the first half of the 1960s. Between 1965 and 1973 export tourism's contribution was reduced from nearly eight to four per cent. This decline is a reflection more of the relative growth experienced in other sectors of the economy than any absolute reduction in tourism. Since 1975 there has been a small increase in the proportion of GNP arising from export tourism.

2.12 Table 3 does not provide a complete picture since it excludes the effects on national expenditure and output that result from the multiplier expansion. This aspect will be given consideration later in this chapter.

2.13 The source of tourism revenue and its changing trends may be seen from Table 4 which gives data for the main markets between 1960 and 1978.

TABLE 4

Revenue from Out-of-State Tourists by Market Area at Constant (1977) Prices (excluding Carrier Receipts and Revenue from Excursionists), 1960-78 (£m)

Year	Britain	North America	Continental Europe	Other Areas	Northern Ireland	All Markets
1960	79.1	21.5	4.0	3.2	28.6	136.4
1961	88.2	24.4	4.3	3.9	30.6	151.4
1962	76.5	25.2	4.5	4.5	31.9	142.6
1963	75.7	26.1	5.8	5.1	30.8	143.5
1964	80.5	27.2	6.1	5.4	30.9	150.1
1965	86.6	32.0	7.4	5.8	35.2	167.0
1966	85.0	34.8	7.8	2.8	28.6	159.0
1967	87.9	40.2	9.1	3.3	28.9	169.4
1968	94.4	43.9	9.9	3.2	29.1	180.5
1969	90.9	52.2	13.2	4.1	23.0	183.4
1970	82.2	49.0	13.7	4.7	15.5	165.1
1971	71.8	56.0	18.3	6.2	15.6	167.9
1972	53.0	49.6	16.9	4.6	14.1	138.2
1973	66.1	48.5	16.1	3.0	15.5	149.2
1974	64.0	50.9	20.4	2.6	16.0	153.9
1975	61.0	46.1	21.5	2.9	14.5	146.0
1976	54.0	47.4	24.4	3.6	14.4	143.8
1977	58.8	51.6	30.9	7.2	24.3	172.8
1978	73.4	49.0	35.3	7.4	24.2	189.3

Source:
Bord Fáilte.

2.14 The table shows that during the sixties the trend in revenue from the British market increased moderately while North America and

Continental Europe expanded rapidly. The Northern Ireland and Other Areas markets do not demonstrate any pronounced trend over the period apart perhaps from what might be seen as a tendency to peak in the middle of the decade.

2.15 In the first half of the 1970s, as Kennedy and Dowling point out, it would appear that all markets apart from Continental Europe were influenced by the political instability of Northern Ireland.[1] During this period it was recognised that continental markets were demonstrating less sensitivity to the political situation than other markets and, in consequence, special emphasis was given to promoting traffic from these countries. In latter years the deterring effect of Northern Ireland has diminished and, at the same time, world economic circumstances have improved; the result has been a general increase in revenue from the main markets for Irish tourism.

2.16 The relative importance of each market and how this has changed may be seen in Table 5 which gives the percentage of revenue generated by each of the main markets for the years 1960 and 1978.

TABLE 5

Percentage of Tourist Revenue by Market Area, 1960 and 1978

%

Market	1960	1978
Britain	58	39
North America	16	26
Continental Europe	3	19
Other Areas	2	4
Northern Ireland	21	13
Total	100	100

Source:
Table 4.

[1]K. A. Kennedy and B. R. Dowling, *Economic Growth in Ireland*, Gill and Macmillan, 1975.

This table shows that the proportion of revenue from Britain has fallen very substantially over the period. In 1960 it was by far the major market, but now represents 39% of total revenue. Continental Europe, on the other hand, has moved from an almost negligible share to one of almost one-fifth.

2.17 Foreign tourist earnings can be illustrated in other ways. For example, the total number of tourists and their length of stay can be combined to produce equivalent man years. Thus, in 1977, 1,963,000 tourists stayed, on average, 11.2 days or the equivalent of 60,000 people staying all year. However, average Irish consumer expenditure per day in 1977 was approximately £3.00 while that of a visitor was £10.50. In other words, on average, visitors are spending at 3.5 times the rate of that of the Irish person. This represents a spending force within the economy equivalent to 210,000 people or some 6.6% of the total population.

2.18 Alternative indicators of the contribution which tourism makes can be seen in the proportion of Gross National Product that can be attributed to export tourism and per capita income arising from tourism revenue. Comparative data for a number of countries are given in Table 6.

TABLE 6

Tourism Revenue (Excluding Carrier Receipts and excluding Revenue from Excursionists), Ireland and certain other Countries, 1976

Country	Revenue per capita from export tourism	% of GNP arising from export tourism
	$	%
Ireland	69.40	3.4
Austria	417.00	7.7
Denmark	157.50	2.1
France	68.40	1.0
Germany	60.00	0.7
Spain	86.90	2.9
UK	56.50	1.3
Greece	90.50	3.7

Source:
UN *Statistical Yearbook*, 1977; OECD, *Tourism Policy and International Tourism in OECD member countries*, 1977.

2.19 In terms of the proportion of GNP arising from tourism, it would appear that it forms a relatively small proportion of output in all countries. As might be anticipated, the proportion is smallest in those countries with developed industrial sectors. For the less developed countries the proportion, though small, is significant. Ireland obtains a revenue per head of population of approximately the same magnitude as that of the other countries listed in the table apart from those of Austria and Denmark. Austria might be considered an exception due partly to its capacity to offer both winter and summer holidays and partly to its geographical proximity to the mobile and lucrative German market.

TABLE 7

Carrier Receipts as percentage of total Tourism Revenues (including Revenue from Excursionists), 1960-78

Year	Carrier Receipts	Carrier Receipts as % of Tourism Revenue
	£m	
1960	4.5	10.2
1961	6.0	12.1
1962	6.9	13.1
1963	7.3	12.8
1964	9.2	13.5
1965	10.5	13.4
1966	12.6	16.2
1967	14.0	16.9
1968	17.3	18.6
1969	20.6	20.9
1970	21.7	22.6
1971	23.6	23.0
1972	21.0	23.0
1973	25.3	23.0
1974	29.2	22.1
1975	34.1	22.4
1976	46.0	25.1
1977	53.3	22.4
1978	62.8	22.5

Source: As for Table 2.

Carrier Receipts

2.20 Carrier receipts, in the tourism context, cover payments made by foreign tourists to Irish carriers (Aer Lingus, B & I and Irish Continental Line) associated with transporting visitors in and out of Ireland. Receipts for the period 1960-78 are shown in Table 7.

2.21. The table shows that during the period 1960-70 carrier receipts increased from 10% of total tourism revenue to 23% and subsequently have remained a fairly constant proportion. The increase in proportion between 1960 and 1970 is consistent with the fact that during this period average carrier receipts (constant prices) per visit doubled. Since 1970 receipts per visit have remained relatively constant. The more important reasons underlying the increase would appear to be, first, a change in the market composition of visitors and, second, a shift in the mode of transport used. In regard to market composition between 1960 and 1970 the proportion of visitors from Britain declined from 88% to 73%, while North American visitors increased from 7% to 18% and Continental Europeans from 3% to 8%. The result of this change in market composition has been to increase the proportion of visitors from more distant countries and ones from which it costs more to travel to Ireland. With regard to mode of travel, this same period saw a shift in the proportion of visitors from Britain, the largest market, who travelled to Ireland by car. This change will also have given rise to increased carrier receipts.

Domestic Tourism

2.22. Domestic holidaytaking by Irish residents during 1975-78 is shown in Table 8.

TABLE 8

Number of domestic tourists, 1975-78
('000)

Type of Trip	1975	1976	1977	1978
All trips (including personal)	2,963	2,425	2,826	3,103
All holiday trips	1,776	1,774	1,943	2,014
Long holiday trips (4 + nights)	1,009	965	1,095	1,103
Short holiday trips (1–3 nights)	767	809	848	911

Source: Bord Fáilte, *Holidaytaking by Residents of the Republic of Ireland*, 1978.

During 1978 there were 2 million domestic holidays taken, of which 1.103 million (55%) were categorised as long holidays. Long holidays had an average duration of approximately nine days and therefore accounted for some 9.9 million days by comparison with short holidays which accounted for approximately 1.6 million. However, long holidaytaking is highly concentrated into a short summer period while short holidays provide a more even seasonal distribution.

2.23. Expenditure on domestic holidays represented just less than 2% of personal consumer expenditure in 1978. The revenue arising from domestic tourism activity for the years 1972-78 is set out in Table 9.

TABLE 9

Domestic Tourism Revenue, 1972-78

£m

Year	Holiday Trips	All Trips (including Personal)	All Trips Constant '77 Prices
1972	n.a.	45.9	96.9
1973	n.a.	48.8	92.5
1974	n.a.	52.0	84.3
1975	50.9	63.8	85.5
1976	57.0	64.9	73.7
1977	74.4	87.8	87.8
1978	81.1	97.8	90.8

Note: n.a. not available.
Source: Bord Fáilte, *Holidaytaking by Residents of the Republic of Ireland*, 1978.

In constant terms, revenue from all trips declined between 1972 and 1976 but this trend was reversed in 1977. When compared with export tourism (Table 2) it may be seen that revenue from domestic tourism is lower: £87.8 million per annum compared with £237.9 million.

Import Tourism

2.24 Although this report is not directly concerned with import tourism (visits by Irish residents to other countries), it may be helpful to indicate the scale involved.

TABLE 10

Number of Visits of Irish Residents to other Countries, and their Expenditure, 1977

Purpose of Visit	Number of Visits	Expenditure
	(000s)	£ million
Tourist	420	73.8
Visit to Relatives	253	33.8
Business	171	32.5
Other	123	13.0
Total	967	153.1

Source: *Irish Statistical Bulletin*, June 1978

Expenditure by Irish residents to other countries amounted to £153.1 million in 1977. However, when adjustments are made in respect of cross-Border excursionists (£14.5 million) and receipts by Irish carriers (£32.0 million) a net figure of £135.6 million results.

Economic Significance

2.25 The most significant economic effects of tourism occur because expenditure by tourists constitutes income for its direct recipients, provides employment, contributes to foreign exchange earnings and raises additional tax revenue for the Government. It can also be said that tourism helps to support a level of infrastructure that might not otherwise be available. For example, transport facilities between Ireland and other countries are more extensive than they would be if there were no tourism activity. Likewise, hotels operate in many areas that would not normally support such a facility, thus providing the local community with a benefit it would not otherwise have.

2.26 It is important to make the distinction between tourism that is the result of people visiting Ireland (or export tourism) and domestic tourism. The distinction from the economic point of view is important because, although both use the same facilities and services, in the case of visiting tourists the payment for these goods and services represents a flow of money into the country. It is, in effect, an addition to the income of the economy. Payments for goods and services by domestic tourists are, in national economic terms, generally less valuable because they represent mainly a movement of expenditure from one sector of the economy to another. However, in those circumstances where domestic tourism leads to a decision to holiday at home in preference to going abroad, it results in a saving of foreign exchange and will give rise to the same level of economic benefits as does export tourism. Additionally, as will be discussed later, it is considered that domestic tourism has a relatively low import content. To the extent, therefore, that expenditure takes place on home holidays rather than purchasing goods with a higher import content, it leads to a higher multiplier effect. In these circumstances, domestic tourism makes a greater contribution to economic activity than alternative forms of expenditure.

2.27 A further distinction is generally made between visitor earnings and carrier receipts. The transport of visitors to and from the country is an essential part of any visit. The economic value of tourism is therefore understated if carrier receipts are ignored.

2.28 The significance of Irish tourism has too frequently been measured in terms of numbers of arrivals. While arrival numbers are a useful indicator of annual changes, they are of limited usefulness in measuring economic impact. Economically, what is important are the effects that result from visitor spending. The more important of the effects arising from export tourism can be summarised as:

(i) effect on Gross National Product;

(ii) employment effect;

(iii) balance of payments effect;

(iv) regional distribution of income effect.

Effect on Gross National Product

2.29 When national resources are not fully utilised, as is the case in Ireland, the provision of jobs and incomes in one sector has, as a result of the additional spending taking place, an impact on employment and

incomes in other sectors. It is necessary therefore to take into consideration the indirect effects that arise from the multiplier effect.

2.30 A number of attempts[2] have been made to measure the size of the multiplier arising from export tourism and all have encountered the problems of inadequate and out-of-date information. However, even though each used widely different methodologies, estimates of the size of the multiplier were broadly of the same order of magnitude.

2.31 The first attempt made by the EIU calculated that in 1964 the multiplier was 1.9. The Economists Advisory Group obtained a very similar result of 1.8 in their calculations for 1967. The most recent attempt was a detailed investigation by Bord Fáilte in 1974 which related to 1968 since that was the year that provided the latest input-output data for the economy. This attempt determined a slightly higher multiplier of fractionally greater than 2.0. Since the investigation of Bord Fáilte no further work has been undertaken. However, there is some evidence to suggest that during the period since 1968 leakages from the system have increased principally through an increasing proportion of income going to saving and that a multiplier of 1.8, therefore, seems more likely.

2.32 On the basis of a multiplier of 1.8, export tourism revenue (excluding carrier receipts) amounted to £184.6 million in 1977 and had a generative effect on incomes of some £332 million, which is equivalent to about 6.1% of GNP. Carrier receipts, which amounted to £53.3 million in 1977, are almost certainly subject to a higher leakage rate than is the case for tourism expenditure within Ireland generally due mainly to the outflow of funds to pay for capital equipment and finance overseas operations. A multiplier of 1.0 is assumed which suggests a further contribution to GNP of 1%.

[2]Economist Intelligence Unit (EIU), *Economics of Irish Tourism*, 1964 (unpublished). Economists Advisory Group, *The Economic Contribution of Tourism in Ireland*, Volume 1, 1970 (unpublished). S. Dewar, *Tourism in the Economy*, Vol. II, Bord Fáilte, 1974 (unpublished).

2.33 Taking both export tourism earnings and carrier receipts, which together amounted to £237.9 million in 1977, it is estimated that an income of £385 million was generated, equivalent to about 7.1% of GNP. It should be pointed out that assessments of this sort are subject to many difficulties. Apart from the lack of suitable data, there are dangers in taking a ratio that may be valid at the margin and extending it to cover the whole range. In addition, there are areas of sensitivity that greatly affect the calculations depending on what assumptions are made.

2.34 The latter problem is evident in Bord Fáilte's analysis. The approach adopted by Bord Fáilte was one of allocating tourism expenditure between the 33 sectors of the 1968 input-output tables; the amount allocated represented the estimated production of that sector. Imports and indirect taxes were separately identified since they were not the result of any production in Ireland. The effects which the tourism receipts produced could then be traced through to ascertain the overall contribution from export tourism. However, one particularly problematic area was the assumption that should be made in respect of the Government's treatment of taxation. Tourism expenditure gives rise to tax revenue which the Government can choose to spend, in which case the money goes back into the system and reinforces the multiplier process or, alternatively, it can choose to save it, in which case it has no further generative effect. In between these two extremes lies a whole range of options open to the Government. Whatever course of action the Government takes will have a pronounced effect on the outcome of the multiplier calculations.

2.35 The widely different outcomes that result may be seen in the figures in Table 11 which summarises the more important effects arising from the initial expenditure in 1968 of £75.7 million. The alternative assumptions are that (a) all tax from tourism revenue was recycled, and (b) all tax from tourism revenue is withheld, i.e., to provide for a budget surplus or reduction in budget deficit.

TABLE 11

Effects of Tourism Expenditure on National Income, 1968

	All Tax Revenue Recycled	All Tax Revenue Withheld
(1) Initial Tourism Revenue	68.7	53.1
(2) Addition to Household Income resulting from (1)	106.1	42.3
(3) Addition to savings from (1)	28.4	12.8
(4) Addition to Government Income from (1)	51.6	18.1
(5) Addition to Imports from (1)	40.3	22.2

From these figures it may be deduced that a tourism revenue of £75.7 million in 1968 gave rise to a tourism revenue (after leakages) of £68.7 million and this generated, under the assumption that all tax revenue is recycled, a total income of £157.7 million (this being the sum of the addition to household income and additions to Government income). The effect has been to expand income from £68.7 million to £157.7 million or by 2.08 times. Similarly, the multiplier co-efficient can be obtained under the assumption that the Government withholds all taxation, in which case a multiplier of 0.8 is obtained. The very significant difference that results from the separate assumptions illustrates the hazards associated with estimating the impact that export tourism has on Gross National Product.

2.36 The multiplier analysis can be extended to include consideration of the effects at regional level. Tourism expenditure generally tends to take place in those areas where visitors stay and this will give rise to regional variations in the multiplier. Although there are no data available to support the contention, it might be argued that the less developed areas are not as dependent on foreign imports as are the more prosperous areas and, as a result, tourist spending in the less developed regions gives rise to a higher national multiplier. It is also the case that the lower income areas have a higher propensity to import from the more prosperous areas but the opposite is not true. Consequently, tourist spending in under-developed regions results in indirect benefits in the rest of Ireland but spending elsewhere confers comparatively little benefit on the disadvantaged areas.

Employment Effect

2.37 Tourism clearly has an effect on the level of employment since visitor expenditure on accommodation, transport, meals and so on gives rise to a demand for labour. One aspect of tourism employment is its highly seasonal content. It is estimated (Chapter 6) that there are some 26,000 people directly employed full time as a result of tourism and a further 20,000 on a seasonal basis. This high proportion of seasonal employment might be considered a disadvantage in that it provides an income for only a relatively short period during the year. On the other hand, it is likely that for many seasonally employed people the income derived from tourism acts as a supplement to other income and therefore makes an important contribution to their standard of living. Tourism also provides employment in regions where income-earning opportunities are few.

2.38 In addition to employment arising from direct expenditure by tourists, there is also that which arises through the action of the multiplier. No comprehensive investigation has been made of tourism employment taking the effects of the multiplier expansion into account. However, it is possible to make a broad estimate of tourism dependent employment by ascertaining the proportion of Gross Domestic Product attributable to tourism and then applying this proportion to the total employed in the economy.[3] From the previous section it was shown that export tourism's contribution was £385 million or some 7.1% of GNP. This percentage of the total employed in 1977 represents some 73,500 jobs. It can therefore be tentatively estimated that tourism supported the equivalent of 74,000 full-time jobs. It should be noted that in arriving at an estimate of 74,000 jobs the larger and more optimistic multiplier of 1.8 has been used and may therefore overstate the number of people whose jobs are dependent upon tourism.

2.39 The method of estimation used assumes a constant relationship between output and employment and will therefore tend to overstate

[3]The approach of using the income multiplier to provide an estimate of tourist-related employment was adopted by the Working Group of the National Tourist Offices of the EEC in their Report *The Economic Significance of tourism Within the European Community*, British Tourist Authority, 1975.

the numbers employed in capital intensive industry and understate the numbers employed in labour intensive industry. Since tourism is generally considered to fall within the latter group the figure derived is, if anything, somewhat of an under-estimate.

Balance of Payments

2.40 Ireland's foreign exchange earnings from tourism, compared with total exports and invisible earnings, are shown in Table 12.

TABLE 12

Contribution of Tourism to Foreign Exchange Earnings and to Invisible Earnings, 1960-77

Year	(1) Tourism Revenue	(2) Current External Receipts	(3) (1)as % of (2)	(4) Invisible Earnings	(5) (1) as % of (4)
	£ million	£ million		£ million	
1960	44.2	234.1	18.9	89.6	49.3
1961	49.5	270.6	18.3	100.8	49.1
1962	52.5	273.1	19.2	108.5	48.4
1963	57.1	300.3	22.6	114.5	59.4
1964	68.0	337.9	20.1	125.3	54.3
1965	78.2	373.3	20.9	139.5	56.1
1966	77.7	410.6	18.9	144.5	53.8
1967	82.9	460.1	18.0	153.1	54.1
1968	93.0	528.2	17.6	172.4	53.9
1969	98.7	578.2	17.1	181.1	54.5
1970	96.0	649.5	14.8	191.6	50.1
1971	102.6	724.6	14.2	202.7	50.6
1972	91.4	848.3	10.8	215.8	42.4
1973	110.1	1,122.4	9.8	269.6	40.8
1974	132.1	1,407.3	9.4	241.1	38.7
1975	152.1	1,768.4	8.6	385.8	39.4
1976	183.2	2,325.8	7.9	474.7	38.4
1977	237.9	2,989.7	8.0	563.2	42.2

Sources: *Irish Statistical Bulletin*, CSO.

Tourism's contribution to external receipts has declined since 1963 when it represented almost one-quarter of the total. A decline is also evident when tourist revenue is set against total invisible earnings although a reversal of the trend is evident in 1977.

2.41 During the ten years, 1967-77, exports of merchandise have grown in current terms by a factor of 6.5. During the same period invisible earnings from tourism grew by a factor of 2.9. Although tourism earnings have fallen in relative terms, they still represent an important element of our international receipts as a comparison with other sectors shown in Table 13.

TABLE 13

Comparison of Export Tourism Earnings with those of Other Exporting Sectors, 1977

Sector	Earnings
	£ million
Food and live animals	958
Beverages and tobacco	41
Raw materials, except fuels	96
Mineral fuels, lubricants, etc.	17
Animal and vegetable oils and fats	11
Chemicals	244
Materials	383
Machinery and transport equipment	381
Miscellaneous manufactured articles	256
Other commodities	132
Total merchandise exports	2,518
Tourism revenue	238

Source: *Trade Statistics of Ireland*, 1977; Table 2.

2.42 When the net export position is taken into account, the relative position of tourism improves somewhat. The net position is that which makes provision for any imports that are associated with the export activity. Thus, spending by foreign tourists gives rise to an outflow of

foreign exchange to pay for imported goods and services that the tourists themselves consume. Likewise, the exports of manufacturing industry contain imported goods in the form of raw materials, etc. The proportion of import content varies from industry to industry and, as a result, the net or real contribution to the Balance of Payments is different to that suggested by the gross figure. It had been estimated that the average direct import content for personal expenditure in Ireland is 11% while that for tourism is 9%.[4]

2.43 National accounting practice in many countries, including Ireland, juxtaposes travel expenditures and receipts to provide a direct contrast between the debit and credit flows from tourism and this has led to the concept of a net balance on travel account or travel gap as it is sometimes called. It is sometimes implied that the travel gap can be used to measure the effectiveness of the tourism sector. To do so, however, is misleading since a country might be fully realising its tourism potential and yet have a negative balance on its tourism account or, conversely, be using its potential highly inefficiently and yet have a positive balance. To suggest that there is a basis for assessing tourism performance by measuring the size of the travel gap is spurious. As has been pointed out in the Bernstein report, the practice of netting out exports and imports on an individual account is nothing more than an accounting convenience and the concept of the gap as a measure of the responsibility of an activity for the overall deficit is fallacious.[5]

Regional Distribution of Income Effect

2.44 Many parts of Ireland face considerable disadvantages which limit increases in economic activity. Poor communications and scattered population limit the extent of industrial activity. The regions that face the most serious disadvantages are also generally the ones most suited to benefit from tourism since they have an abundant supply of a relatively scarce resource—beautiful scenery. For this reason, tourism in Ireland has tended to be active in the rural areas of

[4] *Ibid.*

[5] *The Balance of Payments Statistics of the United States, A Review and Appraisal;* Report of the Review Committee for Balance of Payments Statistics to the Bureau of the Budget (Washington; US Government, Printing Office, 1965).

the South-West, West and North-West, areas where employment has been most difficult to foster. Consequently, expenditure by tourists has had a significant effect on the regional pattern of incomes. An estimate of this effect is shown in Table 14.

TABLE 14

Tourism Contribution to Personal Income by Tourist Region, 1977

	Dublin and East (combined)	South-East	South	Mid-West	West	North-West	Mid-lands
	%	%	%	%	%	%	%
Visitor contribution to personal income	2.0	3.3	5.2	4.0	6.3	8.2	2.9
Above plus domestic tourism	2.7	7.1	9.0	6.1	11.0	11.5	3.4

Sources: *Personal Incomes by County in 1973*, NESC Report No. 30, 1977;
Bord Fáilte, *Survey of Travellers*, 1977;
Bord Fáilte, *Holidaytaking in the Republic of Ireland*, 1977;
Bord Fáilte, *Northern Ireland Holiday Market*, 1977.

The table shows tourism's contribution to total personal income in each of the main geographic regions.[6] This contribution is greatest in the West and North West, regions with relatively low average income per head.

The Economic Significance of Domestic Tourism

2.45 The more important influences arising from domestic tourism are:

(i) Effect on Gross National Product.

(ii) Balance of payments effects.

(iii) Employment effects.

(iv) Income distribution effects.

[6]The Regions correspond to those of the eight Regional Tourism Organisations and are defined in Appendix B.

2.46 First, there is the effect on Gross National Product. It has been pointed out (2.26) that domestic tourism represents mainly a movement of expenditure from one sector of the economy to another, except when it leads to a decision to holiday at home in preference to going abroad. However, the fact that Irish consumers express their preferences by purchasing tourist goods and services means that domestic tourism contributes to national output. It is estimated by Bord Fáilte that domestic tourists spent £87.8 million in 1977 and £106.6 million in 1978.[7] This is equivalent to 1.6% and 1.7% of Gross National Product, respectively.

2.47 Second, there are balance of payments effects. The essential difference, in terms of the impact on the economy, between domestic tourism and export tourism is that domestic tourism does not directly give rise to earnings of net foreign exchange except in those circumstances where it is a substitute for import tourism or indeed a substitute for imports of any kind. Clearly, any decision by an Irish person to switch from taking a holiday abroad to taking one at home has the beneficial economic consequence of diverting expenditure that would otherwise have been spent on imports. Given the existing data, it is not possible to estimate the extent to which substitution takes place.

2.48 Tourism expenditure has a relatively low import content. Although there is no empirical evidence to support the assertion, it is likely that holidaytaking as an option in household expenditure is primarily in competition with consumer durables. If this is so it needs no detailed analysis to show that the import content of domestic tourism expenditure is lower than that of many ranges of consumer durables since a high proportion of these are manufactured abroad. From the analysis referred to earlier for 1968 it was ascertained that the direct import content of export tourism was 9%—it is not unreasonable to assume that much the same figure applies to domestic tourism. The direct import content of personal expenditure in the same year was 11%, a figure which relates to total personal expenditure and thus includes a high proportion of non-substitutable products (e.g., agricultural produce). Those sectors which would relate to consumer durables tended to have relatively high import contents (metal,

[7]Bord Fáilte, *Holiday Taking by Residents of the Republic of Ireland* 1977, 1978.

engineering and vehicles 49%; other manufacturing 65%). Given that domestic tourism has a relatively low import content, it has the beneficial effect of reducing the flow of funds out of the country. Further, domestic tourism, where it replaces expenditure on goods with a higher import content, will lead to a greater multiplier effect, thus making a higher contribution to domestic economic activity than would otherwise be the case.

2.49 Third, there is the employment effect. Expenditure by home holidaymakers provides employment for those providing the goods and services purchased. Using the same method of estimation described earlier, it is estimated that the equivalent of some 14,500 people were employed full time to meet the needs of the home holidaymaker in 1977.

2.50 Fourth, there is the income distribution effect. Unlike most forms of consumption, tourism occurs at the point of production. The spatial patterns of expenditure on domestic tourism give rise to redistribution of income, as shown in Table 15.

Table 15

Re-distribution of Income arising from Domestic Tourism, by Broad Region, 1977

	Normal Area of Residence of Domestic Holidaytakers	Revenue Arising from Domestic Tourism
	%	%
Dublin	40	14
Rest of Leinster	18	13
Munster	34	48
Connaught & Donegal, Cavan, Monaghan	8	24

Sources:
Bord Fáilte, *Survey of Travellers*, 1977; Bord Fáilte, *Holidaytaking by Residents of the Republic of Ireland*, 1977.

Although 40% of domestic holidaymakers live in Dublin, as an area it

received only 14% of domestic tourism revenue. Connaught together with Donegal, Cavan and Monaghan, on the other hand, obtained 24% of domestic tourism revenue while supplying only 8% of holidaymakers. This aspect of domestic tourism is important since it does something to reduce spatial disparities in income levels.

CHAPTER 3

Projected Demand

Introduction

3.1 This Chapter examines the more important factors which influence the demand for tourism. A projection of future demand is made for the period 1979-1983 and a longer term view of the period to 1990 is taken.

3.2 The relationship between Irish tourism and international tourism is shown in Table 16. The two most important points from this table are:—

(i) the persistent and positive growth in world tourism which has increased by a factor of more than 3 in only 17 years, and

(ii) the very small proportion of total tourist members that Ireland obtains.

The first point is relevant because it shows the striking upward trend in world tourism; the second because it highlights the small additional proportion of world tourism that Ireland requires in order to make a significant impact on the economy.

Factors Influencing Tourism Demand

3.3 A recent report by the World Tourism Organisation[1] identifies the many different factors which influence the demand for travel. The list ranges from population growth and income distribution through the

[1]World Tourism Organisation, *Factors Influencing Travel Demand and Leading to the Redistribution of Tourist Movements,* Madrid, 1977.

Table 16

Ireland's share of World Tourism Arrivals, 1960-78

Year	World Arrivals at Frontiers	Visitors to Ireland (over 1 day)	Ireland's Share
	(millions)	(000s)	%
1960	72.1	1,373	1.9
1961	75.3	1,449	1.9
1962	81.4	1,459	1.8
1963	93.0	1,508	1.6
1964	108.0	1,687	1.6
1965	115.5	1,733	1.5
1966	130.8	1,696	1.3
1967	139.5	1,812	1.3
1968	139.7	1,917	1.4
1969	154.1	1,942	1.3
1970	168.4	1,758	1.0
1971	181.5	1,692	0.9
1972	198.0	1,458	0.7
1973	215.0	1,614	0.8
1974	209.0	1,628	0.8
1975	213.0	1,688	0.8
1976	219.0	1,720	0.8
1977	240.0	1,963	0.8
1978	265.0(a)	2,257	0.9

Note:
(a) estimates.

Source:
World Tourism Organisation, *Tourism Compendium,* 1977; Table 1.

growth of urbanisation and greater leisure time to Government incentives and greater air safety standards. The most important factors influencing the demand for tourism can be summarised under the conventional economic headings of: incomes, prices, and tastes.

Income

3.4 There is a close correlation between income level and the propensity to travel. Tourism expenditure arises from the discretionary purchasing power left to individuals when the basics of living (food, housing, clothing) have been paid for. In the developed countries discretionary income is increasing more rapidly than the rate of increase in total disposable income. A report on forecasting by the Economist Intelligence Unit[2] investigated income elasticity in a number of countries for the period 1961-1973 and concluded that the income elasticity of demand for travel expenditure lay between 1.0 and 1.8%. This suggests that where real discretionary incomes rise by 1%, real travel expenditure rises by between 1.0% and 1.8%.

3.5 An indication of income growth can be obtained from the change in Gross Domestic Product over a period. (It is recognised, however, that disposable income per head is more intimately related to tourist demand than is GDP). Table 17 shows the average annual rate of growth in GDP for those countries which represent the main source of tourism revenue in Ireland. It can be anticipated that real GDP per capita and disposable income per head will continue to grow, and not only in the developed countries.

Table 17

Average Annual Rate of Growth of GDP at Constant Market Prices: Ireland and certain other countries, 1966-76

Country	Total	Per head
	%	%
Ireland	4.2	3.2
UK	2.2	1.9
USA	2.6	1.6
Canada	4.7	3.2
Germany	3.5	3.1
France	4.7	3.9
EEC Total	3.7	3.1

Source:
Statistical Office of the European Communities, *Basic Statistics of the Community*, 1978.

[2]A Edwards, *International Tourism Development, Forecasts to 1985*, EIU, 1976.

Prices

3.6 It is generally considered that the price elasticity of demand for travel is relatively elastic, i.e., that a change in price will lead to a proportionately larger change in demand. The EIU report, already referred to, considered that the price elasticity of demand lay between −1.0 and −1.6. Of recent years, however, there are signs that this might be changing. The WTO[3] passing comment on this said 'In some very developed economies travel is gradually becoming a necessity, which indicates that travel may become somewhat price-inelastic in the medium- or long-term'.

The price of the tourist product is influenced by:

(i) the price of transport;

(ii) the price of commodities in the country visited;

(iii) the rate of exchange between the country of residence and the destination.

These are considered in turn.

3.7 First, Table 18 indicates the price of travelling to Ireland from a number of destinations, in real terms, covering the most commonly used routes to Ireland.

In real terms, the price of travelling by sea increased during the period 1970-78. For air transport to London, Frankfurt and Paris the price in 1978 is, in real terms somewhat higher than the price in 1970. The price of air transport between Dublin and New York has fallen considerably in this period.

3.8 Second, Table 19 indicates the change in price for a range of typical purchases made by visitors while in Ireland.

[3]WTO, *Op cit.*

TABLE 18

Index of Certain Access Transport Prices for Travel to Ireland, in real terms. 1970-78

Base 1970=100

Mode of Travel	Route	1978
Sea	Liverpool/Dublin	
	Car 2 passengers	
	(High season)	129
	(Rest of year)	89
	Foot passenger	
	(High season)	141
	(Rest of year)	129
Air	London/Dublin	108
	New York/Dublin	72
	Paris/Dublin	120
	Frankfurt/Dublin	103

Note: Price index is deflated by Consumer Price Index.
Source:
Price Tariffs supplied by Carriers.

TABLE 19

Index of Prices for certain typical Tourist Purchases, in real terms, 1960-78

Base 1960=100

Product	1970	1978
Hotel accommodation (Bed and Breakfast rates)	134	199
Meal (Dinner in Hotel)	112	196
Pint of Beer	132	132
Whiskey	126	117
Car Hire	105	141

Note: Price index is deflated by Consumer Price Index.
Sources:
Information supplied by Bord Fáilte, Breweries and Car Hire Association of Ireland.

The table shows that there has been an increase in the real cost of a number of typical tourist purchases. The rate of increase is particularly significant in the hotel sector which may, in part, account for the fact that there has been no appreciable change in the total of 5 million bednights spent in hotels in each of the past ten years.

3.9 Third, since 1970 the rate of inflation has varied considerably between countries and this has affected the purchasing power of travellers. However, relative rates of inflation on their own provide an incomplete picture since there were considerable changes in currency values in this period. Table 20 combines the rates of inflation and currency alignments that have taken place since 1970 to provide some measure of relative changes in purchasing power in different countries. The indices in the table are compared with that of Ireland which has a base of 100 in each year. The Table shows that real prices have changed significantly. The competitive position of Irish tourism in the North American markets has declined over the period, and in 1978 it was about 28% more expensive than in 1970 for North Americans to visit Ireland. For visitors from Britain the competitive position has remained more or less the same, while visitors from Germany, France and the Netherlands have benefited from a decline in real price.

TABLE 20

Price Changes (Combination of Inflation and Exchange Rate Alignment): Ireland and certain other Countries, 1970-78

Base 1970=100

Market Area	1971	1972	1973	1974	1975	1976	1977	1978
Britain	100	101	103	104	101	102	100	98
US	108	111	118	119	125	113	117	127
Canada	106	104	111	110	118	102	112	129
France	107	97	90	96	87	85	88	87
Germany	98	94	83	84	86	81	79	78
Netherlands	98	91	83	81	80	74	70	69

Sources:
(1) HMSO, *UK Financial Statistics.*
(2) International Labour Office, *Year Book of Labour Statistics,* 1978.

3.10 A rise in the price of the Irish tourism product can give rise to two separate effects. In the first case, for those buying the Irish tourism product there will be a fall in real income (income effect), i.e., the price is higher, thus for any given level of income, less is purchased. In the second case, there is a substitution effect, a close substitute is purchased. This may mean taking a less expensive holiday in Ireland or it may mean going somewhere else altogether. For example, it would appear that the relative increase in the price of serviced accommodation has brought about a shift in demand towards self catering.

3.11 It should be recognised that there is a close relationship between price and quality. A reduction in price when it is accompanied by a parallel fall in quality does not constitute an improvement in relative price to the consumer.

Tastes

3.12 The desire to travel is stimulated by many factors, the more important being the wish to experience new cultures, the desire to be educated, relax, visit friends or relatives, and business or health reasons. It is generally considered that among the most important influences giving impetus to the desire to travel is the rapid growth of urbanisation. This has led to a need to seek relaxation for at least a few days from time to time. It is in this particular respect that the main strength of Irish tourism lies. As yet, Ireland is considered by many to be an ideal place to visit for purposes of relaxation. This characteristic, which might broadly be referred to as the quality of Irish life, is highly esteemed; it is the focal point of Irish tourism and is central to the product policy which will be discussed in a later section.

3.14 The demand for international travel, as expressed in the proportion of expenditure allocated to it, represents only a small proportion of private final consumption. In Europe this proportion was 2.2%, in North America only 0.8% and in Japan even less at 0.5%. From these figures it can be seen that even a relatively small shift in relative consumer preferences could produce a substantial additional increase in demand for international travel. This may be inferred from the fact that there is a relatively small proportion of final private

consumption on international travel by residents of OECD countries, (who account for nearly all tourism movement), i.e., 1.3% in 1975. The potential for shifts in consumer preference can be seen, for example, in the expenditure pattern for Ireland where 4.5 times as much is spent on alcohol and tobacco as on travelling abroad.

Projections

3.15 It has been estimated that expenditure on international tourism will grow by 150% between 1974 and 1985.[4] Projections for Irish tourism (Appendix C) have been made from an analysis of the factors influencing demand in each of the main market areas for Irish tourism. This analysis was made using three customer groups: (i) those visiting Ireland for purposes of business (ii) those who are generally predisposed to visit Ireland and (iii) those who have considerable discretion or choice in the matter of selecting a destination.

3.16 It should be noted that groups (ii) and (iii) are not necessarily mutually exclusive. However, Ireland has a very high proportion of visitors who were born in Ireland or are visiting with someone who was born in Ireland and spend all, or nearly all, of their visit staying with friends and relatives. Their preferences differ markedly from those of the third group and these require separate categorisation. It is also projected that groups (ii) and (iii) will have different growth rates. Table 21 provides a summary of the projections to 1983 for expenditure and volume of demand. An explanation of the method used to obtain the projections, and a more detailed break-down of the projections is provided in Appendix C.

Future Employment

3.18 An estimate of the future level of employment resulting from tourism (export and home holiday) is also made. The method employed is the same as that described in the previous chapter. Assumptions on national aggregates employed in the calculation are taken from the Government Green Paper *Development for Full Employment* (June 1978) for the period to 1980. Between 1981 and 1984 it has been assumed that GDP will increase by 4% annually and that total employment will increase by 22,000 per annum. Given these assumptions, the levels of employment in tourism-related activities given in Table 22 are projected.

[4]Edwards, *International Tourism Development, forecasts to 1985*, EIU, 1976.

TABLE 21

Summary of Projections of Tourist Expenditure (at 1978 prices) and of Tourist Numbers, Classified by Overseas, Northern Ireland and Domestic Tourism, 1978-84

		1978 (actual)	1979 (projected)	1980	1981	1982	1983	1984
Expenditure								
Overseas Visitors	£m	177.7	191.1	198.8	206.3	214.9	223.7	233.1
Northern Ireland	£m	26.0	28.4	28.8	29.5	29.9	30.4	30.9
Excursionists	£m	12.2	13.7	14.3	15.0	15.8	16.6	17.4
Carrier Receipts	£m	62.8	70.8	73.4	76.1	79.1	82.2	85.4
Total Export Tourism	£m	278.7	304.0	315.3	326.9	339.7	352.9	366.8
Home Holiday Expenditure	£m	81.1	82.3	83.5	84.8	86.1	87.4	88.7
Volume of Demand								
Overseas Visitors (Millions)		1.713	1.754	1.821	1.888	1.960	2.037	2.117
Northern Ireland (Millions)		.544	.530	.541	.555	.566	.578	.590
Home Holidays (Millions)		2.014	2.052	2.091	2.131	2.173	2.215	2.257

TABLE 22

Projected Direct Employment in Tourism and Tourism Dependent Employment 1980-84 ('000)

Year	1980	1981	1982	1983	1984
Employment	90.4	91.6	93.1	94.4	95.8

CHAPTER 4

ORGANISATION AND PLANNING

4.1 This Chapter considers the organisational structure of tourism and the planning of tourism. One of the more obvious characteristics of tourism is that it draws its product from a variety of sectors spread throughout the economy. In doing so the public sector makes an important contribution that can broadly be separated into three distinct levels. The first involves the formal organisational structure established specifically for the purpose of developing tourism, the second encompasses those organisations with a primary role in tourism, and the third includes those State bodies who contribute in one way or another to the tourism product but do not see themselves as having a primary tourism function.

4.2 There is a wide range of activities covered by the third group. These include the provision of such facilities as roads, harbours, and telecommunications, the availability of which is a precondition of tourism development. To these need to be added the role of such agencies as Local Authorities in providing amenities, Office of Public Works in relation to National Parks and Monuments, Bord na gCapall in equestrian matters, the Department of Health and Social Welfare in undertaking hygiene inspection.

4.3 The second group comprises a relatively small number of organisations with a primary role in shaping tourism development. It is made up of Aer Lingus, B+I and Irish Continental Lines which provide access transport and in turn draw much of their revenue from tourism and Aer Rianta which operate the airports and duty free facilities. In addition it includes CIE which not only provides internal transport facilities but also operate hotels and a fleet of coaches. The Shannon Free Airport Development Company is also concerned with tourist development in the Mid-West as one means of pursuing their objective of promoting traffic through Shannon Airport. Finally, the Regional Technical Colleges must be considered as having a primary role since it is through them that formal pre-entry training for the industry is made available.

4.4 The first group comprises the formal tourism structure specifically established for the purpose of developing tourism. The foundations of this group are in the *Tourist Traffic Act* 1939. The purpose of this legislation was "to make further and better provision for the encouragement and development of the tourist traffic, and for that purpose to establish a Board having power of regulation, registration and control in matters relating to the tourist traffic". In accordance with this act and subsequent legislation Bord Fáilte was established and given functions, the more important of which are specified as:—

(i) To inspect, register and grade hotels, guesthouses, holiday camps, holiday hostels, motor hotels, caravan sites, camping sites, approved holiday cottages and youth hostels.

(ii) To assist, financially and otherwise, in the provision, extension or improvement of holiday accommodation.

(iii) To assist, financially or otherwise, in the provision, extension or improvement of facilities and amenities, at tourist resorts and elsewhere, which appear to the Board to be calculated to improve tourist traffic.

(iv) To protect and maintain and to aid in protecting and maintaining historic buildings, sites and shrines and places of scenic, historic, scientific or other interest. . . .

(v) To engage in any kind of publicity, both inside and outside the State, in connection with tourist traffic.

(vi) To establish, equip and operate or assist in the operation of tourist information bureaux, or any similar form of agency in connection with tourist publicity, both inside and outside the State.

In addition the Bord was given the right:—

(i) To establish or assist, financially and otherwise, in the establishment of any form of agency which has as one of its principal functions the development of tourist traffic.

(ii) To provide and assist, financially and otherwise in the provision of schemes for the training of persons for work in relation to tourist traffic.

(iii) To encourage the formation of companies having the object of providing amenities and facilities at tourist resorts.

4.5 Bord Fáilte employed 352 staff in 1978 on a full-time basis. Of these 105 or 30% are based abroad. In 1978 Bord Fáilte was provided, through the Department of Tourism and Transport, with a budget of £13.6 million of which £2.6 million was set aside by the Government principally for incentive grants which relate to expenditure on improvements and additions to tourism plant. The remaining £11.0 million being used mainly for marketing purposes, paying staff and meeting administrative overheads.

Regional Tourism Organisations

4.6 The eight Regional Tourism Organisations (RTOs) were established by Bord Fáilte in 1964. They were structured as companies limited by guarantee and having no share capital. The organisations consist of members of whom the following are eligible:—

(i) Persons certified in writing by Bord Fáilte.

(ii) Persons bona fide residing or carrying on business in the region.

(iii) Partnerships, Limited Companies, Corporations, Local Authorities or Associations carrying on business, exercising public duties or carrying out their objects or activities in the Region.

The business of the Organisations is managed by the Directors, of whom there are 162. The directors within each region are also responsible for employing a manager and appointing such staff as they see necessary. The Organisations employed some 160 permanent staff and cost approximately £1.5 million to operate in 1978.

4.7 The purpose for which the organisations were established is summarised in the first three objects of the Memorandum and Articles of Association and are:

(i) "To encourage and promote the development of tourist traffic.

(ii) To provide and encourage the provision of amenities and facilities for visitors and to develop tourist traffic.

(iii) To promote the comfort and pleasure of tourists and the facilities therefor and make known the advantages and amenities of the various districts on holiday and health, resorts by advertisement".

The third of these objects relates to that of providing an information service to visitors. This function seems to be the one to which Bord Fáilte attached primary importance at the time of establishing the Organisation. This service has been of considerable benefit to visitors.

4.8 The second objective, that of encouraging the provision of amenities and facilities for visitors, arose from the recognition that tourism takes places at the local level and that development of the tourist product would be facilitated through local involvement. It was thought that the RTOs would take a co-ordinating role and have a catalytic effect on product development within the regions but in practice the extent of their influence has been limited. The effect that the RTOs might have had on product development has been restricted because they have not had the means, or the authority to oblige others, to carry out tourist projects. Whatever influence they have had has been mainly through incentive grants provided by Bord Fáilte.

4.9 It might be thought that the RTOs would be able to make a more effective contribution if each had its own capital fund for disbursement within the region but this is unlikely to be the case. The tourist product is made up of many elements provided by a wide range of interests both public and private and is available to several different groups, one of which is the tourist. In respect of amenities, most of which are provided through the public sector, there are already agencies with responsibility for undertaking the necessary work. Facilities are mainly provided through the private sector, and while a regional agency with sufficient funds to disburse might bring about an addition to the supply of facilities it is unlikely that it would do so in a way that would represent an efficient use of public funds or in a way that would lead to an improved tourist product. The reason for this is that local interests can exert an intense pressure on the RTOs to undertake projects. These projects, while they might be of benefit to the local community, are not necessarily of any real benefit to tourism.

4.10 The tourist product is not a discrete entity that exists for the exclusive use of tourists, but is part of a much wider concern that bestows a range of economic and social benefits that effects the community as a whole. Given that the contribution of the public sector to tourism development is made through a number of existing agencies and given that the tourist product is shared in common by a number of different groups it would appear appropriate to place the development of the tourist product within a region in an administrative unit that encompassed other aspects of Government policy. The arguments supporting the need for a greater degree of programme co-ordination in relation to rural development are set out in NESC Report 41 which concluded (Section 11.5) that "not only is there a need for a new orientation to policy formation but there is also a need for a re-structuring of administrative arrangements to at least avoid the likelihood of various policy outcomes being mutually inconsistent and contradictory. Despite the natural inertia of long-established structures there are compelling reasons for giving serious consideration to the kinds of functions that might be undertaken by a single agency".

4.11 The marketing role of an RTO has been limited to promoting the region to the domestic holiday market. If the purpose of regional involvement in marketing is to bring about an increase in the number of Irish people taking a holiday at home, a desirable objective, then it would seem most likely that the best results would be achieved by concentrating all resources through one agency, in this case Bord Fáilte, rather than through eight separate and competing agencies. Even if it were decided that some re-distribution of tourist demand between regions was desirable, this would be more effectively achieved by confining the promotional efforts to Bord Fáilte.

The Council for Education, Recruitment and Training

4.12 The Council for Education, Recruitment and Training (CERT) is the national body for the education, recruitment and training of staff for the hotel, catering and tourism industries. CERT is a company limited by guarantee and not having share capital. The Company was formed by Bord Fáilte and incorporated in 1963. In 1973 the Memorandum and Articles were revised in order to transfer the controlling interest of Bord Fáilte to the Minister for Labour, and at the same time extended in order that CERT's mandate would be expanded beyond the hotel sector and encompass tourism and catering. CERT is governed by a Council composed of representatives of the various major interests in the industries: Bord Fáilte, AnCO, The Departments of Labour and Education and the Irish Vocational Education Association.

4.13 CERT's role includes:—

(i) recruiting young persons for formal training prior to entering the tourism industry.

(ii) providing finance for training programmes.

(iii) placing in employment those graduating from formal training courses.

(iv) operating in-service training programmes for the industry.

In 1978, CERT employed 36 people and had a budget of £0.8m of which 58% was provided by the Department of Labour and 40% by the European Social Fund.

Directorate

4.14 There are seventeen separate State-sponsored bodies that have an important influence on tourism activity. While there are variations in the constitutional framework between one body and the next, the structure of each is such that there is a governing group responsible for directing the affairs of the organisation. Thus, for example, Aer Lingus is a State-owned company with a board of directors, while Bord Fáilte is a corporation established by statute with board members. The exception to this general principal is CERT, the governing group of which is a Council, which does not have the extensive powers that

reside with the governing groups of the other organisations. Even in the case of CERT, however, the essential principle holds that it is through this group that the organisation receive its direction.

4.15 The members of the governing group or board are generally appointed by the Government. In the case of the Regional Tourism Organisations, however, the boards are formed as the result of an electoral process from within the membership of the organisations in combination with the right of nomination by Bord Fáilte and the Local Authorities.

4.16 Between the seventeen organisations involved there are in excess of 200 directors or board members. Board members have varying degrees of influence on policy and operations from one organisation to the next, and indeed within the same organisation from one time period to another, depending on the personalities involved.

4.17 In considering the organisational implications of the boards, two issues are of particular importance. The first issue is concerned with the functions of boards. Some see the role as one of checking that the executive are, in general terms, pursuing Government policy. Others see it as a more detailed one: an involvement in the day-to-day operation of the organisation including consideration of individual projects.

4.18 The second issue is concerned with the appropriateness of powers conferred on boards. For example, in respect of Bord Fáilte the *Tourist Traffic Act 1939* stipulates "save as otherwise provided by that Act, the Bord may exercise any of its powers and perform any of its functions conferred and imposed on the Bord by this Act through or by any of its officers or servants authorised by the Bord in that behalf". The Act therefore, confers, on board members the authority to take whatever decision they see as necessary or involve themselves in any aspect of the operation of the Bord.

4.19 This must bring into question the desirability of having Board members with tourism interests presiding over the disbursement of funds, and making decisions that might potentially enhance their own interests or detract from that of competitors. This is not to suggest in any way that decisions have been taken with anything less than absolute objectivity and total propriety, but while the potential is there, and seen to be there by the industry, there will be a mistrust among those who are affected by the decisions of the Board but are not privy to how they are made.

4.20 It is not in the interests of tourism that there should be any ambiguity as to the role of boards, or concern about the extent of board participation in the decision-making process. That such exists must be considered a basic defect in the present organisational structure.

Policy in General

4.21 The legislation set out in the Tourism Traffic Act 1939 and subsequent amendments to it provide very little direction on basic issues of tourism policy. The preamble of the Act indicated that the reason for establishing the Board was "to make further and better provision for the development of tourism traffic".

4.22 Heneghan has remarked that:

> "If this was to be regarded as a statement of the Bord's objectives, it was too vague to be of assistance in solving difficult policy decisions. For instance it would be of little help in resolving the problem of what types of tourists should be persuaded to visit Ireland. Moreover, the statement was also ambiguous. One interpretation could have been that the Tourist Board's objective was primarily the provision of tourist amenities and facilities, no mention having been made concerning the promotion of tourist traffic. In addition it was not indicated whether the Bord should have been concerned with either export or domestic tourism or both"[1].

4.23 It may be that definite Government policy statements on tourism do exist; if they do, however, they have not been articulated in a way that those responsible for tourism know what is required. In the

[1]Philip Heneghan, *Resource Allocation in Tourism Marketing.* Tourism International Press. 1976.

absence of clarity, Bord Fáilte cannot be faulted for pursuing the course it considers best. The main elements of tourism policy appear in fact to be articulated through the planning documents of Bord Fáilte. An examination of these documents over the past five years provides a basis for summarising tourism policy.

4.24 Bord Fáilte, in the planning documents, state the national tourism objective as:—

> "Enabling the people of Ireland to benefit from the promotion and development of tourism both to and within their country by optimising tourism's contribution to the national economy in terms of net value added and taking account of:
>
> (1) The balance of payments.
>
> (2) The quality of life and the development of the community.
>
> (3) The enhancement and preservation of the nation's cultural heritage.
>
> (4) The conservation of the physical resources of the country.
>
> (5) Tourism's contribution to the progress of regional development.
>
> The development task, in pursuing that objective, is to meet the future needs of tourists by providing tourism amenities, facilities and services of the right quality and quantity in the most appropriate locations."[2]

It is stated[3] that the principle which should govern marketing policy is the promotion of those programmes for which the net value added is greatest. However, it is indicated that net value added has not been measured[4] and *is therefore unknown and thus the policy will be to maximise revenue.*

[2]Bord Fáilte, *Tourism Plan* 1978-82.
[3]Bord Fáilte, *Tourism Plan* 1973-76.
[4]Bord Fáilte, *Tourism Plan,* 1975-78, Appendix.

4.25 It is apparent from an examination of national tourism policy that there is very considerable scope for conflict between the separate policy objectives and that they cannot all equally be served at the same time. It is difficult, if not impossible, to determine the optimal course of action on the basis of the existing policy objective as set out by Bord Fáilte. The scope for conflict between the specific economic objective and the social objectives has given rise to a vagueness or uncertainty as to where priorities lie.

It can also be expected that tourism policy and the policy of other sectors of the economy will not always be in accord. For example, tourism policy and regional development policy pursue different objectives. Tourism policy is orientated towards the maximisation of national gain, while regional policy is more concerned with the geographic dispersion of benefits. Since it is reasonable to regard tourism as an acceptable vehicle for the promotion of regional development objectives, it is necessary to have a means of incorporating this regional dimension (or any other relevant dimension) into tourism.

4.26 The problem of co-ordinating policy becomes even more confused when the objectives of other agencies with a role in tourism are introduced. Aer Lingus, B+I and Irish Continental lines have been set the task of making a return on capital employed that allows for reinvestment to be financed from their own resources. While it is desirable that they should be viable entities, it is more than possible that the single-minded pursuit of that goal will inhibit or exclude them from contributing to other areas of national policy. The Shannon Free Airport Development Company pursues an objective of maximising the amount of passenger traffic passing through the airport, a role equating to that of a regional development agency. As it happens, SFADCO have chosen to interpret their role in a way that demonstrates a high level of social responsibility. They could hardly be faulted if they took a less sensitive approach and sought to demonstrate their contribution by increasing volume through the Airport no matter what the cost to the intrinsic qualities of the west of Ireland. When to the objectives of these organisations are added those of the Regional Tourism Organisations, CIE, The Arts Council, Gaeltarra Éireann and many others it is clear that conflicts are not only likely but unavoidable.

4.27 The diversity and breadth of tourism together with its wide-ranging and fragmented structure makes difficult the effective co-ordination of tourism policy. This problem was recognised by the industry, which in 1971 established the National Tourism Council as the co-ordinating and representative body of the industry. However, it would seem that the Council has not proved effective. Ironically, it foundered on the very issues that gave it purpose in the first place: the conflicts of interest proved too great. This problem was also recognised by Bord Fáilte which set out in its *Tourism Development Plan 1976-1980* the scale and type of activity required from each sector of the industry. The Plan could, however, only indicate what was desirable. It could not command any commitment to the basic strategies it proposed or the resources of other organisations necessary for its implementation—not even those within the public sector. It therefore did not function as a means of co-ordinating tourism development.

4.28 It might be thought that the co-ordination of tourism policy would be a matter over which Bord Fáilte, as the national authority, would have a large measure of control. In practice this is not so, particularly in respect of development policy. The reality is that the great proportion of development work is undertaken by organisations external to the control of Bord Fáilte and consequently, there can be no assurance that what gets done is in sympathy with tourism policy.

It might be felt that the Department of Tourism and Transport would act as the co-ordinating instrument, and to the extent that it has responsibilities towards those agencies within its compass it can act to co-ordinate their development activities. But to expect it to secure the necessary degree of commitment from other Government Departments or to effect control over the private sector is to confer on it a level of influence which it does not have.

4.29 The result is that only by coincidence will all tourism interest be going in the same direction at the same time. Bord Fáilte's Tourism Development Plan and the National Tourism Council are more expressions of a problem than solutions to it. There remains an industry in which the potential areas of conflict are many, yet no satisfactory mechanism for resolving such conflict exists; an industry in which contributions are required from many sources and yet no satisfactory basis for integrating the efforts of the various bodies exist. The problem this poses has been clearly stated by J. Murray when he says "the greatest challenge of all that the future holds may well be that of developing a planning, or guidance, process which ensured that all the disparate and apparently independent groups who constitute the industry can recognise the intimacy of their interdependence and work toward a shared concept of purpose".[5]

[5]John A. Murray, "Perspectives on Irish Tourism", *The Irish Banking Review,* September 1977.

CHAPTER 5

The Product

Introduction

5.1 This chapter reviews the role of the public sector in product development and makes an assessment of the product and its future supply. The problem of seasonality is considered and brief consideration is given to the two central products of tourism, accommodation and access transport.

The Role of the Public Sector in Product Development

5.2 The State is involved in the tourist product in five ways. First, the public sector influences the provision of facilities and amenities by offering incentives to invest in tourism development. The general practice at the moment by which public sector support for tourism projects is obtained is for Bord Fáilte to offer an incentive grant to an agency in return for which certain specified work is carried out. For example, this could be the provision by a Local Authority of an access road to a beach or the renovation of an ancient monument through the Office of Public Works. Similarly, with the private sector, incentive grants are offered in an attempt to stimulate the provision of specific facilities. This assistance has normally taken the form of cash grants towards the capital cost of projects and interest payments on borrowing from banks or other financial institutions. The funds for this work are administered through Bord Fáilte.

5.3 In the late 1950s the Government decided to increase the finances available to develop the tourist industry. Two priority areas, accommodation and resort development, were seen as sufficiently important to warrant special legislative funds. The funds supporting the development of tourism are shown in Table 23 for the years 1956-77.

Table 23

Direct Capital Expenditure by State on Tourism Development 1956-77 £'000

Year (a)	Accommodation	Interest Grants	Major Resorts	General Development (b)	Special Holiday Accommodation	Capital Development Fund
1955		2		65		
1956		3		45		
1957		6		60		
1958	9	5	10	105		
1959	49	18	19	85		
1960	63	22	32	62		
1961	118	67	62	61		
1962	267	129	85	50		
1963	252	182	130	104		
1964	323	238	297	131		
1965	355	321	351	139		
1966	500	421	257	69		
1967	695	491	184	148	23	
1968	788	501	336	284	B3	
1969	1,498	514	405	337	87	
1970	1,500	400	400	522	76	
1971	2,800	1,102	301	439	95	
1972	1,103	1,250	456	230	97	
1973	421	1,200	288	311	89	
1974 (Ap-Dec)	425	648	198	198	45	
1975	552	752	81	312	74	474
1976	900	253		103	99	1,303
1977	861	123		101	98	1,625
TOTAL	13,479	8,648	3,892	3,961	866	3,402

Notes:

(a) For the period to 1973, the data cover financial years, e.g. data for 1973 relate to financial year 1973-74.

(b) This fund includes those expenditures designated Other Resorts, Road Signs, Angling and Shooting in the annual accounts.

Source: Bord Fáilte, *Reports*, Audited Income and Expenditure Account.

5.4 During the period 1956-77 incentive payments of £34 million (approximately £84 million in 1978 prices) were made towards the development of tourism. The payments were made under six fund headings:

(i) Accommodation: Through Bord Fáilte £13.5m has been contributed towards the construction and improvement costs of hotels and guesthouses. From 1958 grants of 20% were provided towards bedroom construction in new hotels. In 1960, improvements to existing hotels were included and in 1963 staff accommodation and guest entertainment facilities qualified for grants of 20% of the cost of structural works. In 1967 it was decided to increase grant levels generally while, at the same time, varying them depending on location. Hotels falling within the Special Development Areas[1] qualified for higher grants; these ranged from 35% of total construction costs for a new hotel in a remote area to 50% of the costs of bedroom construction in areas where there already was accommodation. At the same time, outside the Special Development Areas grants were increased to 25% of total construction costs and 40% of bedroom construction costs. It was recognised in the early 1970s that there was an over-supply of hotel accommodation and no new commitments were entered into. In those cases where Bord Fáilte had already agreed to provide grant-aid to projects, commitments were honoured and thus the supply of accommodation continued to expand as is shown in Table D1 of Appendix D. In 1973 a report[2] on the hotel industry said that:—

"A worrying factor is the reduction in the amount being spent by the industry on repairs and renewals. This amount expressed as a percentage of turnover has tended to fall between 1968 and 1972. As turnover per room has fallen rapidly over the period, this means that the absolute sums spent on repairs and renewals have been reduced

[1]The areas were defined by the Central Development Committee and covered the Western seaboard counties together with West Cork, Roscommon, Cavan, Monaghan and Leitrim.

[2]Stokes Kennedy Crowley, *Study of the Economy of the Hotel Industry*, prepared for Bord Fáilte, 1973.

considerably. Whilst a certain element of repairs and renewals would vary directly with the turnover, there is much which should not. If essential repairs continue to be deferred, the effect on the quality of the accommodation would be substantial."

Arising from this report, Bord Fáilte sought and obtained additional temporary financial assistance to help the hotel sector overcome declining standards. This special provision, which first became available in 1974, was terminated by Bord Fáilte in 1978 when it was realised that the hotel sector was experiencing improved profitability. The excessive over-supply, coupled with a decline in demand which had driven down plant utilisation to a point where profits were insufficient to maintain standards, was being reversed. Hotel demand, as may be seen in Table D1 of Appendix D, improved by 6 per cent between 1973 and 1977, while at the same time bed capacity declined by 15 per cent. The resulting improvement in average bed occupancy was a rise from 36 per cent to 42 per cent, and preliminary indications are that a further increase occurred in 1978.

(ii) Interest Grants: Grants providing relief on the interest burden of developers totalling £8.6 million have been made. Almost all of this has gone towards the hotel sector. Between capital and interest grants the hotel sector has accounted for approximately two-thirds of expenditure on accommodation and interest grants from tourism development funds.

(iii) Major Resorts Fund: The purpose of this programme was to upgrade, in collaboration with Local Authorities, Local Development Companies, Associations and Clubs, resorts and resort areas. Initially, seventeen resort areas were chosen and later two more were added. The Major Resorts Fund had a statutory limit of £4.0 million and was expended between 1958 and 1975. Examples of work accomplished are as follows: Bray: property acquisition and the development of recreation grounds, a pavilion and yacht clubhouse—£108,500; Galway/Salthill: property acquisition, general amenity work, the redevelopment of

Eyre Square and Thoor Ballylee and the provision of a recreation centre—£839,000; Lahinch: property acquisition, the provision of a new golf clubhouse and course extension and the development of a recreation centre—£204,000.

(iv) General Development: This fund, prior to 1965, was principally concerned with signposting and angling development. In 1965 it was extended to encourage investment in ancillary facilities. Grants were made available towards the provision of, amongst others, equestrian, deep sea angling, entertainment and golfing facilities. To date some £4.0 million has been made available.

(v) Special Holiday Accommodation: This relatively small fund is directed towards encouraging Farmhouse and Town and Country Home[3] development in the Special Development Areas.

(vi) Capital Development Fund: *The Tourist Traffic Act 1975* enabled Bord Fáilte to be provided with £4.75 million in aggregate for assisting capital development works other than the provision of accommodation. This fund replaced the Major Resorts Fund and the capital element in the General Development Fund. From it incentives are made available to private enterprise to encourage the provision of tourist facilities. In addition, incentives are provided to organisations within the public sector in an effort to gain their co-operation in projects considered to be of benefit to tourism.

5.5 The availability of this finance for development has enabled the provision of facilities and amenities for visitors and the domestic holiday market to be accelerated. The grant schemes were originally started as a pump-priming exercise and, in that respect, have generally been successful. However, with the passage of time, what was started as a means of stimulating an underdeveloped tourism sector has become accustomed practice and is considered at this stage by many within the industry to be an inviolate part of tourism development policy. It is not the case that incentive grants have been available to all

[3]Town and Country homes are establishments offering a minimum of three guest bedrooms and meeting certain operational and physical standards required for approval by Bord Fáilte.

sectors providing tourism facilities. For example, shopping, car hire and restaurant facilities have not benefited from financial assistance.

5.6 Second, and mainly related to the provision of incentive grants, Bord Fáilte—and to some extent the Regional Tourism Organisations—have provided development advice to organisations and businesses. This has ranged from financial advice for large hotels to design advice for small craft operations. It has been an important constructive and inexpensive way of assisting the industry. Tourism comprises mainly small companies. These companies do not have the resources to employ a range of specialists. It is clear that there is generally no systematic collection and appraisal of data and, in consequence, decision making is more a matter of instinct than judgment based on fact. This is particularly the case in respect of investment appraisal where neither the information nor skills required to undertake evaluative procedures are in evidence.

5.7 Third, the public sector is involved in owning and operating tourism facilities. The historical rationale for State involvement in areas that might more usually be considered the province of the entrepreneur arose out of an inability or unwillingness of the private sector to invest in the scale and quality of facilities seen as necessary to the future of Irish tourism. It was considered that if development was left entirely to the private sector it would either not happen at all or would be largely ad hoc and ineffective.

5.8 In the initial period of State intervention in Irish tourism, direct involvement in operating facilities was considered necessary to stimulate activity. Since then the private sector has responded, and at present the public and private sectors are, in some cases, directly in competition with each other. The most obvious example is in the hotel and coaching sectors where CIE operates a number of hotels and a large fleet of coaches. In addition, CIE has found it necessary to market these facilities abroad and this, in turn, has led to the setting up of a tour operation based mainly in North America. Since this initial period of State involvement the private sector has developed a greater interest in tourism and now provides hotel and coaching facilities of at least the same quality as those of CIE.

5.9 The fourth way in which the public sector plays a role arises because certain bodies provide a tourism service as a primary part of their work. Thus, for example, Aer Lingus, B+I and Irish Continental Line provide access transport, Aer Rianta provides airport facilities and CIE provides internal transport. In general, there is a degree of co-operation between these organisations. However, there is a need for greater co-ordination between the various organisations inasmuch as they affect tourism.

5.10 The fifth and final way in which the public sector is involved in tourism development arises because certain bodies provide facilities and services that enhance the overall tourist product. For example, the Forest and Wildlife Service provides access to forest walks and Local Authorities provide car parking, picnic areas and other amenities. One of the most difficult problems that Bord Fáilte and the Regional Tourism Organisations have to contend with involves securing a commitment from the organisations involved to allocate part of their resources towards the development of specific tourist products. Since these organisations have their own tasks to perform, they naturally do not see tourism as a priority area and will only willingly undertake a tourism project when it coincides with their own priorities. Commitment has generally been secured through identifying areas of common interest and offering to meet, through incentive grants, part of the development costs. For tourism projects where several agencies are involved, the problems associated with achieving development can be enormous. Agreement as to which projects should be undertaken, if it is reached at all, is time consuming and subject to compromise.

5.11 The problem is made worse by the uncertainty that surrounds public sector finance from one year to the next. Most projects are developed in phases over a number of years and yet budgeting is on a year-to-year basis, therefore inhibiting a more long-term approach to product development. This situation is further exacerbated because the amount of finance being made available is frequently not known until the financial year is well advanced. The delay results in a compression of work towards the end of the year with frequently more attention being given to ensuring that all the budget is spent than to the composition of the expenditure.

Public Sector Expenditure

5.12 Visitors represent an annual population increase of some 60,000 people and this gives rise to certain costs. Facilities such as transport, for which there is a market price that recoups at least some of the cost from the user, are required. Also required is a range of other services for which no market price is charged and for which there is no opportunity to recoup costs directly, such as roads, museums, forest parks and lay-byes. The costs of these services which are used by visitors have to be met somewhere. It must also be accepted that the domestic holidaymaker will give rise to some additional costs that must be met from public funds. Although it is difficult, if not impossible, to obtain an accurate picture of costs that include all aspects of public expenditure on tourism, some assessment of the magnitude can be obtained from looking at the costs incurred by those agencies[4] with a clearly identified contribution. These include Aer Lingus, B+I, Bord Fáilte, CERT, CIE, ICL, SFADCO and Aer Rianta.

5.13 It is estimated that between 1960 and 1977 these agencies spent between them on tourism-related activity some £750 million, of which 70% was on current expenditure such as wages and administration, the remaining 30% going towards the cost of capital items such as airplanes, buildings, ships and hotel grants.[5]

5.14 However, much of the costs incurred by these agencies is met through the revenue and internal cash flow of the organisations or, indeed, through borrowing from the normal financial institutions and does not therefore constitute a direct cost to the Exchequer. In 1977 the capital and current expenditure of these agencies on tourism-related activity amounted to some £100 million, about £75 million being met from the resources of the organisations themselves. The remaining £25 million represented a charge on the Exchequer. In addition, payments are made through the Department of Education to the Regional Technical Colleges to meet the cost of providing catering courses; it is estimated that, apart from any capital expenditure

[4]The Ports Authorities should also be included but it has not been possible to make an assessment of their contribution.

[5]Source for these estimates: information from the State-sponsored bodies listed at the end of paragraph 5.12.

involved, there was a current cost in 1977 of approximately £1.5 million.[6]

5.15 Thus, in 1977 a net charge on the Exchequer totalling some £26.5 million can be identified as directly attributable to tourism. It should be remembered, however, that some part of the subvention to CIE, Local Authorities and other bodies providing services from which visitors and holidaymakers benefit, ought to be included if a more complete figure is to be given.

5.16 The scale of public sector expenditure on tourism-related activities is large and thus there is a need for careful identification of priorities between competing projects. At the moment, no systematic procedure for project evaluation is used. In its absence, it is not easy to demonstrate that the existing or past choices have been inefficient because the data do not exist for this purpose. But the very absence of such data also means that, if correct choices were made, they could only have been the result of chance and nobody would, in fact, know that their choices were indeed correct. While the absence of systematic procedures may be tolerable when needs are great and expenditure small (i.e. at a poor or underdeveloped stage), they cannot be tolerated at a more advanced stage.

5.17 A further consideration in respect of public sector expenditure is that where finance is provided it is done so on a year-to-year basis. This practice is not in the best interest of tourism development. It tends to stultify planning by effectively limiting development programmes to one year; it inhibits consideration of larger-scale projects which are frequently undertaken in phases; and it can lead to wasteful expenditure by forcing budgets to be cleared in a relatively short time period.

5.18 An examination of the range, quantity and quality of the major elements of the tourists product was undertaken. The results of this exercise are set out in Appendix D. The more important aspects are summarised within the following section under the headings of Product Type, Quality and Supply.

[6]This assessment of tourism-related activity is based on assumptions and information from the agencies concerned.

Product Type

5.19 All sources of research[7] agree that the fundamental component of Irish tourism is the quality of Irish life. This research shows that the areas in which Irish tourism is particularly strong in appeal, and best equipped to meet the needs and expectations of the visitor, are the following: scenery, tranquility of atmosphere and the friendliness of the people. Thus the expectations and experiences of Ireland are largely concentrated on the rural ambience; in general, the absence of contemporary urban conditions—noise, traffic, crowds, pollution and urban tensions in general. This apparently straightforward motivation is the foundation of Irish tourism and around it a range of products has been developed. These include fishing, golf, river cruising, touring and sailing. These and similar products are a natural extension of the central strength of Irish tourism. They relate well to one another and in combination provide a product with a single identity. This product has proved satisfactory; visitor reaction is highly favourable. In 1977, 94% of overseas visitors indicated[8] that they were completely or very satisfied with their visit to Ireland.

5.20 Supporting these products is a range of facilities. These facilities include access transport, accommodation, car hire and coaches; the basic elements essential to the operation of tourism. In general, as may be seen in Appendix D, both the range and type of facilities are adequate to support the type of tourism that Ireland has developed.

5.21 The State has played a considerable role in determining the type of development that has taken place in the past. At the outset, it was a relatively straightforward task; the lack of basic facilities determined the type of development that was required. The position has now changed and the task of product selection has become more difficult.

[7]Examples may be found in the following:
Survey of Travellers 1977; *Irish Hotel Research*, prepared for Bord Fáilte by Ayer, Barker, Hegman, London 1978; *A Study of the Potential US Travel Market*, prepared for Bord Fáilte and Aer Lingus by the Gene Reilly Group, New York, 1973; *Image of Ireland as Tourism Country*, prepared for Bord Fáilte by IFOP-ETMAR, Paris 1974; *Attitudes of American and English Tourists towards Shopping in Ireland*, Bord Fáilte 1972.

[8]Bord Fáilte, *Survey of Travellers* 1977.

5.22 The type of products and facilities developed can have a very considerable influence within a country on such aspects as the level of income generated and seasonality patterns. For example, self-catering development will not result in the same level of expenditure or employment as will hotel development. Fishing is an example of a specialist product that can attract visitors outside the high season, and conferences, since they generally take place outside the high season months, provide some improvement in the utilisation of plant, particularly hotel accommodation.

5.23 An examination of the type of development being supported by State grants reveals a tendency, in recent years, to select amenity type projects that, for the most part, will not result in any change in either the type or number of people visiting or taking holidays in Ireland. One important reason that has led to this type of development is the local pressure exerted through eight separate Regional Tourism Organisations. Not unnaturally, there is a tendency for Regional Tourism Directors, of whom there are 160, to show concern for their own areas by securing a development grant contribution from the limited fund that is available. The result of this pressure is frequently inappropriate development that does little to advance tourism.

5.24 There has been a reluctance on the part of the public sector to take the initiative in tourism projects where large-scale investment is involved. A conference centre is a case in point. The experience of the Conference Bureau of Ireland in assessing the potential demand for conferences, and the findings of a cost-benefit evaluation,[9] have shown the advantages of a conference complex. However, the cost of the project gave rise to considerable indecision and to date nothing has been done.

Product Quality

5.25 The existing range of tourism products has a high dependence on good environmental quality. Fishing, golf, river cruising, touring, sailing only have a capacity to attract visitors if they are set within a pleasing environment.

[9]B. M. Deane: *"Evaluation of a Conference Complex"*, Bord Fáilte, 1974, Unpublished.

5.26 The quality of the environment, one of the central elements that gives the tourist product its characteristic appeal, is vulnerable and subject to erosion. Data measuring the extent to which a deterioration in the environment is taking place are not readily available. It has been pointed out by O'Connor that: "Because of our low levels of industrialisation and population density, environmental damage is not as severe in Ireland as in many countries. We still have abundant fish in most rivers, fairly free roads and clear air; nevertheless, the danger signals are becoming more frequent".[10] Bord Fáilte state more forcibly in their *Tourism Development Plan 1976-80* that: "The environment now faces severe threats. These include water pollution from agricultural, urban and industrial effluent; the destruction of cities, towns and villages through inappropriate redevelopment, bad civic design, litter, wirescape, ribbon development; the spoilation of the countryside through badly sited development, overhead wires, river drainage, abandoned cars, defaced sign-posting; recreation itself in the form of second home development without the necessary infrastructure, forest fires, soil compaction and erosion from trampling and defacement of ancient monuments".[11] As pressure on available land increases, which appears inevitable with the development of all sectors of the economy, so will the acceleration in the erosion of the tourist product. The result will almost certainly be a reduction in the capacity of Ireland to attract holidaymakers.

5.27 Perceptions of the quality of facilities are relative, among other aspects, to prices and the quality of similar facilities that the tourist uses at home or in alternative tourist destinations. There is no single yardstick or convenient measurement by which visitor reaction to quality can be appraised. However, it is possible to make some assessment by reference to a number of indicators:—

(i) Bord Fáilte seeks through its Survey of Travellers to ascertain the extent to which tourists regard their visit to Ireland as value for money. The 1978 reaction is set out in Table 24.

[10]R. O'Connor, "Economics and the Environment", Discourse to the Royal Irish Academy, 1976.

[11]Bord Fáilte. *Tourism Development Plan 1976-80*, 1976.

TABLE 24

Visitor reactions to value for money. 1978

Reaction	Britain	North America	Continental Europe	Other Areas	Total
Good or Very Good	38	32	61	44	41
Fair	38	39	32	30	37
Poor or Very Poor	23	30	7	27	22

Source: Bord Fáilte. *Survey of Travellers*. 1978.

The table shows that, while 41% of all visitors regarded Ireland as good value for money. as much as 22% regarded Ireland as offering poor or very poor value for money. Comparison of the North American and Continental European reactions suggests that price has an important influence on perceptions of value. Reference to Table 20 shows that for North American visitors Ireland has become relatively more expensive during the period since 1970, while for Continental Europeans there has been some reduction.

(ii) Between 1970 and 1976 tourism activity was depressed and this had an adverse effect on profitability. This resulted in a reduction in the amount of funds that could be made available to maintain plant. The hotel industry allocated £3.4 million to repairs and renewals in 1973 compared with £4.4 million in 1970.

(iii) The proportion of higher quality hotels (A*. A and B*) declined from 50% of the total stock in 1972 to 42% in 1977. indicating a general fall in quality.

(iv) The number of complaints concerning hotels dealt with by Bord Fáilte increased by 54% for A*, A and B* hotels and 31% for the remainder between 1977 and 1978.

(v) The attitudes of tourists to accommodation in Ireland were assessed in a report published by Bord Fáilte.[12] The report concluded that there was a fair degree of satisfaction with hotel accommodation. It went on the say that "Guests interviewed in this survey devoted a lot of time to discussing the service expected and received in Irish hotels. The outcome of these discussions seems to indicate a lack of professionalism in the quality of service". And "there is a lack of attention to detail in Irish hotels, generally through trivial oversights and carelessness".

(vi) Companies offering package tours to Ireland from the main market areas drew attention, during the course of discussions with them, to a weakness in the operation of Irish tourism. This weakness is most clearly seen in the quality of management and is reflected in the character and standard of facilities.

5.28 In as far as it is possible to ascertain the reaction of visitors to the quality of facilities they use while in Ireland, experiences seem to range from very good to very bad; a situation confirmed by the data in Table 24. This suggests that there is a marked unevenness in the standard of facility being offered to tourists. While this unevenness persists it must be concluded that overall quality falls short of satisfactory.

5.29 The importance of securing and maintaining standards has attracted the attention of Bord Fáilte from the start. The Bord influences the quality of the plant through registration, grading and inspection. At the moment, compulsory registration and grading are limited to hotels and guesthouses, while caravan and camping parks cannot advertise or be promoted by Bord Fáilte unless first registered. The inspectoral role covers all registered establishments and, in addition, those elements of the accommodation sector which seek to be approved. The system is sound in concept and coverage but shows signs of only limited impact in that, while it is eliminating the most obvious defects, it is not achieving the standards that are necessary. Prior to 1976, hotel inspections and development advice to hoteliers were carried out by separate sections within Bord Fáilte. In 1976 these

[12]Bord Fáilte: *A Report on the Attitudes of Tourists to Accommodation in Ireland*, 1976.

two activities were combined. Within a number of regions both the inspectorial and advisory roles were made the responsibility of one person. This has led to a diminution of the strong inspectorial role that used to be an important means of obtaining improved standards in the hotel sector. It is not possible for the same person to make an objective assessment of the quality of a hotel and report on it impartially, while at the same time developing the mutual trust which is so important to the success of the advisory role. The effectiveness of inspection was further diminished when it was decided at the same time that hotels should be informed in advance of an inspection being made. It may also be that the prolonged financial problems of the industry inhibited inspectors from pursuing a more rigorous approach than they might otherwise have done. Thus, it seems to be the case that this relevant and important means of controlling the quality of hotels has been significantly weakened.

Product Supply

5.30 In respect of the natural components of Irish tourism, there is at present an abundant supply. In terms of the ability of the natural resources to cater for more users, all elements of the tourist product have potential capacity (Appendix D) and, in this respect, do not represent an obstacle to expansion in the immediate future. However, within particular elements in specific areas, there may be little potential capacity at the peak.

5.31 The type of tourism that has been developed in Ireland depends to a large extent on an attractive environment. To this extent, in the long term, tourism could threaten its own future. For example, Killarney is an area where a saturation point in the number of visitors has probably already been reached. During the peak season the characteristics that make it an attractive place to visit are partly suppressed by the concentration of tourists. Attention has been drawn to this problem by O'Connor who said "the more we use the amenity services of the environment the more likely we are to impair them by building roads, hotels, shops and other facilities for increasing numbers of tourists".[13] However, for the time being this represents more a

[13]R. O'Connor, "Economics and the Environment", Discourse to The Royal Irish Academy, 1976.

problem of controlling the distribution of tourism and should not be considered an absolute constraint to expansion.

5.32 With regard to the supply of tourism facilities, there is a problem in establishing the extent to which a sufficiency exists. For most of the year supply is more than adequate to meet demand. In the short high season, however, when there is a large increase in the volume of demand, most facilities come under pressure. In this period the extent to which the supply of facilities would be considered adequate depends upon the perspective from which the issue is viewed. From the viewpoint of the visitor, who may experience difficulties in obtaining a hotel bedroom, a seat on an airplane or a hire car, there is a shortage. From the viewpoint of the operator, the provision of facilities to meet all high season demand will result in an excess of supply which has to be carried for the major part of the year. This, in turn, leads to poor average plant utilisation and low profitability.

5.33 It is not therefore simply a question of whether there are sufficient facilities. More properly, the question is the extent to which it is feasible to expand supply to meet high season demand. The extent to which it is possible to do so is largely dependent upon the degree of seasonality. This aspect of Irish tourism is now discussed.

Seasonality

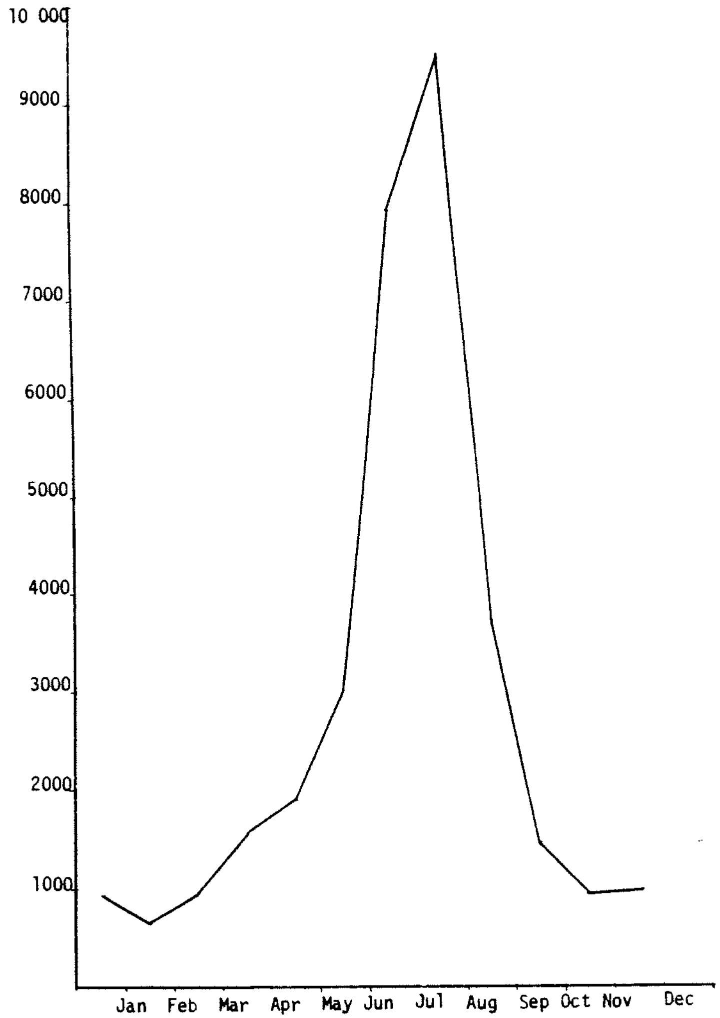
5.34 Seasonality is an issue that gives rise to important consideration in the development of the tourism product. It is probably the single largest operational problem facing the industry. The issue arises because the demand placed on the plant by both the Irish and overseas markets does not fall uniformly throughout the year. Consequently, at some period in the year the plant is highly utilised and at others it is not.

5.35 Owing mainly to the climate, Ireland has a particularly short tourism season which is characterised by a very high demand in July and August and a rapid reduction in demand during the remainder of the year. The extent of this peaking is shown in Chart I. This chart has been prepared from an analysis of the pattern of arrivals from the main source markets. Within each market the main visitor segments have

CHART I

MONTHLY PATTERN OF DEMAND: OUT OF STATE VISITORS AND DOMESTIC HOLIDAYMAKERS, 19

(NUMBER OF DAYS '000's)



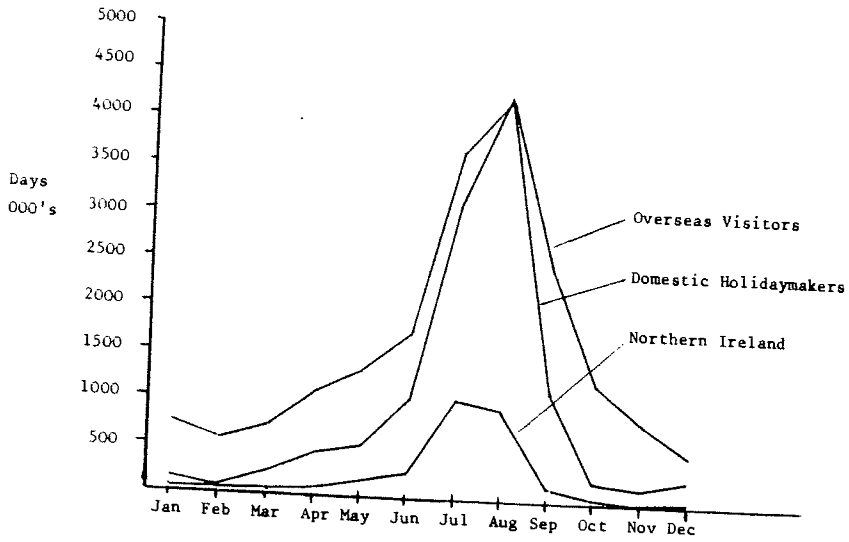
Sources: Bord Fáilte, *Survey of Travellers*, 1977.
Bord Fáilte, *Northern Ireland Holiday Market*, 1977.
Bord Fáilte, *Holiday Taking by Residents of the Republic of Ireland*, 1977.

been separately identified together with the average length of stay and months of arrival appropriate to each segment. From these data it has been possible to ascertain an estimate of the number of tourist days spent in Ireland for each month of the year. The results almost certainly understate the actual position since there is some evidence to suggest that length of stay increases during the summer period. However, even without taking account of this aspect, the peaking is clear.

5.36 The data provided in Chart I are further analysed to show, in Chart II, the differences in pattern of demand, between the overseas, domestic and Northern Ireland markets. It may be seen that the demand by overseas visitors, although highly peaked, is less so than

CHART II

MONTHLY PATTERN OF DEMAND: OVERSEAS VISITORS AND DOMESTIC AND NORTHERN IRELAND HOLIDAYMAKERS, 1977



Sources: As for Chart I

demand in the domestic and Northern Ireland markets. In 1977, 41% of overseas tourist days occurred in the months of July and August; for home holidaymakers the proportion was 64%; while for Northern Ireland it was 73%.

5.37 A comparison of seasonality in Ireland with that of other destinations indicates that Ireland is relatively highly peaked. The comparison in Table 25 relates to tourist arrivals at frontiers, for which only the countries in the table provided directly comparable data.

TABLE 25

Seasonality: % of Arrivals at Frontiers by Month, Ireland and certain other Countries, 1976

Country	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Ireland	4	3	4	5	6	9	21	23	12	6	3	4
Denmark	5	5	5	7	7	12	19	13	8	7	6	6
Greece	2	2	4	8	10	11	19	18	11	8	4	3
Israel	4	5	9	12	8	8	12	10	8	9	7	8
Portugal	4	4	5	7	7	19	17	17	10	8	6	6
UK[14]		15			24			39			22	
US	6	5	7	8	8	8	14	15	9	8	6	6

Source:
World Tourism Organisation, *World Travel Statistics, Madrid,* 1977.

The comparative significance of these data is highlighted when the information is cumulated. Table 26 shows the percentage of arrivals in the busiest month to which it adds the second busiest and so on. In this way the relative differences between the various countries become clear. The table shows that Ireland has a higher proportion of tourism taking place in the peak months of demand.

[14]Data for UK are available on a quarterly basis only.

TABLE 26

Cumulated Percentage Arrivals at Frontiers by Month, in Ireland and certain other Countries, 1976

Country	Busiest Month	Second Busiest Month	Third Busiest Month	Fourth Busiest Month
	%	%	%	%
Ireland	23	44	56	65
Denmark	19	32	44	52
Greece	19	37	48	59
Israel	12	24	34	43
Portugal	19	36	53	63
UK	—	—	39	—
US	15	29	38	46

Source:
Table 25.

It is evident that Ireland, although having a more pronounced seasonal pattern than the other countries, is not alone in facing this problem.

5.38 The most important underlying cause of seasonality is climate. Climate within the main source markets for international tourism, Europe and North America, have meant that traditionally holidays have been taken during the summer months. School and other educational establishments have tended to take their long break during the summer, and many industries find it convenient to close down completely at this time. Climate within the recipient countries is also, of course, an important factor in influencing the seasonal pattern of demand, as may be seen from Mediterranean tourism which is based almost entirely on sunshine. However, important as climate is, it does not explain differences in seasonal patterns that occur between recipient countries with broadly similar weather conditions as, for example, Ireland, Britain and Denmark. The pattern of demand would also seem to be influenced by the availability of such facilities as shopping and entertainment or the existence of historical and cultural attractions. The greater degree of peaking in the domestic market is

most likely a result of the tendency for families with children to holiday at home. In 1977, the proportion of Irish residents, taking a holiday in Ireland, who brought their children with them, was 41%. By contrast, 21% of Irish residents visiting Britain brought their children with them; the comparable proportion for Irish residents visiting Continental Europe was 11%.[15] Of the overseas visitors to Ireland in the same year, 14% brought their children.[16] As might be expected these data show that Irish families with children are circumscribed, both in their timing of holiday and in their choice of holiday destination.

5.39 It seems probable that trends towards longer and more frequent holidays, earlier retirement and the advantages that can be gained from travelling outside the busiest periods of the year will, in time, result in improvements in the seasonal pattern of demand. While changes in the patterns of holiday-taking in industry in other countries would have some effect on seasonality in Ireland, these changes are outside the influence of Irish policy-making. In respect of domestic tourism, the timing of school and of industrial holidays has an important influence on the peak. It would be advantageous from the tourism point of view if the timing of these holidays were staggered. But there are factors which would make it difficult to achieve any notable changes in timing. Teachers, for example, have not indicated any willingness to see a change in current school holiday arrangements. In the case of industrial holidays, there are certain advantages to firms which derive from a simultaneous shut-down.

5.40 Attempts to reduce the level of peaking are mainly concentrated on seasonal promotions, offering differentiated prices between one time period and the next and staggered holidays. Examples of how countries are responding to the problem include Canada where promotional emphasis has been switched away from the high season and towards other periods of the year; Sweden where the domestic airline employs a differentiated fare system offering substantial price reductions outside the high season; Germany where holidays have been staggered through the introduction of an additional school holiday period of three weeks in the spring and a commensurate

[15] Holiday Taking. By Residents of the Republic of Ireland 1977.
[16] Bord Fáilte, *Survey of Travellers*, 1977.

reduction of the summer holiday. New Zealand has gone further and introduced a system whereby the public sector subsidises domestic holidaytaking in off-peak periods. In this approach the State pays the difference between a discounted rate and the rate that would apply ordinarily. It is operated through "discount passports" distributed through travel agents.

5.41 In Ireland, the shortness of the season has been recognised by the tourism industry for many years. The most important attempt to overcome the problem and induce more tourists—both out of State and domestic—to take holidays in Ireland outside of the high season commenced in 1962, when a June Holiday Plan was launched. This Plan provided for discounts in travel and accommodation, effectively a price reduction of a seventh (one "free day" in seven) to the visitor. The Plan was widely publicised and it is estimated that in its first year it resulted in a 30% increase in business in this period.[17] Indeed it appears that the programme was so successful that after three years it was considered no longer necessary to continue it. In addition to the June Holiday Plan, there have been a number of other promotions, mainly concentrating on developing a demand for non-seasonal activities such as fishing and festivals. The development of St. Patrick's week provides a good example of a successful off-season tourist promotion. Overall, however, there has been no major and sustained commitment of marketing resources aimed at improving the seasonal pattern of demand.

5.42 The acute peaking of demand experienced by Ireland has a marked influence on profitability. Relatively small changes in the seasonal pattern give rise to significant changes in the level of profits. For those activities with high fixed capital costs the influence can be dramatic.

5.43 The effects on profitability can be demonstrated by showing the influence of seasonality on a cruiser operation. The example in Table 27 relates to a hire fleet of 20 boats operating at three seasonal levels—18, 20 and 22 weeks. The hire charges and cost structures relate to 1978 and are taken from the average figures of a group of

[17]Bord Fáilte. *Annual Report*. 1962/1963.

operators. The figures in Table 27 demonstrate clearly how a relatively small change in seasonal utilisation can significantly affect profitability.

TABLE 27

Example: influence of seasonality on profitability

No. of Weeks Fleet Used	18	20	22
	£	£	£
Turnover (000s) (a)	830	926	1,028
Variable costs	50	56	63
	780	870	965
Fixed costs	380	380	380
Profit before Interest & Depreciation	400	490	585
Depreciation	205	205	205
Profit after Depreciation	195	285	380
Interest	270	270	270
Profit	(-75)	15	110

Note (a): A small increase in average turnover per week arises because it is assumed by operators that, as the season is extended, weekly utilisation improves. Thus a boat might operate at 90% utilisation during the peak of an 18-week season but this improves to say 95% in a 22-week season.

Sources: Provided by operators within the industry.

5.44 Profitability therefore is vulnerable to changes in the degree of seasonality and this affects the level of risk attached to investment. Investment must be recouped during a restricted period within the year. The more peaked the seasonality, the shorter the period in which to recoup investment. For tourism development with relatively high capital cost it is difficult to obtain an adequate return on investment owing to the low average capacity utilisation. Not surprisingly, investors are extremely cautious in such circumstances.

5.45 The low average capacity utilisation that results from seasonality gives rise to a further problem—that of ascertaining how much investment should be made in additions to capacity. Should investment enable capacity to meet the level of high-season demand or ensure that the plant is always highly utilised (i.e., meets only a level of demand not much higher than that in the off-season), or be at some intermediate point? The bigger the difference between peak and trough, the more difficult this problem.

5.46 The level of capacity in relation to demand is central to the viable operation of tourism. It is essential that the proper balance is struck between the supply of facilities and the demand for them. The influence of capacity on tourism can be seen by examining the experience of the hotel sector.

5.47 Capacity in relation to demand, and the resulting utilisation, are set out for the period 1967-78 in Table 28. Return on investment is shown for the years 1972-78; no data are available prior to 1972. From the table it may be seen that between 1968 and 1973 capacity was continually expanded, rising from 10.4 million bednights to 15.0 million, or by 44%. During this same period demand, with the exception of 1972, remained fairly constant. The result was a decline in average utilisation. In 1968 and in 1973 demand was at almost the same level and yet utilisation declined from 49% to 34%. Following 1973 capacity began to fall, demand again remained relatively constant and utilisation improved substantially, rising from 34% in 1973 to 44% in 1978 Regrettably, data relating to return on investment are not available prior to 1972. However, it is evident that from 1972 onwards the rate of return on hotel investment moved in sympathy with the level of utilisation.

5.48 Given that the level of capacity has an important influence on the viability of the industry, the question arises as to why capacity was expanded by as much as 44% between 1968 and 1973 when demand remained constant. The principal reason was that the hotel development programme was geared towards satisfying projections of tourist demand and these were not realised, mainly as a result of the Northern Ireland situation. However, even when it was clear that the

TABLE 28

Capacity, demand, utilisation and returns on investment in hotels, 1967-78

Year	(1) Capacity: Millions of Bednights	(2) Bednights Sold (millions)	(3) Capacity Utilisation: (2)/(1) as %	(4) Return on Investment
				%
1967	10.8	5.18	48	
1968	10.4	5.09	49	n.a.
1969	10.9	4.97	44	n.a.
1970	11.7	5.03	43	n.a.
1971	12.7	5.08	40	n.a.
1972	14.9	4.31	29	3.9
1973	15.0	5.08	34	6.8
1974	14.1	5.05	36	7.1
1975	13.5	5.02	37	7.1
1976	12.9	4.91(a)	38	9.6
1977	12.7	5.37	42	13.9
1978	12.7	5.65	44	16.4

Notes (a): Estimate.
Data for 1976 and 1977 for col. (2) differ slightly from those in the *Hotel Survey* 1977 since they are taken directly from survey material.
n.a. not available.

Sources: Bord Fáilte, *Hotel Surveys*, 1977, 1978; Stokes, Kennedy, Crowley, *Manual for Inter Hotel Comparison,* Bord Fáilte, 1977.

demand projections would not be fulfilled, capacity still continued to expand. Partly, this was due to the time lag between planning and commissioning a hotel. But it was also the result of operators insisting on taking up grant options despite Bord Fáilte's advice that to do so was not in the best interests of the industry. The inability of Bord Fáilte to withdraw from the grant commitments it had given exacerbated what was already a deteriorating situation.

5.49 The relevance of securing the appropriate level of capacity can be seen from the example in Table 29. The example covers all hotels in the Dublin area and starts by setting out the actual results achieved in 1977. It then postulates:

(i) a 10% increase in capacity and a 10% increase in bednights sold;

(ii) a 10% increase in capacity and no increase in bednights sold.

TABLE 29
Example: influence of capacity on profitability, 1977(a)

	Actual Results Dublin Hotels 1977	10% increase[18] in Capacity 10% increase in Bednights	10% increase in Capacity. No increase in Bednights
	£000s	£000s	£000s
Turnover			
Apartments	8,724	9,599	8,724
Food	12,036	12,619	12,036
Drink	6,657	6,832	6,657
Other	1,636	1,636	1,636
Total	29,053	30,686	29,053
Gross Profits			
Apartments	8,724	9,599	8,724
Food	7,380	7,735	7,380
Drink	3,349	3,436	3,349
Other	993	993	993
Total	20,446	21,763	20,446
Overheads	16,190	16,600	16,600
Profit before Interest and Depreciation	4,256	5,163	3,846
Less net Interest (existing)	489	489	489
New Interest (annual average)[19]	—	204	204
Total Interest	489	693	693
Cash Operating Profit	3,767	4,470	3,153
Annual Capital Repayment	—	215	215
Cash Flow	3,767	4,255	2,938

Note (a): It has been assumed, on the basis of separate data, that Dublin hotels were operating to maximum capacity (80% room occupancy) during the months of July and August.

Source: Bord Fáilte, *Manual for Inter Hotel Comparison,* 1977, prepared by Stokes, Kennedy, Crowley.

[18]Assumes a distribution in July/August of 37%, May/June/Sept./Oct. of 63%.

[19]Assumes borrowing of £419,000 over 10 years at 14.5% interest.

The table shows that Dublin hotels had a cash flow in 1977 of £3.767m. In the situation where capacity is expanded by 10% and a 10% increase in bednights follows, cash flow increased to £4.255m or by 13%. In the alternative situation where capacity is increased by 10% and no increase in bednights follows, then cash flow falls to £2.938m, representing a decline of 22%.

5.50 It has been argued that the level of capacity has a marked influence within the industry on profitability. This being so, the means by which capacity is determined becomes important. For some facilities market forces alone determine supply, while for others the State plays a role and therefore consciously influences the level of supply. The extent to which one method is superior or preferable to another depends largely on the ability or willingness of the private sector to meet the tourism objectives of the Government. It is clear that there is need for guidelines to be established that will provide direction on the extent to which public sector involvement in tourism is desirable.

Traditional Resorts

5.51 At one time the traditional resorts such as Bray and Kilkee provided the main concentration of holiday facilities and represented the most important centres for tourist activity. There has been a fall in both the quantity and quality of hotels and guesthouses in the traditional resorts during the past decade and this has led to suggestions that the resort areas are in decline.

5.52 The traditional resorts have benefited over the years from the Major Resort Fund; a specific fund that was set up with the purpose of helping resort areas to develop their tourism potential. The fund, which excluded accommodation, ensured that the areas covered secured a higher level of investment in tourism facilities and infrastructure than did other areas. It is estimated that some £10m (current prices) was invested from public funds in these resorts between 1958 and 1975 when the resorts programme was terminated.

5.53 It seems likely that during the period of recent decline in Irish tourism traditional resorts suffered more than other centres because:

(i) they catered for one type of business only (the holiday market) and could not benefit from the compensation of increasing commercial traffic;

(ii) there was a significant dependence on the British and Northern Ireland markets which were the markets that experienced the greatest decline;

(iii) the accommodation mix was biased towards traditional forms (hotels and guesthouses) which were becoming less popular in the Irish markets.

5.54 These circumstances, however, only intensified a trend that was already apparent. Other factors were already beginning to influence the popularity of the traditional resorts. It was evident that holiday preferences, in terms of location and type of accommodation, were changing. Wider car ownership and the advent of car ferries were resulting in a greater dispersal of tourism and with it new and competing centres.

Key Products

5.55 This report is primarily concerned with strategic policy issues and their effects on the future potential of Irish tourism. Two key product elements of tourism, accommodation and access transport, should be identified separately. They are examined in the following paragraphs.

Accomodation in General

5.56 In 1977 there were some 33m bednights spent by visitors and home holidaymakers in Ireland. The type of accommodation used is shown in Table 30. The most significant point is the very high proportion of people who stay with either friends or relatives. This category accounted for 43% of total bednights, 58% of overseas bednights and 72% of bednights by visitors from Britain.[20] The extremely high proportion of visitors who stay with friends and relatives reflects one important characteristic of the predisposed segment of the visitor population.

[20]Source: Bord Fáilte, *Survey of Travellers*, 1977.

TABLE 30

Bednights by Out-of-State Visitors and by Domestic Holidaymakers, by Type of Accommodation, 1977 Estimates (a)

(000s)

Accommodation Type	Britain	North America	Cont. Europe	Other Areas	NI	Domestic	Total	% of Total
Friends & Relatives	7,627	1,797	800	306	359	3,186	14,075	42.6
Hotels	702	1,037	542	151	381	1,493	4,306	13.0
Rented	329	68	167	10	251	797	1,623	4.9
Camping	219	10	333	13	218	904	1,697	5.1
Caravanning	219	—	67	20	436	2,000	2,742	8.3
Farmhouses	30	20	50	17	40	200	357	1.1
Youth Hostels	29	32	64	15	—	115	255	0.8
Horse-drawn Caravans	10	—	72	2	1	5	90	0.3
Cabin Cruising	20	—	170	5	3	25	223	0.7
Other Guest-houses, Town & Country Homes, B&B, etc.	1,407	864	1,210	420	1,022	2,760	7,682	23.2
Total	10,592	3,828	3,475	959	2,711	11,485	33,050	100.0
% of Total	32.0	11.6	10.5	2.9	8.2	34.8	100.0	

Note (a): Data for hotels exclude business use by Irish people.

Sources: Bord Failte, *Survey of Travellers*, 1977;
Bord Failte, *Northern Ireland Holiday Market*, 1977;
Bord Failte, *Holidaytaking by Residents of the Republic of Ireland*, 1977;
Bord Failte, *Hotel Survey*, 1977;
Bord Failte, *A Survey on Horse-Drawn Caravans in Ireland*, 1975;
Bord Failte, *A Survey on Cabin Cruising Holiday on the Shannon*, 1975;

5.57 The table also shows that, of the 33 million bednights, some 12.4 million were in serviced accommodation and 6.3 million in unserviced accommodation. The large number of bednights in the designated category 'Other' represents serviced accommodation in Guesthouses, Town and Country Homes and Bed and Breakfast establishments.

5.58 *Hotels:* This sector of accommodation experienced serious over-supply in the mid 1970s. As a consequence, average utilisation was low and profitability extremely poor. In many cases hotels were unable to maintain a reasonable level of expenditure on repairs and renewals and this resulted in a deterioration in the physical standard of the plant. Since 1973 there has been a 15% reduction in capacity as a number of hotels were unable to continue trading. The result has been a significant improvement in utilisation among remaining hotels and a general return to profitability.

5.59 It is projected in Appendix D that hotel bednight demand will increase from 5.88 million bednights in 1979 to 7,32 million in 1984. If all 7.32 million bednights were to be accommodated, in existing capacity, it would result in average utilisation increasing from the 1977 level of 42% to 57% in 1984; an average rate of utilisation that would be difficult to achieve. The experience of 1978 indicated that demand on existing hotel accommodation is greatest in urban areas, particularly Dublin and Cork, and among the higher grades of hotel. It seems certain that the 300,000 additional bednights that will be demanded annually to 1984 will bring about a requirement for more urban based higher quality hotel capacity.

5.60 A particular problem within this sector is the administration of hotel liquor licences. At the moment, any premises with ten bedrooms (20 in an urban area) may seek registration as an hotel; when this is obtained, the premises automatically qualifies for a liquor licence. Retention of the licence is dependent upon annual registration as a hotel. If Bord Fáilte, as the responsible authority, refuses to register a premises then the licence lapses. However, it would appear that, for some, the operation of a ten bedroom hotel is a reasonable price for a liquor licence. In these cases hotel operation is secondary and frequently

results in poor standards. Bord Fáilte is in a difficult position; by doing nothing it is seen to condone poor standards; by taking action it is subject to criticism for taking away a means of livelihood.

5.61 There does not appear to be a shortage of *guesthouses.* The physical and operational standards of this section are generally adequate. The term 'guesthouse' is confusing and many customers do not see or understand a distinction between guesthouses and other types of serviced accommodation.

5.62 *Farmhouses* present a clearly identifiable product that is easily recognised (and recalled) by the visitor. There is a strong demand for this product in the high season and supply is inadequate. Bord Fáilte has sought to expand the stock of this attractive form of accommodation, but it has proved extremely difficult to do so, as Table D6 of Appendix D indicates. It would seem that one important reason why it is difficult to achieve increases in the stock of this accommodation is that recent increases in farm incomes have made it less necessary for farm households to seek alternative means of supplementing earnings.

5.63 *Town and Country Homes* are typically small, family-run establishments offering an attractive form of accommodation. There are approximately 1,200 premises which could be expanded, if necessary. Demand is highly peaked.

5.64 It is estimated that *bed and breakfast establishments* accounted for approximately 7 million bednights in 1977. From the supply point of view, these establishments perform a very valuable function. They have a flexibility which permits them to expand and contract with the level of demand. Consequently, they are well suited to providing a substantial part of the capacity required to meet the highly peaked nature of tourism demand in Ireland. Because most of the demand falls in a relatively short time period, more formal types of serviced accommodation with higher overheads would not be able to cater for the needs of this sector and remain viable. Bed and breakfast establishments should be regarded as making a contribution to resolving the problems of seasonality. More of these premises should be encouraged to seek Bord Fáilte approval.

5.65 It is estimated that there were 1.62 million *self-catering* bed-nights in Ireland during 1977, representing 5% of the total. In Ireland this type of accommodation consists of houses, cottages, chalets, flats and apartments, and is mainly based on single units owned by individuals. It is estimated that there are 15,000 beds available.

5.66 The demand for self-catering holidays has grown. As a holiday form it is less expensive than most and, as such, has offered a ready substitute for serviced accommodation. No doubt, if additional suitable self-catering units were available during the high season, they would find a market. There are a number of reasons that reduce the likelihood of any wide-scale development of self-catering. The weather in Ireland does not support a long season for this form of holiday. The relatively high fixed capital cost has to be recouped in a short period. Any attempt to set the price at a level sufficient to make a realistic return on investment would involve setting a price that the market would not generally bear. In consequence, it is difficult to attain viable operation. In addition, self-catering holidaymakers are more likely to be family groups. This compounds the short season problem, since most families are forced to take their holidays to coincide with school holidays.

5.67 *Camping and caravanning* as a form of holiday has been growing rapidly in recent years. In Ireland the demand for pitches in the months of July and August far outstrips the supply. The operation is characterised by a high degree of seasonality and small scale of operation. This form of accommodation is giving rise to serious problems due almost entirely to a lack of implementation of controls over the use and location of camping and caravanning parks. Bord Fáilte, who have been active in attempting to improve the standards within this sector, consider that Local Authorities, who are the bodies responsible for controlling the location and standards of the sector, are in some cases failing to exercise their statutory functions. Badly sited caravan parks are a major source of environmental degradation. In addition, inadequate control over park operation results in exceptionally poor product standards.

5.68 The Rent-an-Irish-Cottage scheme, which started in 1968, consists of groups of 6-12 cottages in fourteen separate village locations in the West of Ireland. The cottages were financed jointly from public ex-

penditure and local subscriptions. These cottages have had two important influences. First, their promotion in the overseas markets has been seen as attractive and distinctive and has been successful in creating an interest in Ireland. Second, they have had the important social effect of stimulating an interest in development in low income areas. Their development has resulted in an increased level of visitor expenditure in the areas in which they have been located, with the indirect benefits which this brings.

Access Transport

5.69 Accessibility to an area is a major determinant of its potentiality as a tourism destination. For an island, the existence of well organised access transport is a precondition of tourism.

5.70 In 1977, 47% of the 1.468 million visitors from overseas arrived by sea. The development of car ferries has had an important influence on Irish tourism, making it more mobile and thus opening up new areas, while at the same time contributing to the decline of the traditional resorts. The importance of this development can be seen from the proportion of visitors who now bring their own cars; 36% from Britain and 15% from Europe.[21] In the foreseeable future it is not envisaged that access by sea will represent any constraint on the development of tourism.

5.71 Fifty-three per cent of overseas visitors arrive by air. While the availability of air transport should not constitute a problem, the price of air transport is a possible deterrent to travel. Consideration of price is related to existing regulatory controls.

5.72 The arguments for maintaining existing controls, which include regulating the number of operators, centre on the belief that too much competition will lead to services declining or even disappearing due to excessive reductions in price. Aer Lingus need to generate a level of profit that will provide for investment in the next generation of equipment, out of their own resources rather than with the help of State aid. On the basis of recent trading results, Aer Lingus have not been able to make the necessary returns and it is argued that lower fares will only

[21]Bord Fáilte, *Survey of Travellers*, 1977.

exacerbate the problem. This situation is not unique to Aer Lingus; the EIU in a recent report[22] commented "low fares are attractive but they can be dangerous too, and the present trend shows an inclination towards disaster". The report goes on to point out that the members of IATA (The International Air Transport Association) estimate that £70bn is needed to re-equip over the next ten years while aggregate profits of members in 1976, which was the best year since 1969, amounted to only £0.4 million.

5.73 By contrast, the arguments for de-control are based on the belief that the price elasticity of demand for air travel is significantly greater than unity and that any decline in revenue arising from price reductions will be made up by increased revenue due to higher load factors. It is also argued that additional visitors, who come as a result of the lower fares, will bring spin-off benefits to the community as a whole through their expenditure. Those taking this view generally hold that lower prices can be most expeditiously brought about by easing the restrictions on new entrants coming into the market. It is also argued that these new entrants would have lower unit operating costs than the existing carriers.[23] This would require a change in existing attitudes relating to the issue of licences.

5.74 In summary, an easing of restrictions in respect of licences could result in lower air fares. This, in turn, could lead either to greater operational efficiency on the part of Aer Lingus and an expansion of tourism revenue, or to a contraction of Aer Lingus activity with the concomitant effects on the profitability of the airline and the jobs it can provide. Data are not readily available that would lead to a conclusion on the desirability of de-control.

[22]Trends in Air Transport and their Impact on Tourism, EIU *International Tourism Quarterly* No. 2, 1978.

[23]For arguments that European air fares would be significantly lower under a less restrictive licensing policy, see: Sean D. Barrett, 'The Price of Air Travel,' Paper to The Economic and Social Research Institute Seminar, Dublin, February 8, 1979.

CHAPTER 6

MANPOWER

6.1 This chapter examines the level of direct employment in tourism and some of the main characteristics pertaining to that employment. It goes on to assess the existing and future manpower position.

Direct Employment

6.2 Attempts to establish direct employment in tourism suffer from the need to estimate for some sectors the proportion of employment that is attributable to tourism activity. For example, not all the people working for the national airline are employed as a result of export tourism. Many of the people are involved with ancillary activities or servicing import tourism. Similarly, in the hotel sector, some of the business and therefore employment, arises from non-tourism sources.

6.3 Table 31 provides an estimate of direct tourism employment in each of the main sectors of the industry arising from both out-of-State visitors and home holidaymakers. The table is primarily based on data collected by the Council for Education, Recruitment and Training (CERT) in the various surveys it has undertaken. Where necessary, these data have been modified in order that only that proportion of employment attributable to tourism is taken into account.[1]

[1]For example, the number of tourist-related employees in the hotel sector is estimated by first calculating the proportion of hotel turnovers that is attributable to tourists. This calculation is done separately for the four main sectors of the industry: accommodation, food, drink and other activities. Next, firm data on the total number of employees within each of the four sectors are ascertained. Finally, the proportion of turnover which is attributable to tourists, is applied to the total number of employees in each sector.

TABLE 31

Estimates of Tourism Employment by Sector, 1977

Sector	Year Round	Seasonal
Accommodation:		
—Hotels	14,200	3,300
—Serviced (other than hotels)	1,400	6,000
—Unserviced	260	520
Transport Services	2,600	720
Travel & Information Services	230	600
Tourist Attractions & Activities	950	3,150
National, Regional & Local Organisations	550	180
Restaurants & Cafes	2,600	3,900
Retail Outlets	2,000	1,200
Other	1,000	500
Total	25,790	20,070

Sources: CERT, *Hotel Manpower Survey 1978-82*, 1978;
CERT, *Manpower and Training Needs Survey in the Restaurant and Cafe Sector of the Catering Industry*, 1975;
CERT, Data provided from internal sources. *Census of Distribution*, 1971;
Bord Fáilte, *Visitor Purchases Survey*, 1971.

Table 31 shows that in 1977 approximately 26,000 people were employed full time in the tourism industry and a further 20,000 on a seasonal basis. The high proportion of people who are involved on a seasonal basis is one of the more important characteristics. It might be felt that seasonal jobs are not ideal in that they do not provide constant employment throughout the year. While this may be so it does, however, for many represent a satisfactory position in that they would be unable to work at other times of the year. For example, the 6,000 people employed seasonally in the non-hotel serviced accommodation sector are largely represented by small establishments operated on a mother and daughter basis. It would be either inconvenient or impossible for them to provide a service for more than three or four months of the year.

6.4 Direct public sector employment in tourism, by comparison with the private sector, is relatively low. It is estimated that 17% of full-time employment and 10% of seasonal employment in tourism falls within the public sector.

6.5 One of the more important aspects that may be seen in Table 31 is the high proportion of employment generated within the hotel sector. Given that the primary economic objective of Government policy is directed towards job creation, it would seem desirable to promote a tourism that attracted the type of visitor who was willing and able to use hotel accommodation. The contribution from different types of tourist will be pursued in the next chapter.

6.6 Transport, catering and other elements of the industry all depend upon the services of a skilled labour force. Following discussions within the industry, it is possible to make a broad assessment of the existing and future manpower position. The most important conclusions arising from this assessment are the following:

6.7 First, in general, no major constraints exists as to the long-term availability of suitable manpower. In the short term, there are some problems, the most important of which is a shortage of trained kitchen and dining room personnel. A survey undertaken in 1978 concludes that "to satisfy existing staff requirements, not including any provision for wastage, an extra 1,327 staff need to be recruited now.[2]" CERT has reacted to this shortage by initiating a Crash Training Programme and by providing extra places in formal hotel training centres, from 1979.

6.8 Second, there are shortcomings in the quality of the manpower. This is particularly the case at management level. As a problem, it has not been taken seriously by many within the industry. This indicates that there will be problems in attempting to overcome the shortcomings. CERT considers that there is a clear need for improved supervision within the industry; it sees the commitment of management to, and their active involvement in, systematic training as a priority need.

[2]CERT, *Hotel Manpower Survey 1978-82*, 1978.

6.9 Third, the hotel sector is not generally perceived as offering attractive employment opportunities. Unsocial working hours compare badly with alternative occupations. This sector appears to have a problem of projecting itself to young people as being able to offer satisfactory jobs and working conditions. Part of the reason for this is likely to be in complex sociological factors, to do with Irish attitudes towards this particular form of service.

6.10 Fourth, the general quality of pre-entry training provided by the Hotel Management Schools and Catering Colleges[3] is adequate to the needs of the industry.

6.11 The short-term shortage of skilled staff in the hotel sector is a problem that may be exacerbated in the future if the demand projections set out in Appendix A are realised, since a greater usage of commercial accommodation is anticipated. At first sight the problems would seem to be one of recruitment and in some measures this is so. CERT, who undertake the recruitment of school leavers for craft courses, have shown[4] that there is a high rate of rejection of the hotel industry as a career. Over 50% of those who turned down training places did so in order to seek what they considered to be better and more socially desirable positions elsewhere. Despite this negative attitude towards the hotel sector CERT has been able to continually provide it with well-trained manpower. Thus although recruitment is not necessarily easy it is not the reason for the shortfall in manpower. The reason for this lies in the failure of the industry to keep the staff it has recruited. Generally, poor working conditions, inadequate post qualification training, unclear career prospects and a system of shift working that disrupts family life and inhibits social contact have combined to give the sector a poor image. The root cause of the manpower shortage is not so much the problem of recruitment but

[3]Full-time management Supervisory Courses are centred in Dublin College of Catering, Killybegs Hotel School, Regional Technical College, Galway; Shannon College of Hotel Management, Craft Courses are centred in Dublin College of Catering; Killybegs Hotel School; Rockwell Hotel School; Regional Technical Colleges in Cork, Galway and Waterford.

[4]CERT, *Survey of Non Acceptances*, 1977.

retention. The hotel sector will have to improve its image. Until it is perceived as being a more desirable industry in which to work shortages of manpower are almost certain to persist.

6.12 A further, and perhaps more intractable, problem facing tourism is the attitude of many working within the industry. Tourism by its nature is an activity with a high degree of contact taking place between the customer and those who provide the service. This has particular significance in the context of Irish tourism since it is the people and their friendliness that has been identified by visitors as one of its most attractive characteristics. It is regrettable that the overt friendliness is less in evidence today than it was in the past. This decline should be a matter of concern within the industry.

6.13 It is perhaps an inevitable by-product of progress that there is an accompanying decline in the level of courtesy extended to visitors. If this is so the very least that might be expected is some compensating improvement in the level of professionalism by those providing the service.

CHAPTER 7

PROMOTION

Introduction

7.1 This chapter considers the three main groups of visitor to Ireland. It reviews the cost of promotion and the return that results from that promotion. It concludes with an examination of tourism revenue.

The Markets Compared

7.2 For those organisations involved in the promotion of tourism the largest part of promotional activity at present is aimed at bringing visitors from Britain, North America, Continental Europe and a group of countries generally referred to as Other Areas. The remaining promotional activity is directed towards Northern Ireland and the home market. The basic data relating to the source of business, the income generated and the time spent in Ireland are set out in Table 32.

7.3 The North American, British and home holiday markets each accounted for approximately one-quarter of total expenditure. The proportion of tourists from these three markets was, however, very different, with some 50% being home holidaymakers, 22% from Britain and 8% from North America. The home holiday and British markets each accounted for approximately one-third of the number of tourist days spent in Ireland compared with only 12% by North America. A comparison of expenditure in relation to time shows that visitors from North America stayed approximately one-third the time of British visitors but accounted for the same level of revenue. Expenditure by Continental Europeans represented 15% of the total, Northern Ireland visitors 9% and the remaining 3% was by visitors from Other Areas. Continental European expenditure is high in relation to both the number of tourists and the time spent in Ireland.

TABLE 32

Number of Visits or Holidays, Expenditure, and number of days spent by Visitors and Domestc Holiday-Makers, by Market, 1977

Market	Number of Visits or Holidays		Expenditure(a)		Number of days spent by visitors	
	000s	%	£m	%	Millions	%
Britain	864	22.1	70.0	23.1	10.6	32.0
North America	297	7.6	77.1	25.4	3.8	11.5
Cont. Europe	252	6.5	46.7	15.4	3.5	10.6
Other Areas	55	1.4	7.9	2.6	1.0	3.0
N. Ireland	495	12.7	27.1	8.9	2.7	8.2
Home Holidays	1,943	49.7	74.4	24.5	11.5	34.8
Total	3,906	100.0	303.2	100.0	33.0	100.0

Note:
(a) Excludes excursionist expenditure.
Source:
Bord Fáilte.

7.4 A comparison of expenditure per head in each of the main markets is shown in Table 33. It may be seen that in terms of expenditure per head, visitors from North America spend most. *Per capita* expenditure by British visitors is particularly low by comparison to the other markets.

TABLE 33

Expediture per head by Overseas Visitors by Market, 1977

£

Market	Expenditure excluding carrier receipts	Expenditure including carrier receipts
Britain	68	81
North America	174	260
Continental Europe	123	185
Other Areas	131	144
Total	101	137

Sources:
Tables 4, 32.

Visitor Groups

7.5 It is generally accepted that there are five separate stages that a consumer passes through during the course of purchasing a product: awareness, interest, evaluation, trial and acceptance. The analogous stages in tourism are as follows:

> Awareness: Advertising represents the main element in creating an awareness of a holiday destination. Public Relations also has a role to play (e.g., a story about Ireland in the daily papers), as have special promotions.
>
> Interest: Information is sought usually in the form of brochures from travel agents, tourist organisations or tour operators.
>
> Evaluation: The brochures are studied and prices of alternative destinations and types of holiday compared.
>
> Trial: Tourism is distinctive in that it cannot be tried prior to purchase, although it is possible to seek the opinion of someone who has.
>
> Acceptance: The commitment to purchase is made. The great majority of holidaymakers make the purchase through a travel agent.

Not everyone who travels to Ireland passes through all five stages prior to making a visit. Three distinctive groups of tourist travel to Ireland. Each group has different reasons for visiting and these have important implications for the promotion of Irish tourism.

7.6 The first group comprises business visitors. For the business visitor travelling to Ireland is simply a means to an end. In terms of the process of consumer purchase, the first four stages are by-passed; acceptance is guaranteed. The business visitor will come regardless of whether there is promotion or not.

7.7 The second group, which has been designated predisposed in this report, is comprised mainly of those who are visiting friends and relatives. Irish tourism is characterised by a high proportion of ethnic Irish visitors who return at regular intervals. In 1977, of the total overseas visitors, 49% were visiting friends and relatives, 53% stayed

with friends and relatives (56% of bednights), 50% of non-business visitors had made a visit in the past four years, and 50% had ethnic ties either themselves or through their parents or grandparents.[1] This group has a strong desire, in many cases a compulsion, to visit Ireland. Viewed against the stages involved in making a consumer purchase, the visitor in this group is already aware and interested. The main concern is cost, particularly the cost of travelling; if the visit can be afforded it will be made. The predisposition to visit Ireland in this group of tourist is so strong that it is doubtful if promotion has anything but a marginal influence on the decision to travel.

7.8 The third group comprises, for the most part, those visiting Ireland for holiday purposes. Tourists in this group have freedom to choose between alternative destinations, and have, as a result, been designated discretionary visitors in this report. Visitors in this group are certainly influenced by promotion. It is likely that prior to promotion this group had a low or even non-existent awareness of Ireland as a holiday destination. It is this first stage in the process of consumer purchasing that is critical. Without a sufficient level of awareness the subsequent stages that lead to a decision to visit Ireland will not be entered into. The problem facing the promoter is how to create sufficient awareness of Ireland in the large and competitive tourist markets.

7.9 Although the data that are available do not divide the three groups into discrete statistical categories, it is possible to estimate the proportion of visitors falling into each category. These estimates for 1977 and 1978 are given in Table 34. The table has been derived using a series of cross references of the standard classification of tourists used in the Survey of Travellers. (See Appendix A).

Table 34 shows that, of those visitors who came to Ireland in 1977, only 35% could be described as discretionary tourists with no predisposition to visit Ireland. The CSO categorisation of visitors provides for a group designated 'tourists'. The number of visitors designated tourist by the CSO is greater than the number designated

[1]These categories are not mutually exclusive; indeed, the overlap between visitors in these four categories is almost total. Source for the data: Bord Fáilte, *Survey of Travellers*, 1977.

TABLE 34

Overseas visitors by main purpose of visit, 1977-78

Purpose	1977		1978	
	000s	%	000s	%
Business	220	15	303	18
Predisposed	734	50	831	48
Discretionary	514	35	579	34
Total	1,468	100	1,713	100

Source: Bord Fáilte, *Survey of Travellers, 1977, 1978.*

discretionary in this report. The reason is that the CSO figures include in the category 'tourist' all visitors who indicate on the passenger inquiry form that the purpose of their visit is to take a holiday. A number of visitors therefore, who have a high predisposition to visit Ireland are included in the CSO category, tourist. The CSO estimate that the number of visitors designated tourist was 665,000 in 1977. Moreover, when the change in visitor numbers in 1978 over 1977 is examined, it may be seen that, of the total increase in overseas visitors of 245,000 some 83,000 or 34% fall within the business category; 97,000 or 40% are visitors who could be described as having a predisposition to visit Ireland; while the remaining 65,000 visitors or 27% are discretionary visitors. The numbers and expenditure of this group represent the most significant results of tourist promotion. Although the numbers in this group are not large, they are projected, to grow more rapidly than the numbers in the two other main groups in the coming years (Appendix C).

7.10 Promotion to the discretionary holiday market takes place within a highly competitive context. This can be seen from Table 35 which sets out the prices of alternative holidays for potential customers within their own market area. The price comparison is based on comparable holiday facilities for two people staying in a hotel (full board) for one week with all travel included.

TABLE 35

Index of alternative holiday costs for those residing in four selected countries 1977

Ireland=100

Country of Residence	Holiday Destination			
France	Domestic 60	Britain 129	Greece 115	Norway 161
Germany	Domestic 88	Tunisia 87	Greece 88	Barbados 166
US	Domestic 74	Scotland 93	Sweden 161	Virgin Is. 127
Britain	Domestic 80	Spain 74	Austria 92	France 89

Source: Sample of costs obtained from travel agents in origin countries.

The table shows that, for example, a resident of Germany can take a domestic holiday for 88% of the cost of coming to Ireland. Alternatively, Tunisia can be visited for 87% or Greece for 88% of the cost, while for 66% more a holiday may be taken in Barbados.

Promotional Approach

7.11 The principal methods of promotion which are employed are as follows:

(i) Advertising: Media advertising on radio, television and press. In addition, posters which are normally aimed at the general tourist market.

(ii) Promotion: Wide-ranging activity which includes literature distribution, promotion of Ireland in conjunction with stores, e.g., Ireland Week; familiarisation of travel agents, i.e., bringing selected travel agents to Ireland to experience the product at first hand; participation in Trade Shows, e.g., travel exhibitions and trade seminars.

(iii) Public Relations: The securing of journalistic coverage of Ireland on the radio and television, papers, magazines, etc.

(iv) Personal Selling: Sales calls to distribution outlets, e.g., travel agents, and specialist outlets, e.g., ethnic groups, angling clubs, etc.

(v) Public Offices: Dealing with enquiries from the public and the trade.

The principal promoters are as follows:

(i) Bord Fáilte, which is involved in all methods of promotion.

(ii) Transport Operators: Irish and foreign carriers are involved in all aspects of promotion but have minimal concentration on direct public relations. The main concentration is on selling to the trade. Travel agents represent the main outlet for holidays.

(iii) Tour operators: The assemblers and merchandisers of various combinations of products and services required by the traveller—a package tour—are involved in advertising, promotion and selling. The main emphasis is on selling packages through travel agents.

(iv) Product Suppliers: Some direct selling is undertaken by, for example, cruiser operators and hoteliers. It is usually directed at tour operators.

The distribution outlets are as follows:

(i) Travel agents: are the retail outlets for tourism. They are generally passive in that they do not sell; they service the customer by making the necessary booking arrangements. In 1977, 60% of British visitors, 74% of North Americans and 73% of Continental visitors passed through travel agents in making their arrangements to visit Ireland.[2]

(ii) Specialist Groups: included here are companies seeking conference facilities, incentive group business clubs and affinity groups seeking to holiday together or to benefit from price reductions in group travel (e.g., Irish Clubs), or groups which might have a specialist interest in coming to Ireland (e.g., fishing clubs).

[2]Bord Fáilte, *Survey of Travellers*, 1977.

Promotional Cost

7.12 The cost of selling Ireland as a tourist destination is the aggregate expenditure of the various organisations mentioned above in as far as that expenditure relates to promoting business to Ireland. Much of the work is undertaken by private enterprise or by non-Irish organisations. However, for several years, the Irish public sector has played a major role in the promotion of tourism abroad. Public sector promotion of Irish tourism is undertaken by:

(i) Bord Fáilte.

(ii) The Carriers—Aer Lingus/Aer Línte; B I I; Irish Continental Line.

(iii) Tour Operators—Cara Tours (subsidiary of Aer Lingus; B I I; CIE; operating out of Britain); Castle Tours (division of Aer Rianta—marketing undertaken by Shannon Free Airport Development Company operating mainly in North America; CIE Tours (subsidiary of CIE operating in North America, Britain and Europe).

7.13 These organisations between them in 1977 employed 562 people in essentially sales-related work in the market areas (Table 36).

TABLE 36

Sales-related employment overseas in public sector bodies, 1977

Britain	234
North America	222
Continental Europe	104
Other Areas	2
Total	562

Source: Information provided by public sector organisations, 1978.

Table 36 shows that there is a large number of people employed overseas. Personnel employed in overseas markets, particularly North America and Continental Europe, are paid at two to three times the level of employees in Ireland, which adds considerably to the cost of maintaining staff in overseas markets and represents a significant debit item on the balance of payments on current account.

7.14 The costs incurred by public sector companies in the market areas are divided into three main categories: wages and salaries; administration (office rental, telephones and general office-related expenditure); and promotion (advertising and familiarisation expenditure, etc.). Table 37 shows that of the £15.7 million spent in overseas markets only £7.2 million or 46% went directly into promotion.

TABLE 37
Promotional costs by category, 1977

	£m	%
Wages and Salaries	4.6	29
Administration	3.9	25
Advertising and other promotional expenditure	7.2	46
Total	15.7	100

Source: Information provided by public sector organisations, 1978.

7.15 Table 38 shows the proportion of costs incurred by each of the main overseas market areas. The costs identified in Tables 37 and 38 are, in effect, somewhat of an understatement since they do not include a number of costs borne by the Head Offices of the respective organisations in Ireland, such as research and senior management costs.

Table 38
Promotional Costs by Overseas Market, 1977

Market	£m	%
Britain	6.9	44
North America	4.8	31
Continental Europe	3.7	23
Other Areas	0.3	2
Total	15.7	100

Source: Information provided by public sector organisations, 1978.

7.16 It is felt by some, although it was not a view expressed by the carriers themselves, that the promotional expenditure of Irish carriers serves some purpose separate to that of encouraging visits to Ireland and should not, therefore, be included as part of the cost of promoting tourism. This view appears to be based on three propositions. First, it is considered that the carriers serve a separate objective, their aim, it is claimed, being to secure passengers and not visitors. This approach implies, however, that a sea or air journey is purchased for its own intrinsic merits, whereas it is quite literally only a means to an end. Carriers feel that they must create a demand for their services by stimulating potential customers to visit Ireland. This is recognised by the Chairman of Aer Lingus when he says: "The generation of new tourist business for Ireland is one of our primary functions. We spend over £6 million abroad annually on sales advertising and promotion".[3]

7.17 Second, it is argued that promotional expenditure by a carrier is aimed at encouraging people to use their particular service as opposed to that of a competitor. It may be the case that a carrier would wish to allocate promotional expenditure to securing a greater share of an existing market. This is particularly so in circumstances where there are a large number of competitors; not generally the situation facing Irish carriers. However, any cost resulting from this action represents a part of the promotional cost involved in securing business. It cannot therefore, be excluded from the promotional costs incurred in bringing visitors to Ireland.

7.18 Third, it is argued that promotional expenditure by carriers should be excluded since the companies involved meet their promotional costs with revenue from ticket sales. This view seems to assume that once a company can cover the cost of a course of action out of revenue it ceases to be a cost. This, of course, is misguided; once an expenditure is undertaken it becomes an operating cost, whether covered by revenue or not. The only alternative view is that the promotional expenditure of carriers is not a legitimate cost, in which case presumably the expenditure should be foregone and the money thus saved transferred to profit.

[3]Aer Lingus, *Report and Accounts for year ending 31 March 1978*, 1978.

7.19 It is argued, therefore, that carrier expenditure is directed towards encouraging people to visit Ireland and should be included as part of total promotional cost.

7.20 Promotional expenditure by market area (Table 38) can be related to the number of visitors from that area to obtain the cost per visitor. A further and perhaps more meaningful measurement of cost can be obtained by assuming that the promotional costs incurred do not relate to business people or those with a predisposition to visit Ireland since most of these would come in any event.

7.21 A comparison of results from both methods of computation is given in Table 39. For British visitors the effect of the exclusion from the calculations of business visitors and those who are predisposed to travel is very great indeed. The promotional cost per visitor is £8, while the promotional cost per discretionary visitor is £42. By contrast, in the European market which does not have the same high proportion of visitors who are already inclined to visit Ireland, the elimination of business visitors and predisposed visitors leads to a change in cost per visitor of a relatively small amount. It should be added, however, that even at £15 per person for all visitors the costs are extremely high. For North America the respective costs are £16 per visitor and £29 per discretionary visitor; in either case these costs are excessively high.

TABLE 39

Promotional Cost per Visitor, by Market 1977

Market Area	Cost per Visitor	Cost per Dicretionary Visitor
	£	£
Britain	8	42
North America	16	29
Europe	15	24
Other Areas	5	10

Sources: Public sector organisations; Bord Fáilte; Table 34.

7.22 The method of calculation employed attributes all sales as being the result of the promotional effort of the public sector and therefore does not take into account the marketing costs incurred by the private sector operating at home and overseas or those of bodies such as British Rail. In making this omission the calculation, almost certainly, underestimates the true cost of promotion which is higher than indicated in Table 39.

7.23 Promotional cost can also be considered in relation to the level of income that is generated. An estimate of the proportion of public expenditure in relation to the revenue generated is made for each of the main overseas markets (Table 40).

TABLE 40

Promotional Costs as a Proportion of Income Generated, by Market, 1977

Market	Promotional Cost (1)	Total Revenue[1] (2)	(1) as % of (2)	Revenue from Discretionary Segment (3)	(1) as % of (3)
	£m	£m		£m	
Britain	6.9	70.0	10	10.3	67
N. America	4.8	77.1	6	25.6	19
Europe	3.7	46.7	8	19.4	19
Other Areas	0.3	7.9	4	3.6	8

Note: [1]Revenue figures include carrier receipts which have been allocated to each market.

Sources: Public sector organisations. Bord Fáilte.

This table shows that, in 1977, promotional cost as a proportion of the income generated ranged from 4% in Other Areas to 10% in Britain for all visitors. Where business people and those with a predisposition to visit Ireland have been excluded, the promotional cost as a proportion of income generated increases to 8% in Other Areas and 19% in both the North American and European markets. But in the British market it increases to 67%; a level of cost that is unacceptably high.

7.24 The most important economic effects derived from tourism arise from the expenditure of visitors. An index of the revenue per visitor for the main market areas from 1960-78 is provided in Table 41. During this period the trend for each market area has been a falling one. In the main market area—Britain—the average revenue was, in 1978, only 73% of what it was in 1960. For North America it was only 51%.

Table 41

Revenue per Visitor at Constant (1960) Prices by Main Market, 1960-78 (a)

Index: 1960 = 100

Year	Britain	North America	Continental Europe	Other Areas
1960	100	100	100	100
1961	104	106	92	101
1962	95	100	88	97
1963	93	89	93	97
1964	88	73	85	92
1965	88	74	82	106
1966	89	75	82	89
1967	86	75	77	100
1968	89	65	82	100
1969	84	63	80	98
1970	78	61	76	100
1971	79	64	85	108
1972	74	62	86	104
1973	82	60	68	64
1974	82	64	73	58
1975	80	61	70	60
1976	71	57	74	85
1977	71	56	77	82
1978	73	51	77	78

Note:
(a) Excluding Carrier Receipts and Excursionists.

Source:
Bord Fáilte.

7.25 The level of revenue which Ireland receives per visitor can be seen in another way. Table 42 compares the total and the daily expenditure of visitors to Ireland with expenditure by visitors to other countries for which comparative data are available. The distorting influence which the inclusion of access transport could have is removed by excluding revenue accruing to access transport activities. In terms of expenditure per person per visit, there are only four countries which earn less than Ireland. However, the more important comparison is that based on expenditure per person per day and here Ireland shows up very poorly at the bottom of the list.

TABLE 42

Expenditure Per Person Per Visit and Expenditure Per Person Per Day: Visitors to Ireland compared with Visitors to certain other Countries, 1976(a)

Country	Expenditure per Person per Visit	Index of Expenditure per Person Ireland = 100	Expenditure per Person per Day	Index of Expenditure per Day
	$		$	
Ireland(b)	132	100	10.55	100
Canada	126	95	22.54	214
France	268	203	35.04	332
Greece	214	162	17.85	169
Italy	153	116	28.33	269
Norway	95	72	15.81	150
Portugal	331	251	29.31	278
Spain	171	130	20.34	193
Switzerland	221	167	54.08	513
Turkey	108	82	27.61	262
UK	286	217	23.09	219
US	331	251	47.33	449
Yugoslavia	74	56	13.96	132

(a) Expenditure figures converted to dollars using actual exchange rates.
(b) Expenditure figures exclude Northern Ireland.

Sources:
World Tourism Organisation, *World Travel Statistics*, 1976 Vol. 30. OECD, *Tourism Policy and International Tourism in OECD Member Countries*, 1977.

7.26 This decline in revenue per head that Ireland now receives from tourists is highly significant. An examination of the data available in the *Survey of Travellers* indicates that there has not been any reduction in the average number of days spent, thus it is not a question of shorter period of time being spent in Ireland. The more likely explanation for the decline is as follows: There appears to have been a change in the composition of visitors. The reasons for this are not entirely clear. However, contributory factors would include the type of promotion, the influence of tour operators package holiday programmes, the growth of self-catering accommodation and improvements in access arrangements. In regard to why we compare unfavourably with other countries, part of the difference would result from the higher prices that pertain in some other countries. In other cases, the wider range of activities for tourists or the better shopping facilities available at other destinations could explain some of the difference. It might also be that the quality of service and facilities provided in Ireland cannot command higher prices or that the over-supply of some facilities drove prices down.

7.27 It is most likely a combination of some, if not all, of the suggested reasons. The position is, nevertheless, that Ireland does significantly less well in the level of revenue it receives from its tourists than do other countries. It is quite clear that we are now attracting the type of visitor who is either unwilling or unable to spend at the same level as in previous years.

7.28 Since revenue is central to the benefits that accrue from tourism, and because Irish tourism has drifted slowly but perceptibly towards a position where it is failing to realise its real potential in terms of revenue earned, there is a need to identify with greater clarity the relative contribution of the various market segments. The need to do so becomes all the more important in circumstances where there may be a shortage of facilities. Table 4 of Appendix C indicates that the major additions in demand over 1978-84 are projected to occur in the peak season, suggesting that there will be very considerable pressure on supply at this time. As an aid towards securing an improved level of tourism revenue, an estimate of the average expenditure per visitor and the average expenditure per visitor per day for a number of different market segments has been made in Table 43.

TABLE 43

Average Expenditure Per Visitor per day, Various Market Segments, 1977

		Index of Expenditure per Visit: Average Expenditure 100	Index of Expenditure per Day: Average Expenditure = 100
Britain:	Business	81	138
	Predisposed	65	57
	Discretionary	61	102
North America:	Business	147	154
	Predisposed	204	126
	Discretionary	155	248
Cont. Europe:	Business	123	171
	Predisposed	111	87
	Discretionary	124	108
Other Areas:	Business	184	235
	Predisposed	124	87
	Discretionary	120	82
Northern Ireland:	Long	74	98
	Short	30	160
Study		211	75
Conference		105	313
Specialist		99	81
Youth		59	46
Hitch-Hiker		52	42
First Holiday in Ireland		98	127
Coach Visitor		93	140
Package Visitor		87	113

Source:
Bord Fáilte, *Survey of Travellers*, 1977.

7.29 The differences in expenditure indicate that opportunities exist to place greater emphasis on promoting certain segments of the market. For example, when the discretionary segments of the four main markets are examined, considerable variations in expenditure per visitor are evident. North American expenditure, by comparison with British expenditure, is high whether measured in terms of the total stay in Ireland or on a daily basis. Likewise, a comparison of visitors attending conferences and hitch-hikers indicates that the conference visitor has a daily rate of expenditure of approximately 7.5 times that of the hitch-hiker.

7.30 It seems likely that, in time, the more careful selection of visitors will become pertinent for another reason. In Chapter 5 it was pointed out that visitor numbers in some, as yet isolated areas are close to, if not already at, saturation point in that they cannot cater for more visitors without detracting from the very qualities that make them attractive places to visit in the first place. It might also be judged that the capital city, which is a focal point of tourist interest, shows some signs of the effects of visitor numbers that are not altogether appealing. The pressures and dislocation that arise are not generally brought about by the business or predisposed groups of visitors. The overseas businessman is indistinguishable from his Irish counterpart, the predisposed visitor stays mainly with either friends or relatives; both are absorbed into the everyday life of the community. Discretionary visitors, by comparison, are highly visible and, while Dublin is not subject to the same severe tourist pressures as London or Paris, the warning signs are there. This is not to suggest that there should be any diminution in the effort to attract tourists in the short term, but simply to reinforce the need to be more selective in our promotional policy.

7.31 It would be convenient to establish a causal relationship between marketing expenditure and tourist revenue since it would then be possible to determine with greater confidence how much should be set aside by the State for tourist promotion. It might be expected that a relationship would exist between promotional expenditure by Bord Fáilte and the number of overseas visitors. However, it has not proved possible to establish such a relationship.

7.32 Although it may be impossible to establish a clear-cut relationship between tourist promotion and visitor numbers it does not follow that promotional expenditure is of no consequence. What it does

indicate is that there are other forces besides marketing that also influence the level of tourist demand. Middleton, in examining British tourism, came to the conclusion that "at the present time, it is implicitly assumed in the statements and actions of the boards and the Government that the official organisations are in a position to influence directly the bulk of Britain's domestic and international tourism flows, either by promotion or by the development of tourist facilities and reception services. This fundamental myth should be dispelled by any serious student of the tourism phenomenon. All the available evidence of tourism in Britain and elsewhere in the developed world tends to confirm that total tourism flows are generated by, and respond to, basic economic and technological forces, and that tourism promotion and development as a causal factor operates only on the margain as a persuasive influence for a minority of tourists"[4]. It is also the case, as a comparison of the Irish experience between the periods 1960-1970 and 1971-1978 shows, that tourist demand can be quickly and unpredictably reversed by civil unrest.

[4]Victor T C Middleton, *Tourism Policy in Britain,* The Economist Intelligence Unit. ITQ Special No. 1.

CHAPTER 8

SUMMARY AND CONCLUSIONS

8.1 This chapter summarises each of the foregoing chapters and sets out the conclusions that follow.

Chapter 2: Tourism and the Economy

Summary

8.2 Export tourism expenditure by visitors to Ireland has a number of important influences:—

(i) It contributes towards economic activity. It is estimated that, in 1977, tourist revenue, together with the multiplier effects arising from it, represented some 7.1% of GNP.

(ii) It contributes towards employment. In 1977 it is estimated that export tourism provided employment for up to 74,000 people.

(iii) It contributes to the balance of payments on current account.

(iv) In contributes to regional development, providing a significant proportion of income in areas with below average incomes.

The relative importance of export tourism, as measured by the direct contribution it makes to economic activity, has declined during the last decade.

8.3 Domestic tourism does not provide the same benefit per tourist that is produced by export tourism; the important exception being those cases where it leads to a holiday being taken at home that would otherwise have been taken abroad. This is because visitor expenditure

produces a net addition to economic activity, while much of the expenditure of home-holiday markets must represent a transfer of expenditure between sectors within the economy. However, in those circumstances where it substitutes for import tourism by resulting in a holiday being taken at home rather than abroad, it saves foreign exchange. In addition, domestic tourism provides jobs for approximately 14,000 people; it has a less than average import content which results in reduced pressure on the balance of payments, and it redistributes income to the less developed regions through providing employment opportunities in less developed areas and helping to redress imbalances in regional incomes. Additionally, domestic tourism offers, for some Irish people, the only holiday that they are able to afford and, therefore, has a beneficial influence on the quality of life.

Conclusions

8.4 A consistent problem throughout the preparation of this report has been the absence, or near absence in some important areas of data e.g., on purchasing patterns of tourists. The paucity of data on the purchasing patterns of tourists makes it difficult, if not impossible, to make an accurate assessment of the contribution of tourism to the economy. Likewise, no satisfactory analysis of the economic impact of tourism at regional level can be made because the data are not available. Improvements are required in both data collection and subsequent analysis. It is recommended that Bord Fáilte, in consultation with the Central Statistics Office, should determine how best these improvements can be brought about with particular regard to improving the extent and accuracy of data relating to tourist types and their expenditure patterns. In addition, an improvement in the quality of data relating to the type, location and seasonal patterns of demand for tourist facilities is required.

Chapter 3: Projected Demand

Summary

8.5 Demand for world travel has grown at an exceptional rate during the past two decades and it is forecast to continue to do so in the future. The Economic Intelligence Unit forecast that expenditure on international tourism would grow by 150% between the years 1974 and 1985.[1] The most important elements influencing the demand for Irish tourism—consumers' tastes and the world-wide increase in tourist demand—generally support the belief that Ireland is in a position to share in that expansion.

8.6 It is projected that during the period 1978-1984 the number of visitors to Ireland will increase from 2.257 million in 1978 to 2.707 million in 1984 and that the number of domestic holidays taken will increase from 2.014 million in 1978 to 2.257 million. Total revenue from export tourism is projected to rise from £279 million in 1978 to £367 million (at 1978 prices) and revenue from home holiday-taking from £81 million in 1978 to £89 million.

Chapter 4: Organisation and Planning

Summary

8.7 There is no clearly articulated statement of the Government's purpose in developing tourism. It is not possible to know therefore, if tourism is making the appropriate contribution to the economic and social development of the country.

8.8 Tourism is a highly diverse industry and this is reflected in the disparate nature of its organisation. The public sector organisation of tourism encompasses three levels of involvement. First, there are those bodies that were set up with the specific purpose of developing tourism (Bord Fáilte; Council for Education, Recruitment and Training for the Hotel Catering and Tourism Industries; and the Regional Tourism Organisations). Second, there are those bodies which have a primary role in tourism (Aer Lingus, B+I, Irish Continental Line, CIE, Aer Rianta and Shannon Free Airport Development Company Limited). Third, there are those bodies who contribute in one way or another to the tourist product but whose interest in tourism is peripheral to their main responsibilities (e.g. Local Authorities, Posts and Telegraphs and Office of Public Works).

8.9 This wide ranging and fragmented structure leads to problems of co-ordination at three levels. First, it is difficult to ensure that tourism policy and the policy of other sectors of the economy will be in accord, for example, in respect of tourism policy and regional development policy. Second, it is difficult to ensure that the policies of public sector agencies, whose activities impinge on tourism, can be harmonised in such a way that the objectives of tourism policy are achieved. This might be the case, for example, between tourist policy being directed towards maximising visitor revenue and access transport policy being based on maximising visitor numbers. Third, it is difficult to ensure that public sector agencies which have a contribution to make to tourism will make the necessary commitment; for example, in the case of the provision of an access road to a beach by a local authority.

[1] A. Edwards, *International Tourism Development: Forecasts to 1985,* EIU, 1976.

8.10 It might be felt that Bord Fáilte should be the co-ordinating body for tourism. However, it cannot be expected that Bord Fáilte would be in a position to demand, from other agencies within the public sector, the contributions which it feels are necessary to support tourism. The problem stems from the role of Bord Fáilte as, essentially, a promoting agency. Since it has very limited resources of its own, particularly in respect of product development, it must resort to exhorting those bodies which have. Thus, Aer Lingus, B+I, the Local Authorities and all other groups can listen politely to the exhortations of Bord Fáilte but remain unmoved if they do not regard it in their interest to co-operate.

8.11 The Department of Tourism and Transport do not appear to have been any more successful in co-ordinating the various interests within the public sector. It is not clear if this is due to a belief that this role extends only to organisation policy within the orbit of the Department. Tourism policy does not have a means of co-ordinating the activity of those bodies which have a contribution to make to tourism.

8.12 Each of the eight Regional Tourism Organisations (RTOs) companies has its own Board of Directors and Executive. There is now a permanent staff of 159 and a directorate of 162. Bord Fáilte contributes some 80% of the finances required to administer the companies. The main function of the Organisations has been one of providing an information service for visitors to the regions through a network of Tourist Information Offices. This has been done to an extent that it is generally regarded by visitors as an exceptional service.

8.13 In practice the Regional Tourism Organisations have had only limited influence on product development, having neither the means, nor the authority to oblige others to carry out work. Tourism yields economic and social benefits across the community as a whole. There is a need for a greater integration of tourist development programmes with the programmes of other agencies if the best results are to be achieved.

8.14 The existing public sector structure provides for boards who have extensive authority and the appropriateness of the powers conferred on the boards is questioned. Interpretations by board members of their role can vary between boards and this has led to a certain ambiguity in respect of board functions. In the interests of the industry this situation needs clarification.

Conclusions

8.15 The absence of any clearly articulated policy by the Government on the purpose which tourism is to serve is undesirable. In the absence of such direction, Bord Fáilte has found it necessary to formulate a set of objectives largely conceived of by itself. While these may be acceptable objectives, they amount to little more than aspirations, since Bord Fáilte has only limited financial resources and cannot directly influence those who do control the tourism product. Hence it is difficult to see how it can have but marginal influence on the outcome of the objectives which it has set. In addition, there are potential areas of conflict between economic and social policies and it is not clear where priorities lie.

8.16 Currently there is no way of knowing if tourism is making the appropriate contribution to the economic and social development of the country. Government should take the necessary steps to make clear the overall policy objectives which it wishes to see pursued and the priorities which it attaches to each. In addition, these objectives must be capable of being measured, or otherwise assessed, in order that progress towards attaining them can be monitored. For those agencies

with a responsibility for tourism there should be no doubt about the contributions which are expected of them.

8.17 *Export tourism* policy should be concerned with three areas. First, it should be concerned with the level of visitor expenditure. The primary objective of export tourism should be to achieve the maximum revenue per head from visitors.

8.18 Second, export tourism should be concerned with the balance of payments. The net contribution from tourism is the difference between revenue earned and the cost in imports to service those earnings. The policy objective of tourism from the point of view of the balance of payments should be to maximise the net contribution to the economy.

8.19 Third, export tourism should be concerned with regional development. The contribution of tourism to regional development arises principally from the resulting improvement in incomes in the less developed areas. However, it is not necessarily the case that the existing regional distribution of benefits arising from tourism expenditure is ideal from the point of view of regional development. To overcome this problem and provide a clear tourism objective in this area, the Government should move towards the specification of targets for tourism income, for at least broad regions.

8.20 In respect to *domestic tourism* the issue arises as to whether the public sector should contribute towards marketing and development costs. There are, as has been shown in Sections 2.43 to 2.47, a number of important effects arising from domestic tourism that bring both social and economic benefits. Thus, the public sector should continue to contribute towards some of the costs involved.

8.21 The policy objectives for domestic tourism should be the same as those for export tourism. However, it may be necessary in certain circumstances to constrain revenue objectives where it is clear that substantial social benefits may be derived from promoting a product that otherwise has a poor capacity to generate income. For example, caravanning generates relatively little revenue, but it does provide holiday facilities at a price that is within the reach of many Irish people who would not otherwise be able to take a holiday.

8.22 If tourism objectives were clarified this would be of particular consequence to Bord Fáilte. The role of Bord Fáilte is that of an economic development agency but this function has been obscured; the absence of clear purpose has allowed, if not encouraged, Bord Fáilte to become involved in too many areas of activity. The result is that Bord Fáilte is distracted from its main function and some of its resources diverted to other uses.

8.23 Where the policy objectives of tourism and those of some other sector of the economy are not in accord, there is need for an approach which permits an agency to pursue a dominant objective, while at the same time constraining it to take account of the objectives of another agency. Thus, where tourism policy is at variance, for example, with regional policy, because tourism policy may seek to maximise revenue without regard to the regional distribution of benefits, the tourism agency should proceed on the basis that the maximising of tourism benefits is the dominant objective. This objective should then be constrained by the introduction of a sub-objective whereby it would select that pattern of tourism development which maximised national gain, subject to the attainment of a minimum benefit from tourism in each region.

8.24 At the moment no such sub-objectives have been specified for tourism. The Government should identify those areas where tourism policy will need to be constrained by other policy objectives and specify the extent to which the tourism "aspect" should be sub-ordinated to another policy.

8.25 In an attempt to overcome the fragmentation of the industry and provide a co-ordinating mechanism that would assist the implementation of Government policy, two proposals are put forward. The *first proposal* is for a group that can co-ordinate both public and private sector interests of the industry, within the context of Government policy. This Tourism Co-ordinating Group should be established by the Minister for Tourism and Transport, as an advisory

group made up of senior representatives within the industry and it should be independently chaired. Both public and private sectors should be represented on the Group at the most senior level if the Group is to make the maximum impact. The main areas to which it would address itself would be the following:—

(i) advising the Minister on matters relating to tourism policy and its co-ordination;

(ii) resolving possible conflicts that can and do arise from time to time within the industry;

(iii) acting as a catalyst for new product development.

8.26 The private sector, which accounts for the largest proportion of investment in tourism, is at present poorly represented by a willing but ineffective National Tourism Council and tends to be dominated by the sheer size of public sector organisations. It is recommended that the existing National Tourism Council be disbanded in its present form and reconstituted to represent only the private sector of the industry. From its membership, representatives could then be elected to the Tourism Co-ordination Group.

8.27 The *second proposal* relates to the question of providing a suitable mechanism to co-ordinate the work of public sector bodies whose activities impinge on tourism. There is a need to ensure that a balance is achieved between the output of the various organisations. There is also a need to ensure that all agencies which have a contribution to make are aware of the commitment that is expected of them. It is recommended that the most suitable basis for co-ordinating the work of all agencies which contribute to tourism would be through a comprehensive Tourism Plan.

8.28 Existing tourism plans are a clear and useful exposition of the intention of Bord Fáilte but are limited since they do not include the intentions of other sectors contributing to tourism. Consequently, tourism plans are, for the most part, couched in terms that encourage others and assume somewhat optimistically that commitments will be forthcoming. To overcome this weakness, tourism planning should be integrated into a national planning framework within which the tourism plan would contain the contribution of the tourism sector.

8.29 It is envisaged that the tourism plan would be prepared by Bord Fáilte, following consultation with all relevant sectors, would cover a five-year period and would be updated annually. It would include tourism targets specified by the Government, the strategies by which it was intended to meet those targets, and the type and scale of resources required. The plan would require approval by the Tourism Co-ordinating Group. It is recognised that this process, while it can ensure the co-ordination of the public sector, does not necessarily ensure that of the private sector. The plan, however, would require the scale, location and type of input required from the private sector to be identified, and this coupled with a clear exposition of the intention of public sector agencies should provide a practical basis for co-operation.

8.30 The following paragraphs set out the conclusions on the Regional Tourism Organisations and on the role of boards in tourism. Many elements of the tourist product are provided through existing public sector agencies. For these reasons, a greater degree of integration is required between tourism programmes and the programmes of other agencies. This report concurs with NESC Report No. 41[2] in believing that "there are compelling reasons for giving serious consideration to the kinds of functions that might be undertaken by a single agency".

8.31 In respect of marketing there is no satisfactory argument that supports the need for RTO involvement. The marketing of Irish tourism, whether to the overseas or domestic markets, can be done much more efficiently by a single centralised agency; in this case Bord Fáilte. The alternative is to have eight separate organisations all competing for the same business and using public funds to do so. The existing structure, eight separate companies with their own boards of directors, is unnecessarily cumbersome. The function of the RTOs would be more efficiently discharged if the relevant regional operations were administered directly by Bord Fáilte. It is therefore, recommended that

[2]NESC, *Rural Areas: Change and Development*, Report No. 41, 1978, Section 11.5.

the RTOs be disbanded in their present form and be reformed as regional operations within the organisational framework of Bord Fáilte.

8.32 There is a need to identify the role that boards, or similar substitute groups, should play within the tourism sector. It is recommended in consequence, that the Government should review the role of boards of directors in the tourism sector, in order to identify the forms of contribution that are required and the most suitable structure for securing them. The review should include an examination of the following:—

(i) The role of the boards in matters of policy determination: is it sufficient that the Government should set out policy guidelines for implementation by an executive, or do the boards provide an essential step in the link between Government policy and its implementation?

(ii) The role of the boards in controlling and monitoring the activities of the executive: can the boards give of the time and provide the professional judgment needed to assess performance in this area?

(iii) The role of boards in providing specialist knowledge, thus providing an advisory support to the chief executive.

(iv) Existing legislation in relation to the powers vested in board members and the extent to which this may need modification in the light of the above findings.

8.33 The review should also consider alternative systems. For example, an alternative to the present system would be one which established, in place of the board, an advisory group to assist a Government-appointed chief executive of a semi-State body in his task of implementing Government policy.

Chapter 5: The Product

Summary

8.34 The public sector is involved in the development of the tourist product in five ways. First Bord Fáilte provide incentive grants towards investment in tourism. These incentives have usually taken the form of cash grants towards the cost of projects or grants to cover interest payments or borrowings from bank and other financial institutions. Between 1950 and 1977 payments of £34 million (at current prices) have been made towards the development of tourism. Of this, 65% went to the hotel sector, 11% to major resort development, 22% to securing additional facilities and amenity improvements and 2% to developing supplementary accommodation. These incentives were originally provided to promote investment in a relatively undeveloped sector of the economy, at a time when it was recognised that a condition of obtaining some share of the expanding tourism market was the provision of basic facilities. This period has now passed.

8.35 Second, Bord Fáilte provides advice to sectors investing in tourism. This has become an important adjunct of the work of Bord Fáilte as the need for assistance, in a sector that comprises mainly small organisations with limited specialist knowledge, becomes more obvious.

8.36 Third, the public sector is directly involved through owning and operating tourist facilities. This is most clearly seen in the hotel and coaching sectors where both public and private sectors are providing similar facilities and are competing with one another. Fourth, agencies such as Aer Lingus, B+I and Irish Continental Line, provide a tourist service as a primary part of their work. Fifth, a wide range of public organisations provide services which contribute in one way or another to tourism.

8.37 It is estimated that in 1977 there was a net cost to the Exchequer from all these activities of £26.5 million. This figure does not include the costs incurred by Local Authorities, Department of Posts and Telegraphs, Forestry and Wildlife Service, CIE and the many other costs all of which represent an additional but incommensurable expenditure by the Exchequer on tourism activity.

8.38 Public sector agencies are financed on a year-to-year basis, a practice which neither promotes an interest in planning nor leads to the most expedient use of funds. There is an absence of any systematic procedure for evaluating tourism expenditure that takes into account costs arising from all areas within the public sector.

The Quantity and Quality of the Product

8.39 The basic motivating influence that attracts discretionary visitors to Ireland is related to the quality of Irish life. Expectations of Ireland are concentrated on the rural ambience, the relative absence of contemporary urban conditions—noise, traffic, crowds, pollution and tensions—and the friendliness of the Irish people. This motivation has provided Ireland with a distinctive and acceptable product in the competitive market of international tourism.

8.40 The environment is central to the type of tourist product that Ireland offers. The existing range of tourist products such as golf, fishing, touring and sailing are closely related to it and depend upon its quality. Currently there is an abundant supply of this natural component of the tourist product. However, the quality is vulnerable and has been eroded. If current trends continue, a further decline in the quality of the product is almost certain and this will, in time, reduce the capacity of Ireland to attract discretionary visitors.

8.41 The successful operation of tourism requires that certain basic facilities such as accommodation, access transport and car hire are available. While the range of facilities is sufficiently comprehensive to support the type of tourism that has been developed, there are frequently considerable disparities between the quality of different facilities, and this cannot be considered satisfactory. The State, mainly through the inspectoral role of Bord Fáilte, exercised a major influence on the quality of accommodation. Unfortunately, this influence is not being sustained to the extent which it might, since the influence of the inspectors appears to have diminished. In addition, the Local Authorities, who have responsibilities in respect of camping and caravanning parks, have in many cases chosen to ignore these responsibilities or not to act with thoroughness. This has resulted in a fast-growing area of tourism becoming a significant threat to the environmental quality of tourism. The extent to which the supply of tourist facilities might be considered adequate is complicated by the seasonality pattern of Irish tourism. The consumer undoubtedly experienced shortages during the high season of 1978; the supplier, on the other hand, still had to contend with operating in a market where excess capacity was evident for much of the year.

8.42 Over the years the State has had an important influence on the type and scale of products and facilities developed. Initially this was a straightforward task since the absence of basic facilities determined what was required. The position has now changed and the task of project selection is more difficult. There has been a tendency in recent years for the State to support inappropriate development. It is unlikely that much of this expenditure will have any influence on either the type or number of people visiting Ireland.

Seasonality

8.43 The problem of seasonality is a crucial one. In Ireland there is an excessively peaked patttern of demand. Some 52% of days spent by both out-of-State visitors and domestic holidaymakers fall within the months of July and August. This leads to a situation in which overheads have to be recouped in a relatively short-time period, causing severe operational problems within the industry and adversely affecting profitability. At one time of the year, there are insufficient facilities to meet demand while at another time, part of the plant lies idle. In these circumstances it is difficult for an enterprise with a high dependence on tourism to make an adequate return on investment. Seasonality increases the level of risk, it inhibits investment, it makes marginally profitable enterprises highly vulnerable and it leads to a demand on the State to contribute towards commercial ventures. It is, in effect, the most significant operational problem facing the industry.

8.44 The low average capacity utilisation that results from the seasonal pattern of demand focuses attention on the problem of determining the most suitable level of supply. A balance must be maintained between supply and demand; if capacity is permitted to expand too rapidly average utilisation is depressed and with it profitability. The State through interventionist policies has consciously sought to influence the level of supply in some sectors. The extent to which it is desirable for the public sector to continue to influence supply depends largely on whether the private sector is willing and able to provide the necessary tourist facilities. If the private sector can provide what is required, then a change in the State's financial involvement in tourism should follow.

Resorts

8.45 There has been a decline in the popularity of traditional holiday resorts. This decline results from changes in consumer preferences brought about by wider car ownership. Tourists, were able to seek out new, and more widely dispersed, places in which to holiday. The traditional resorts have felt the recent decline in tourism more acutely than most other areas, because of their relatively high dependence on holiday business.

Accommodation and Transport

8.46 Accommodation and access transport are two key facilities. In 1977, 56% of overseas bednights were spent with friends or relatives, reflecting the large ethnic base in the visitor population. The projections are that the business and discretionary segments will show most growth in the years ahead. It is projected that in the period 1980 to 1984 inclusive, the number of overseas visitors in these two segments will increase from 0.974 million to 1.186 million or by 22 per cent. Since these groups are the main users of commercial accommodation it can be anticipated, on the present seasonal pattern, that there will be an increase in demand for accommodation in the high season. In the case of the hotel sector, it is estimated that bednight demand will increase by 19% in the period 1980-1984 inclusive.

8.47 The *Camping and Caravanning sector* of Irish tourism is a source of major concern. The reason for this is that Local Authorities, who are the bodies responsible for controlling the location and standards of the sector, are in some cases failing to exercise their statutory functions.

8.48 With regard to access transport, one policy issue of importance is whether the controls, which among other things restrict the number of operators who may fly into Ireland, should be removed to provide for a greater degree of competition which might lead to a reduction in prices.

Conclusions

Role of the public sector in product development

8.49 The question might be asked as to why the State should be involved in tourism development at all. Would not most, if not all, that tourists require be provided without State intervention? One argument would be that the development of tourism should be left to market forces, whereby the interaction of supply and demand would determine the type and scale of development. However, unfettered markets do not necessarily result in the optimal outcome from the point of view of the community. For example, the market in land, a particularly important element in tourism, is inherently imperfect. The use which an individual or group makes of land affects others e.g., a house located to command a view can spoil the view for others.

8.50 Apart from land use, there is a whole range of other concerns that should not be subject to unfettered markets. The conservation of the character of Irish towns and villages, or the cleaning of the shoreline, are examples of tourism development which provide benefits for the community as a whole which far exceed the benefits to individual house-owners and land-owners but which would be unlikely to take place without State involvement.

8.51 The role which the public sector might play in future tourism development is as follows. The proposals are made within the structure of the existing five areas of public sector involvement. First, there are those agencies whose involvement in tourism is peripheral to their main purpose but whose work contributes to the development of tourism. Tourism will continue to require the assistance of this broad group of agencies. However, public sector involvement in tourism development should move from inter-agency solicitation and overlapping incentive grants to clear-cut direction, the type and extent of assistance being set out in advance as part of a comprehensive plan. This would obviate the existing practice whereby Bord Fáilte seek to secure commitments from those agencies by means of incentive grants. It is therefore recommended that such incentive grants be discontinued.

8.52 Second, there are those agencies who provide tourist services as a primary part of their work. Agencies within this group provide essential elements of the tourist product. Because of their importance to tourism, it is envisaged that organisations within this group would be represented on the Tourism Co-ordinating Group.

8.53 Third, the State is involved in owning and operating tourist facilities in Ireland.[3] Direct competition from the public sector, in areas that are satisfactorily provided by the private sector, is regarded by many people within the tourism industry with suspicion, since they believe that it can distort the market either by the scale of its investment or by operating in a way that would not normally be considered commercially acceptable. This suspicion, they argue, inhibits investment on their part. Although there are strong arguments for the State withdrawing from those areas where it finds itself in direct competition with the private sector, it is clear that there is a wide range of other activities within which continued public intervention will be required.

8.54 Guidance as to the desirability of direct State involvement in tourism might be ascertained by considering two pre-requisites:—

(i) That private enterprise is incapable of providing either the quantity or quality of product that is demanded in the market.

(ii) That the alternative options for public expenditure that would lead to a higher net return to the State have been exhausted.

Given these prerequisites, the guidelines for the public sector investment should include the following:—

(i) Public entities should be subjected to the same set of operating rules that govern the private companies with whom they compete, e.g., attain a reasonable return on investment.

(ii) Public bodies should not operate in the market in a way that might inhibit the further expansion of private enterprise, e.g., by seeking to dominate the market by the size of their operations.

8.55 An examination of the accounts of OIE (Óstlanna Iompair Éireann, which operates the hotels owned by CIE in the Republic of Ireland) shows that the financial position of the group had deteriorated to such a point that in 1976 the Government was obliged to provide, through CIE, a substantial injection of capital. In spite of this injection,

[3]The State is also involved in owning and operating tourist facilities outside Ireland. This report has not sought to encompass areas that are not of direct concern to Irish tourism.

the hotels continued to make losses in 1977. In similar circumstances, in the absence of special State aid, a private company would have been obliged to have ceased trading. It is considered that if CIE were at this stage to withdraw from coach and hotel operations, it would do nothing to harm the future of tourism since any vacuum which it left would be filled. Within the context of the prerequisites of paragraph 8.54, it is recommended that CIE discontinue its direct involvement in tourism.

8.56 Gaeltarra Éireann also operates hotels, their ownership accounting for approximately 0.5% of hotel bedrooms in the State. The involvement of Gaeltarra Éireann in hotel ownership arises from the desire of the organisation to have certain facilities provided in Gaeltacht areas. Within the context that these facilities would almost certainly not be available without public sector support and that they do confer benefits on people living in Gaeltacht areas, it is desirable that Gaeltarra Éireann continue its involvement.

8.57 Fourth, the public sector provides advice. The tourist industry comprises for the most part small organisations which are too small to employ specialists and in most cases too small to justify meeting consultants' fees. Bord Fáilte has played an important part in helping these organisations in the past but has been restricted in the assistance which it could provide by a paucity of suitable personnel and sufficient data.

8.58 It is considered that an advisory service, encompassing all important facets of tourism, would be a most cost-effective means of assisting the industry. Consequently it is recommended that a comprehensive advisory service be located within Bord Fáilte which would include a consultancy service based on a wide range of disciplines and supported by adequate research and data processing facilities.

8.59 Fifth, there is the provision of incentive grants by Bord Fáilte. A proportion of the money spent on these grants is aimed at securing a tourism contribution from other State agencies. The problems associated with this approach have already been alluded to, and a recommendation was made (paragraph 8.51) to discontinue incentive grants to other public sector agencies.

8.60 Most of the expenditure on incentives is aimed at stimulating the private sector to provide suitable tourist facilities. Since the tourism sector is relatively well developed, is there still a necessity for the State to induce private enterprise to invest in tourism? The extent to which this might be necessary depends largely on the willingness and ability of the private sector to undertake the necessary investment without assistance. In turn, this depends on whether the financial return from tourism investment is sufficiently attractive.

8.61 Published data on the financial position of tourism relate only to the hotel sector, but since most of the grants to the private sector have been directed towards hotels, the performance of that sector can be taken as a guide. It also seems to be the case, from observation, that the pattern of profitability in the hotel sector is broadly similar to those of other tourist sectors. It is evident from Tables D.2, D.3 and D.4 of Appendix D that the financial position of the hotel sector has improved considerably since 1972, particularly in recent years. It would also appear to be the case, that incentive grants have not had a significant influence on returns on investment (Table D.3). On the basis of the data alone it is difficult to be certain whether the return on investment is sufficient to provide an incentive to potential investors. In 1978 the industry showed signs of generating the level of profits that made investment worthwhile since some investment was initiated without recourse to grants. The recent introduction of free depreciation to the hotel sector represents a financial advantage that was not previously available, and will be of considerable benefit.

8.62 Profitability can be influenced in another way. It has been argued that relatively small changes in the seasonal pattern of demand or the level of capacity have a disproportionate influence on profitability. It is contended that if greater emphasis were given to improving the seasonal pattern of demand, the increased level of profits experienced within tourism recently could be even further improved. However, the extent to which increased profits can be achieved depends very much on what happens to capacity. Any undue stimulation of the level of supply will almost certainly disrupt the fragile balance between capacity, demand and profitability leading to a decline in profits and a consequent reluctance on the part of the private sector to invest. The excess capacity in the hotel sector during the mid 1970s, and the depressed profits that accompanied them, were the result of undue influence by the public sector in supply.

8.63 If an improvement were brought about in the excessive peaking in the pattern of demand and no undue increase in capacity were precipitated, then profitability in the tourism sector would be adequate to provide for further expansion without recourse to State intervention. It is therefore, recommended that additions to existing facilities should not be precipitated through public sector intervention, either through direct State involvement or State leverage through grants. The determination of the level of supply should be left to market forces and to private enterprise and with certain exceptions (paragraph 8.65) the provision of incentive grants to the private sector should be terminated.

8.64 One problem, that may be exacerbated as a result of withdrawing grants, arises because some projects are better suited to a pay-back arrangement over a longer period than is normal. If this becomes a restricting factor, and the commercial banks and other financial institutions are unable to provide adequate long-term tourism finance, then consideration should be given to providing help through an existing public sector financial agency. The Industrial Credit Company (ICC) provides finance for some tourist projects. However, if there were a substantial increase in demand for long-term investment finance for tourist projects it does not seem likely that the ICC would, within the limits of its present resources, be able to meet that demand. If the lack of long-term finance should prove to be having an inhibiting effect on tourism development, then consideration should be given to extending the capacity of the ICC in order that it might meet the problem.

8.65 There will be a continued need for Bord Fáilte, in certain circumstances, to provide finance for tourism projects. *First*, there are those projects such as a conference complex, where returns to the individual investor are unlikely to be adequate and the returns are mainly to the community through receipts such as those of shops, hotels, taxis, as a consequence of expenditure by conference delegates.

In these circumstances and where it can be proved that the extra benefits outweigh the extra costs, it is desirable that finance should be considered. *Second*, attempts may be made to introduce new products in the future. It is possible that a certain amount of pump-priming may be necessary in order to introduce a new product. It is unlikely, for example, that either Rent an Irish Cottage or Horse-drawn Caravanning would have ever been introduced without some financial support from the public sector. Product innovation of this type has proved of great benefit to Irish tourism. The search for new products should not be inhibited by absence of finance.

8.66 The most important exception to the general recommendations in respect of incentive grants relates to *regional development*. It has been argued that one of the most important benefits derived from tourism is that it provides opportunities for non-agricultural employment in the more remote and less developed areas. It does not seem likely, however, that the potential of tourism for regional development can be fully realised without additional intervention on the part of the State. This is mainly because public and private investment in facilities used by tourists does not usually favour these areas. These areas have small local populations and, in consequence, are unable to support, to the same extent as can urban areas, facilities such as hotels outside of high season. This means that there is a tendency to locate tourist facilities in or near urban areas, because the risk of locating in rural areas is greater. Two steps must be taken if a greater proportion of tourist investment is to take place in rural areas. First, the implications of tourism for regional development should be recognised and public sector investment should reflect that recognition. Second, it should be accepted that some inducement, probably in the form of an incentive grant, will have to be made available to the private sector if rural areas are to attract a greater proportion of tourist investment than they do at present. This recommendation is not meant to imply that there should be a general regional fund, out of which a wide range of possible tourist projects could be financed. Rather, it is aimed at ensuring that a source of finance be available to stimulate particular activities where it can be identified that the investment will result in specified benefits being conferred on the local community.

8.67 The decisions that surround these issues are more properly related to regional development policy than to tourism. If it is considered desirable to develop this aspect of tourism, then the development should take place within the framework of regional development policy, rather than as part of tourism policy *per se*.

8.68 The more obvious and urgent needs of tourism have been met and greater care is now needed in deciding on the allocation of resources to tourism development. Thus, public expenditure on tourism should be subject to a systematic procedure of project evaluation. Cost-benefit analysis, since it permits the wider implications of a project to be taken into account, would be an appropriate method.

8.69 A budgetary period of only one year has certain disadvantages. It is recommended that a more satisfactory system would be one in which the budgetary period covered three years. This would give more security to the tourist bodies so that they could plan their long-term programmes. It would also mean that effort would not be dissipated in an annual competition for public funds, as occurs at the moment.

The Quantity and Quality of the Product

8.70 The decline in the quality of the environment is of particular importance since it represents a threat to the future of the tourist industry. A solution to this problem is required as a matter of urgency. Not only is this just a matter of benefiting overseas tourists. It is also, and indeed more importantly, a question of maintaining one aspect of the quality of life from which future generations of people who live and work in Ireland will benefit.

8.71 To arrest this decline and secure the base of Irish tourism, it is necessary to ensure that at least some of those areas that provide the main motivation for taking a holiday in Ireland continue to maintain their distinctive appeal. Thus, it is recommended that certain strategic areas should be designated as having special importance for tourism. Within these areas, the tourist interest would be given priority and would take precedence over other land use and development proposals. Thus, industry and other physical development would need to be restricted to forms which were compatible with tourist and other leisure

uses. In addition, access to these primary tourism areas would be by routes which enjoyed the same attractive characteristics as the tourist areas themselves. This concept of area designation has been clearly set out in *Tourism Development Plan 1976-80* of Bord Fáilte, but no action appears to have been taken.

8.72 For example, an area that might receive attention—since it has all the necessary characteristics for a tourist area—is the Shannon-Erne waterway. Given that the two waterways can be linked by canal, what is required is a range of integrated facilities that would widen the choice of visitor activity and generate expenditure that would provide local income. In this particular example, the resource is so immense that a very wide range of facilities and products could be introduced, encompassing almost the entire spectrum of tourist activity. In other areas, however, the potential is better suited to the development of a single specialist product such as fishing, while in others again it would be most appropriate to establish them in a way that no formalised recreation activities were evident.

8.73 Although there may be occasions during the high season when shortages in some facilities occur, there is no major constraint to increasing capacity if the market warrants expansion. The quality of tourist facilities, by comparison, is of more immediate concern. The uneveness in quality is inconsistent with attracting the type of visitor who is prepared to spend more money. The poor profits experienced in the tourist industry between 1970 and 1976 has acted to depress quality. These lower profits were partly, if not largely, the result of low average plant utilisation. It is essential that no action is taken that would adversely affect profitability, since it would lessen the ability of the industry to restore quality. In particular, if additions to capacity were introduced too quickly this would not help to secure better quality plant.

8.74 An improvement in quality would be aided by a reassertion of the strong inspectoral role that Bord Fáilte used to pursue in the hotel sector some years ago, but which has been allowed to diminish of late. It is recommended that this role be re-established. It is unlikely that the better operators, of whom there are many, would regard this as unduly restrictive. In an industry where the poor standards of a few reflect on everyone, control offers a measure of protection to the better operators.

8.75 Although registration, grading and inspection can improve the quality of tourism plant, they are not sufficient on their own. Quality is reflected in the ability of management more than in any other single factor. Separate recommendations which aim to achieve an improvement in the quality of management are made later in this Chapter in the section on manpower.

8.76 Greater consideration needs to be given to the type of project being developed with State support. The balance has shifted too far towards the development of amenity projects which generally do little to enhance tourism and sometimes may even detract from it (e.g., the proliferation of inappropriately sited car parks and lay-byes). More attention needs to be given to project selection to ensure that tourism objectives are met.

Seasonality

8.77 One approach is to attempt to increase the level of tourist demand outside the summer period. In working towards this, many imaginative and successful attempts have been made to expand the season; generally, these are based on specific festivals or events such as St Patrick's Week. One aspect, however, which has been given less attention than it deserves, probably because it represents an option with higher risks, is the extent to which the traditional values of Irish tourism could form the basis of a successful off-season holiday programme. It is considered that Ireland has a greater potential to attract British and Continental visitors outside the high season than is realised. What is required is suitable plant properly geared and fully operational throughout the year and a concentrated promotional effort.

8.78 At the moment, many operators close in the off-season and those who remain open cater mainly for local trade. This is not unreasonable: since there is insufficient demand from tourists, the operators do not provide the level of service and facilities that are required by overseas visitors. However, there are sufficient elements available which are impervious to weather conditions, which would make an off-season holiday attractive to tourists. Since the extent of the potential that may exist is largely unknown, it is desirable that an effort be made to establish the size of the market. To this end, it is

suggested that a pilot area be used to test market reaction. If the reaction indicated that there was a demand, then the scheme could be extended to incorporate other suitable areas.

8.79 An alternative, but not mutually exclusive approach, is to attempt to obtain a more even distribution of demand throughout the year by accepting some shortfall in the availability of facilities, especially accommodation, in the peak period. This would precipitate a spillover effect, as visitors who are unable to secure their first preference settled for a visit at another time of the year. It is recognised that this approach would result, in some cases, in visitors being denied their first preference and thus deciding to go elsewhere. However, it is considered preferable to forego some additional business in the high season in order to obtain an improvement in the seasonal pattern.

8.80 This approach would imply some restraint on the rate at which facilities and in particular accommodation, were brought on stream. The plant should not be expanded too rapidly, or expanded with a view to meeting mainly the additional demand which is projected in the high season. Recommendations which would achieve this end were made in paragraph 8.63.

Resorts

8.81 To the extent that the appparent decline in popularity is the result of a shift in consumer preference, little can be done to improve the position of the traditional resorts. However, it seems likely that some resorts may have an appeal for a different type of visitor than has visited these resorts in the past. It is recommended therefore that at least some of the camping and caravanning parks, proposed later in this report, be located adjacent to traditional resorts. This would then provide suitable accommodation where tourism facilities and amenities already exist thus benefiting both the consumer and the resort.

Accommodation

8.82 Chapters 5 (Paragraph 5.60) points out that the *hotel sector* has a particular problem in regard to the administration of liquor licences. It is recommended that the liquor licences of existing hotels be regularised. Hoteliers should be given one opportunity to cease operating their premises as a hotel while at the same time retaining their facility to sell liquor. In this way, those proprietors who wish to operate their premises as public houses would be free to do so without going to the deception of operating a hotel. In order to deter a repetition of the same practice, for the future a minimum qualification of thirty bedrooms should be placed on new development.

8.83 The term *guesthouse* gives rise to some confusion in the minds of customers who do not really make a distinction between it and other forms of accommodation. (paragraph 5.61) It is recommended that a degree of rationalisation be undertaken whereby those guesthouses which have more than 30 rooms be brought within the hotel sector while the remainder becomes part of the Town and Country sector.

8.84 The current system of control of ***camping and caravanning*** is ineffective. The results are twofold. First it permits uncontrolled camping and caravanning and has led to a serious form of environmental blight which is in total contradiction to the image of Ireland being promoted overseas. Second, it acts as a disincentive to competent operators to provide good facilities because altemative pitches are readily available at relatively low rates (in a field opened up for the season) or no rates at all (on the side of the road). In these circumstances it is possible to make only a very marginal return on investment and it cannot be anticipated, therefore, given existing policies that there will be any significant increase in the number of pitches of higher quality.[4]

8.85 Against this background, nevertheless, it is felt that the demand for camping and caravanning facilities is going to increase. In the absence of policy measures, this will bring a further proliferation of unofficial sites.

8.86 For many Irish people, however, camping or caravanning represent the only opportunity which they are likely to have of taking a holiday. With this point particularly in mind, the following recommendations are made:—

[4] C. Cooney, *Appraisal of Camping and Caravanning*, BFE, 1977, Unpublished.

(i) Local Authorities should be required to exercise their statutory functions over the control of camping and caravanning activity. Under the *Planning Acts* (1963 and 1976), Local Authorities can determine the location of sites, layout, screening etc. in respect of new developments. As far as existing sites are concerned, the *Sanitary Services Act* of 1948 gives adoptive power to each Authority to prohibit or control development of sites. Some Authorities have not adopted the Act. The law may require modification; certainly, what exists needs to be implemented.

(ii) A number of carefully located large parks of good quality should be provided. These parks should be strategically located, adjacent to resort areas. In this way, the facilities offered by the resorts would be used by and available to the camping and caravanning holidaymaker. Site construction should be undertaken by Local Authorities, which would also have responsibility for maintenance. The initial capital expenditure would be high, but over a period some of the cost could be recouped through operating concessions.

(iii) The promotion of caravanning to the overseas markets should, until adequate and suitable facilities are available, be discontinued. It is essential for Irish tourism in general that caravanning activity be controlled.

8.87 The *Rent An Irish Cottage* scheme has within the limits of its size made a useful contribution to regional development while at the same time providing an attractive addition to the product range (paragraph 5.64). Further development of this type would be advantageous. The main problem has been that the initial capital cost has been high in relation to the revenue from lettings. The scope for designing a unit that would be less expensive to build should be examined. An alternative method of financing these schemes is being explored by SFADCO. This scheme is based on the sale of completed cottages to individuals who then make them available for all or part of the year for lettings. The RAIC scheme offers one practical and imaginative way to develop economic activity in areas with lower income levels, and it is recommended that the scheme is selectively expanded.

8.88 While it may be concluded that Ireland is well served by air and sea routes and the availability of transport does not represent a constraint to the future expansion of Irish tourism, the issue of the price of air travel to Ireland has become contentious. It is recommended that an independent review be undertaken of air fares, and the related question of licencing, to compare the consequences that would result from the alternative courses which are open. The exercise would need to determine the costs and benefits to the economy as a whole from each of the main options.

Chapter 6: Manpower

Summary

8.89 The tourist industry, both domestic and export, is estimated to have employed 26,000 people full time and 20,000 people on a seasonal basis in 1977. One of the more important characteristics is the proportion of tourist employment falling within the hotel sector, approximately 55% of full time employment and 16% of seasonal employment.

8.90 The availability of a skilled labour force is central to a service industry such as tourism. There does not appear to be any major constraint to the long-term availability of manpower. However, there is at present a shortage of trained staff in the hotel sector and this will persist in the immediate future. This shortage would appear to arise out of a failure to retain trained staff.

8.91 The visitor to Ireland over the years has seen the friendliness of the service as one of the most endearing characteristics and this has frequently compensated for shortcomings in the level of professionalism. Regrettably, but perhaps not suprisingly, the exceptional hospitality is beginning to wane without any apparent compensatory improvement in the quality of service. The influence that personnel, and management in particular, have on the product is enormous and deserves considerably more attention than it has received.

8.92 More emphasis needs to be given to training and improving skills, particularly at management level. The industry must take more

seriously the continuous development of its skilled manpower than it does at present.

Conclusions

8.93 The drift of trained staff away from tourism is a serious loss to the industry. Management should be more aware of the need to make the sector an attractive one in which to work. The accommodation and catering sector in particular is seen as offering unattractive working conditions compared with alternative employment opportunities. It is recommended that the Council for Education, Recruitment and Training (CERT) should examine the reasons why the accommodation and catering sector is seen as a less desirable one in which to work and propose the means by which the situation might be redressed.

8.94 Improvements in the quality of management are required. It cannot be expected that changes will come of their own volition. A commitment initiated from within the public sector to a substantial programme of management training and assistance must be considered a precondition for the future efficient development of the tourism sector. In making the following recommendations, it is recognised that CERT is already very much involved in training within the limits of its existing resources. However, there is a need to take what has already been accomplished and to extend it further, both in terms of the number and types of operations that are covered, and the extent of the skills that are imparted. It is therefore recommended as follows:—

(i) There should be expansion of in-house training. The work of CERT should be realigned to shift the emphasis of its activities to in-house training. The purpose would be to improve the skills of those who are already in the industry and who would not otherwise have access to further training. It is understood that, since this section was originally drafted, CERT has decided to expand in-house training.

(ii) The Irish Management Institute should be encouraged to structure a series of courses related to the specific needs of the tourist industry. The IMI have the facilities and access to professional teaching that is required.

There are no short cuts to satisfactory results; half-hearted attempts will not solve the problem. Properly approached, the problem can be solved if the will exists. It is considered that providing assistance in the areas of training and advice is a highly cost-effective way for the public sector to help gear the industry for the future.

Chapter 7: Promotion

Summary

8.95 No satisfactory causal relationship can be established between promotional expenditure and resulting tourist flows. Tourist demand is mainly influenced by economic and technological forces and promotion has only a marginal influence. This does not imply that expenditure on tourism promotion is wasted.

8.96 The average promotional cost per visitor to Ireland amounts to £16 for visitors from North America, £15 for visitors from Europe, £8 for visitors from Britain and £5 for visitors from Other Areas. A more meaningful measurement perhaps can be obtained by assuming that the promotional costs incurred do not relate to business people and those with a predisposition to visit since most of them would come to Ireland in any event. On this basis the cost per visitor is £42 per visitor from Britain, £29 per visitor from North America, £24 per visitor from Europe and £10 per visitor from Other Areas. These calculations have not taken into consideration the expenditure by the private sector or certain costs borne by headquarters offices in Ireland.

8.97 The most important benefits derived from tourism are related to the expenditure of visitors and not to the absolute number of visitors. Therefore, in the promotion of tourism it is desirable to obtain business that demonstrates a high propensity to spend. However, revenue per visitor has declined and now compares unfavourably with that of other countries. The public sector, in its promotional activity, has laid the main emphasis over the years on expanding the number of visitors and Irish tourism has drifted perceptibly towards a position where revenue potential is no longer being realised. A preoccupation with the absolute number of visitors is evident and misguided. Strategically, it is now necessary to modify this approach and place the emphasis on income.

Conclusions

8.98 The promotional costs incurred by the public sector are too high in relation to the results achieved. There is a need to improve cost-effectiveness. One means of doing this would be to reduce the existing high level of fixed costs. Consideration must be given to reducing the number of staff located in overseas offices, since this would not only reduce the high payroll costs but would also bring about an accompanying reduction in costs related to overheads and administration.

8.99 In addition it is recommended that more emphasis be placed on advertising. It is believed that the problem of influencing large numbers of potential customers can be done more effectively through advertising than through personal selling. Advertising provides a more flexible method of operation: campaigns can be designed for specific product market segments, funds can be switched from one campaign to another or one market to another as opportunities present themselves. The same is not true of expenditure on offices and personnel.

8.100 Attention needs to be given to the relative potential of the different market segments. Promotional programmes should be prepared, identifying the costs and the revenues that will result from pursuing each segment, e.g. from conferences, from fishing.

APPENDIX A

Methodology for Estimating size of Predisposed Market Segment

This Appendix sets out the basis for estimating the proportion of visitors who may be considered to have a predisposition to visit Ireland.

The estimates are made from analysis of four separate sets of data provided in Bord Fáilte's Survey of Travellers. The data relate to:

(i) visitors who indicated that one purpose of their being in Ireland was to visit friends or relatives;

(ii) visitors who indicated that while in Ireland they stayed with friends or relatives;

(iii) visitors whose previous journey to Ireland had taken place within the previous four years;

(iv) visitors who hold ethnic ties with Ireland either directly through being born in Ireland themselves or having parents or grandparents who were born in Ireland.

It is considered that the different sets of data demonstrate a high degree of concurrence and provide a basis for estimating the proportion of visitors who need little or no urging to visit Ireland. The data for each of the main markets are set out in Table A1.

From this data estimates have been made of the proportion of visitors who have a predisposition to visit Ireland from each of the main markets. The estimates are shown in Table A2.

TABLE A1

Proportion of visitors with characteristics indicating predisposition to visit, by market, 1977

(%)

Characteristic	Britain	North America	Continental Europe	Other Areas
Visiting friends or relatives	61	37	19	33
Staying with friends or relatives	68	33	23	32
Previous visit within past 4 years (a)	64	30	14	25
Ethnic ties	63	48	6	33

Note (a): Figures adjusted to remove proportion of business visitors who visited in previous four years.

Source: Bord Fáilte, *Survey of Travellers*, 1977.

TABLE A2

Estimated proportion and estimated number of predisposed visitors, by market, 1977

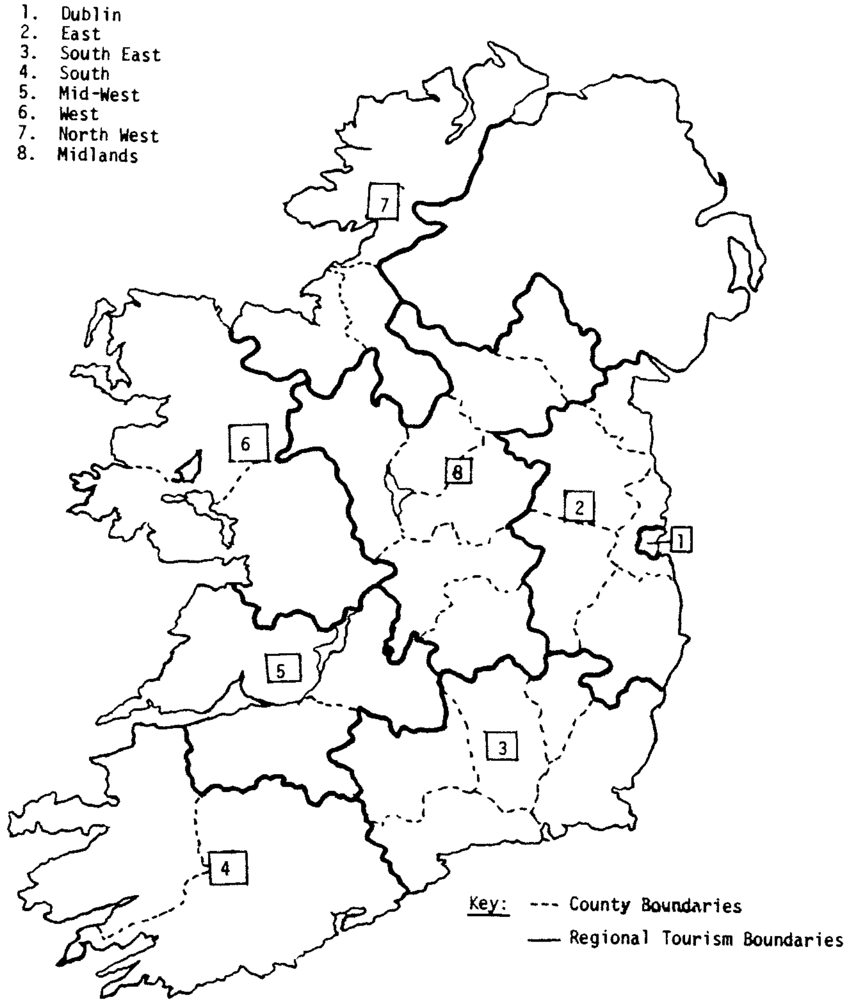
(%)

Market	Predisposed Proportion	Number of Visitors
Britain	65	565
North America	36	106
Continental Europe	18	45
Other Areas	32	18
Total	50	734

Sources: Table A1; Bord Fáilte.

APPENDIX B

Regional Tourism Organisations: geographic boundaries



APPENDIX C

Projections on tourism demand 1979-1984

This Appendix sets out the projections for the period 1979-1984 for expenditure and number of tourists for each of the main market areas. Shortly prior to finalisation of this study, the official tourism statistics for 1978 were revised. These revisions have been incorporated in the text, but since they would have little impact on the projections, the projections in this section have not been re-worked.

In addition, projections have been made for each of the main segments within markets, i.e. Business, Predisposed and Discretionary. Since the expenditure pattern varies considerably for each segment, as do the product requirements, it was considered necessary to make separate estimates for each.

Tourism demand is highly sensitive to changes in both economic and political circumstances and, consequently, projections of demand beyond a one-year period are necessarily somewhat tentative. In the course of preparing the projections an exchange of views took place with Bord Fáilte, the Carriers and other interested groups.

The assumption made in the projection for each of the main visiting groups is as follows:

1. Business traffic to Ireland will expand at approximately the same rate as the expansion in GDP in Ireland. This has been assumed as 5% in 1979 and 4% in each year following to 1984.

2. In regard to the predisposed group, it has been considered that there is less scope for expansion particularly from the British market during the period to 1984. This has been assumed because—

(i) this group has been the target of strong promotion in recent years in an attempt to compensate for the decline in the

discretionary group. It seems probable that opportunities to stimulate any significant increase in this group were exhausted during that period.

(ii) The pace of emigration has for several years been declining and, in consequence, the numbers of Irish-born living abroad are not expanding at the rate experienced in previous decades.

(iii) Irish emigrants to Britain and North America are now experiencing much improved economic circumstances, enabling them to purchase their own homes. This, together with a different social standing within the community, has encouraged the emigrant to invite his relations in Ireland to visit him, thus encouraging a flow of traffic in the opposite direction. Higher incomes in Ireland have made it easier for such visits to take place.

(iv) The Irish living abroad are increasingly prepared to consider a range of holiday options rather than, as used to be the case, the one option of returning to Ireland.

For this group it has been assumed that the number of arrivals will increase annually by 2% from Britain, 3% from North America, 5% from Continental Europe and 4% from Other Areas.

The discretionary group gives rise to greater uncertainty in the preparation of projections. From 1980 onwards the economic circumstances that will exist within the main source markets for Irish tourism, and which largely determine the level of holidaytaking, are mainly unknown. The difficulties associated with preparing projections for this group are exacerbated by the present uncertainty attaching to future world oil supplies. It has been assumed that during the period 1979-84 Ireland will continue to benefit from the expanding world tourist market, British visitors increasing by 4% annually, North Americans by 3%, Continental Europe's by 10% and Other Area visitors by 3%.

In regard to both the home holiday and the Northern Ireland markets, it is considered that the increasing level of incomes in Ireland will provide the means for more holidaytaking in general. While this will lead to some people taking holidays in Ireland, it will also have the effect on others of encouraging them to go abroad. It has been assumed that, on balance, there will be a modest increase in the rate of holidaytaking in Ireland from these markets, the growth being 1% annually for long holidays and 3% for short.

It is projected that in the period 1979-84 the number of out-of-State visitors would increase by 23% (Table C1). In the same period the number of domestic tourists is projected to increase by 12%. The number of tourists from Continental Europe is projected to increase by a very substantial 57%, reflecting the attractiveness of Ireland as a holiday destination for visitors from the Continent and the relatively small base of the market. Increases of 24% for Other Areas, 22% for North America, 18% for Britain and 14% for Northern Ireland are projected. Revenue from export tourism is projected to increase by 27% between 1979 and 1984 and revenue of domestic holidaymakers by 9% (Table C2). The largest market increase is projected for Continental Europe at 58% followed by Other Areas 28%, North America 22%, Britain 18% and Northern Ireland 11%.

Table C1

Projections of Number of Tourists by Market and Type of Tourist, 1978-84

Market and type of tourist	1978 (actual)	1979 (projected)	1980	1981	1982	1983	1984
Britain							
Business	182	191	199	207	215	223	232
Predisposed	612	624	637	650	662	676	689
Discretionary	202	212	220	229	238	248	258
Total	996	1,027	1,056	1,086	1,115	1,147	1,179
North America							
Business	28	30	31	32	34	35	36
Predisposed	115	120	124	127	131	135	139
Discretionary	179	188	194	199	205	212	218
Total	322	338	349	358	370	382	393

Market and type of tourist	1978 (actual)	1979 (projected)	1980	1981	1982	1983	1984
Continental Europe							
Business	80	84	87	91	94	98	102
Predisposed	55	58	61	64	67	70	74
Discretionary	159	178	196	215	237	261	287
Total	294	320	344	370	398	429	463
Other Areas							
Business	12	13	14	14	15	15	16
Predisposed	23	24	25	26	27	28	29
Discretionary	31	32	33	34	35	36	37
Total	66	69	72	74	77	79	82
Total Overseas Visitors	1,678	1,754	1,821	1,888	1,960	2,037	2,117
Northern Ireland							
Long	219	221	223	227	228	230	232
Short	300	309	318	328	338	348	358
Total	519	530	541	555	566	578	590
Total Out-of-State Visitors	2,197	2,284	2,362	2,443	2,526	2,615	2,707
Home Holidays							
Long	1,103	1,114	1,125	1,136	1,148	1,159	1,170
Short	911	938	966	995	1,025	1,056	1,087
Total	2,014	2,052	2,091	2,131	2,173	2,215	2,257

TABLE C2

Projections of Tourist Expenditure at 1978 Prices by Market and Type of Tourist 1978-84 £m

Market and type of Tourist	1978 (actual)	1979 (projected)	1980	1981	1982	1983	1984
Britain							
Business	16.1	16.9	17.6	18.3	19.0	19.7	20.5
Predisposed	43.7	44.6	45.5	46.4	47.3	48.0	49.2
Discretionary	13.4	14.2	14.7	15.3	15.9	16.6	17.0
Total	73.2	75.7	77.8	80.0	82.2	84.3	86.7
North America							
Business	4.5	4.8	5.0	5.1	5.4	5.6	5.8
Predisposed	25.5	26.7	27.6	28.2	29.1	30.0	30.9
Discretionary	30.3	31.8	32.8	33.7	34.7	35.9	36.9
Total	60.3	63.3	65.4	67.0	69.2	71.5	73.6
Continental Europe							
Business	10.7	11.2	11.6	12.1	12.5	13.1	13.6
Predisposed	6.6	7.0	7.3	7.7	8.0	8.4	8.9
Discretionary	21.3	23.8	26.2	28.8	31.7	34.9	38.4
Total	38.6	42.0	45.1	48.6	52.2	56.4	60.9
Other Areas							
Business	2.3	2.6	2.8	2.8	3.0	3.0	3.2
Predisposed	3.0	3.3	3.4	3.5	3.7	3.8	3.9
Discretionary	4.0	4.2	4.3	4.4	4.6	4.7	4.6
Total	9.3	10.1	10.5	10.7	11.3	11.5	11.9

Market and type	1978	1979	1980	1981	1982	1983	1984
Total Overseas Visitors	181.4	191.1	198.8	206.3	214.9	223.7	233.1
Northern Ireland							
Long	17.9	18.1	18.2	18.6	18.7	18.8	19.0
Short	10.0	10.3	10.6	10.9	11.2	11.6	11.9
Total	27.9	28.4	28.8	29.5	29.9	30.4	30.9
Excursionists	13.0	13.7	14.3	15.0	15.8	16.6	17.4
Carrier Receipts	67.5	70.8	73.4	76.1	79.1	82.2	85.4
Total Export Tourism	289.8	304.0	315.3	326.9	339.7	352.9	366.8
Home Holidays							
Long	60.7	61.3	61.9	62.5	63.2	63.8	64.4
Short	20.4	21.0	21.6	22.3	22.9	23.6	24.3
Total	81.1	82.3	83.5	84.8	86.1	87.4	88.7

TABLE C3

Projections of Number of Overseas Tourists by Type of Tourist, 1978-84 ('000)

	1978 (actual)	1979	1980	1981	1982	1983	1984
Business	302	318	331	344	358	371	386
Predisposed	805	826	847	867	887	909	931
Discretionary	571	610	643	677	715	757	800
Total	1,678	1,754	1,821	1,888	1,960	2,037	2,117

One of the most significant aspects arising from the projection is the anticipated change in the type of overseas visitors. In 1978, 18 per cent of visitors came for business purposes, 48 per cent were within the predisposed group of visitors and 34 per cent in the discretionary group of visitors. By 1984 the proportions are expected to have changed and 18 per cent will be business visitors, 44 per cent predisposed visitors and 38 per cent discretionary visitors (Table C3).

The business and discretionary segments between them will increase from 873,000 visitors to 1,186,000 visitors, an increase of 313,000 visitors. These segments place a greater demand on tourism facilities than do those visiting friends and relatives, particularly commercial accommodation.

Table C4

Projected change in Bednight Demand by time of year, 1978-84 (Millions of bednights)

Time of Year	1978 (Actual)	1984	Absolute Change 1978-84
January-February	1.688	2.029	.341
March-April	2.697	3.431	.734
May-June	5.236	6.520	1.284
July-August	18.490	21.155	2.665
September-October	5.512	6.823	1.311
November-December	2.102	2.554	.452

Source:
Bord Fáilte, *Survey of Travellers*, Table A3.

Table C4 sets out the projected change in bednight demand between 1978 and 1984 arrived at by working through the projected monthly bednight demand for each of the separate market segments for each year and then taking the difference between the two years. It is projected that between 1978 and 1984 there would be an increase of 0.341m bednights in the months of January and February, a situation that can easily be met within the limits of existing supply. However, in July and August it is projected that there would be an additional 2.665m bednights. It is unlikely that this increase would be accommodated, since during that period in 1978 some of the plant was already fully utilised.

APPENDIX D

Product Evaluation

This Appendix provides an assessment of the more important aspects of each product element in tourism. The evaluation, which is subjective, is based on written contributions from and discussions with the industry. It is undertaken to ascertain whether the future potential of Irish tourism would be constrained in any way by inability to expand the product in line with future demand.

In addition, a qualitative assessment is made of the main physical and operational requirements of each product. As an indicator of the general situation, a system of marking is employed in which 6=excellent, 5=very good, 4=good, 3=average, 2=poor, 1=very poor and 0=non-existent.

The main conclusions that follow from the evaluation are set out in the text of the report.

Accommodation

The type of accommodation available determines, to a great extent, the type of tourism that will take place. Thus a country can, to some extent, control the form of tourism by exercising control over the type of accommodation.

In 1977 there were some 33.0 million bednights spent by out-of-State visitors and domestic holidaymakers. One of the most significant points is the high proportion (42.6%) of bednights spent with friends and relatives (Table 30), one aspect of the strong ethnic Irish content of Irish tourism.

It is projected that in the period 1978-84 the number of tourist bednights will increase from 35.7 million to 42.5 million, or by 19.0%. When an adjustment is made for those who will stay with friends or relatives, total bednights are expected to increase from 21.0 million to

26.0 million, an increase of 24%. This will give rise to considerable additional demand for commercial accommodation.

Hotels: Product Profile

In an industry in which data are generally difficult to obtain the hotel sector is one exception, owing mainly to two reports. The first is the *Hotel Survey*; published by Bord Fáilte, it sets out details of supply and demand. The second is the *Manual for Inter-Hotel Comparison*; prepared for Bord Fáilte by consultants, it provides information relating to the financial position of the hotel sector from 1972 onwards. These documents provide the source data for this profile.

The supply of hotel beds in relation to demand is shown in Table D1 for the period 1968-1978. Capacity increased steadily throughout the period 1968-73 and since then has declined. In 1968-1978 demand has remained relatively static, with the exception of 1972 when demand was at 85% of the peak 1968 level.

TABLE D1

Supply and demand for hotel accommodation, 1968-78

(millions of bednights)

Year	Capacity	Demand
1968	10.4	5.09
1969	10.9	4.79
1970	11.7	5.03
1971	12.7	5.08
1972	14.9	4.31
1973	15.0	5.08
1974	14.1	5.05
1975	13.5	5.02
1976	12.9	4.90
1977	12.7	5.37
1978	12.7	5.65

Source: Bord Fáilte, *Hotel Survey*, 1977.

The profitability of the sector, expressed as a percentage of tumover, is shown in Table D2 for the period 1972-77.

TABLE D2

Turnover and profit before taxation: (at 1977 prices) in hotels, 1972-77

Year	Turnover	Profit Before Taxation	Profit as % of Turnover
1972	107,658	782	0.7
1973	112,912	3,941	3.5
1974	114,126	2,726	2.4
1975	108,262	2,538	2.3
1976	102,393	4,036	3.8
1977	121,773	8,149	6.6

Source: Stokes, Kennedy, Crowley, *Manual for Inter-Hotel Comparison*, Bord Fáilte, 1977.

The hotel sector had a total turnover of over £121 million in 1977. This compares with a turnover in 1972 of over £107 million (1977 prices). In 1977 the net profit before taxation for the industry was 6.4% of turnover compared with 0.7% in 1972.

In respect of return on capital employed, data is given in Table D3 inclusive of, and data are given exclusive of Government grants for the period 1972-77.

The return on capital employed for the sector in 1978 was 16.4%, including government grants, and 17.2% excluding government grants. This compares with 1972 returns of 3.9% and 4.4% respectively.

Improved performance over the period 1972-77 has been most apparent in the higher grade hotels. A* hotels had a loss before taxation of 5.5% of turnover in 1972 and a return on capital employed (including

TABLE D3

Return on capital employed in hotels, 1972-78

(%)

Year	Return on Capital Employed (a)	
	Including Grants (i)	Excluding Grants (ii)
1972	3.9	4.4
1973	6.8	7.8
1974	7.1	8.1
1975	7.1	7.9
1976	9.6	10.3
1977	13.9	14.8
1978	16.4	17.2

Note (a) Return on capital employed is expressed as profit before interest and depreciation plus other income (net) as a percentage of:

(i) total assets less creditors and taxation;
(ii) total assets less creditors and taxation less government grants.

Source: Stokes, Kennedy, Crowley, *Manual for Inter-Hotel Comparison*, Bord Fáilte, 1978.

grants) of 1.6%. By 1977 A* hotels had increased profit to 15.1% and return on capital employed to 26.6%. Grade A hotels had a profit before taxation in 1972 of 3.1% of turnover and a return on capital employed of 4.9%. The corresponding figures for 1977 were 6.1% profit and 11.7% return on capital employed.

The hotel sector had a cash profit of just over £10.0m after charging £7.6m for repairs and renewals and net interest. (Table D4). The comparable 1976 figures were £5.75m after charging £7.1m. Comparison between the two years shows that the hotel sector

TABLE D4

Cash Profitability (at 1977 Prices) in Hotels, 1976 and 1977

	1976		1977	
	£000	% of turnover	£000	% of turnover
Cash Operating Profit	5,581	5.4	9,899	8.1
Other Income (net)	174	0.1	229	0.1
Total Cash Profit	5,755	5.5	10,128	8.2
After charging:				
Repairs & Renewals	3,509	3.4	4,085	3.4
Net interest	3,627	3.5	3,568	2.9

Source: Stokes, Kennedy, Crowley, *Manual for Inter-Hotel Comparison*, Bord Failte, 1977

recorded an increase of almost £4.5m in cash profit in 1977. As a percentage of turnover, cash profits in 1977 were 8.2% compared with 5.5% in 1976.

A tentative projection of the future demand for hotel bednights has been made following an examination of the existing pattern of hotel usage for each separate market segment and relating these to the projection for those segments given in Table C1. The results are shown in Table D5

TABLE D5

Projection of Hotel Demand 1978-84
(millions of bednights)

1978 (actual)	1979 (projected)	1980	1981	1982	1983	1984
5.65	5.88	6.14	6.41	6.70	7.00	7.32

The projection indicates that demand for hotel bednights will increase by 1.44 million during the period 1979-84, or by 24%.

Farmhouses: Product Profile
Farmhouses represent a very attractive form of accommodation that is widely sought by both overseas and domestic tourists. For this reason, Bord Failte has attempted to expand the number of premises and rooms available but for a number of reasons this has not proved possible. The supply position for the period 1970-1979 is shown in Table D6. The Table shows a relatively small variation in both the number of premises and number of rooms throughout the period.

TABLE D6

The Supply of Farmhouse Accommodation, 1970-79

Year	Number of Premises	Number of Rooms
1970	438	2116
1971	457	2282
1972	474	2387
1973	459	2230
1974	451	2262
1975	436	2169
1976	436	2133
1977	438	2149
1978	444	2114
1979	465	2200

Bed & Breakfast Establishments: Product Profile
The B & B establishments can be viewed as making a contribution to resolving the seasonality problem. If they did not exist, but the same level of business was catered for by more formal types of accommodation, the utilisation problem would be untenable. Thus, it could be argued that B & B operations should be encouraged. In this way they would absorb the excess capacity of the high season, permitting better utilisation of plant that operates throughout the year.

From the economic viewpoint B & B establishments are relevant in other ways. They have a relatively low import content. They provide an additional source of capacity in the high season and obviates the need for additional investment in plant for the high season. They provide employment for housewives for a short period during the year. With regard to the regional distribution of income these establishments provide a significant source of income in the low income areas.

It is difficult to ascertain whether there is general customer satisfaction with the different types of establishment included in this section. A subjective assessment suggests that there is general satisfaction with this type of accommodation.

Self-Catering: Product Profile

There are a number of reasons that make any wide-scale development of self-catering unlikely. First and most important, the weather in Ireland does not support a long season for this form of holiday. The relatively high fixed capital cost has to be recouped in a short period. Any attempt to set the price at a level sufficient to make a realistic return on investment would involve setting it at a point that the market would not generally bear. In consequence, it is difficult to attain viable operation.

Second, self-catering holiday-makers are more likely to be family groups. This compounds the short season problem since most families are forced to take their holidays to coincide with school holidays.

Third, in terms of the national economy, self-catering holidays provide limited employment.

An assessment of the more important aspects of accommodation and other elements of the tourist product is contained in the following tables.

ACCOMMODATION

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
1. *Hotels*							
Premises:			Management	3	21,108 rooms	See constraints	Economics of hotel operation
Bedrooms		3	Staff	3	(hotels) under-		
Catering areas		4	Supervision	2	supply in particular		Availability of finance: Equity Loan
Ancillary areas		2	Control systems	3	areas at peak periods		
Siting	Primary	3	Training	1			Availability of staff
Furniture, fittings & equipment		3					Competition from other industries for staff
Parking facilities		3					Lack of hospitality industry tradition.
Amenities		2					
2. *Guesthouses*							
Premises:			Competence/ personality of operator	4	2,863 rooms	Limited only by demand	Viability
Bedrooms	Primary	4					Lack of working capital.
Catering areas		3					
Siting		3	Activities	2			
3. *Supplementary* (incl. Farmhouses							
Premises:			Competence/ personality of operator	4	1,637 premises	Limited only by demand in foreseeable future	Willingness of potential operators to come into the market
Bedrooms		4	Activities (especially farmhouses)	3	7,200 rooms		Working capital.
Catering areas	Primary	3					
Siting		4					

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
4. *Self-catering*							
Premises		3	Competent administration	3	1,107 units 3,102 beds	See constraints	Supply of suitable existing premises Building costs Availability of finance.
Siting		3	Shopping facilities	3			
Accessibility	Primary	3	Recreational facilities	2			
Furniture, fittings & equipment		3	Babysitting	3			
5. *Camping and Caravanning*							
Sites		3	Competent administration	3	78 parks 4,854 pitches Registered or of reasonable quality	Limited only by constraints	Availability of suitable sites Conflicts in land use Economics of operation Availability of finance: Equity Loan Operator expertise.
Services and facilities	Primary	3	Supervision	3			
Access to main touring routes		4	Shopping facilities	2			
			Recreational facilities	2			
Parking		3					

TRANSPORT

Air

Physical Requirements	Grading	Mark	Operational Requirements	Grading	Mark	Existing Supply	Potential Capacity	Constraints
Location of Airports	Primary	4	Airports Customer Handling	Primary	3	Supply is heavily dependent upon the national carrier.	Airlines attempt to match supply and demand for obvious reasons which results in problems in an operation where seasonality is apparent. In general supply moves to meet demand. Potential capacity is greatly in excess of the present position.	There is a worldwide shortage of pilots. No doubt this will resolve itself in time.
Aircraft	Primary	4	Technical Support (Instrument landing systems etc.)	Primary	4			
Access Roads	Secondary	3	International Standardisation of Commercial procedures (handling, ticketing reservations)	Primary	5	Quantification of supply is difficult because there is a flexibility to change routes and seating configuration etc. In addition supplemental carriers operate routes where demand is evident and regulations permit.		
			Aircraft maintenance	Primary	5			The problem of re-investment in fleet is an issue facing most airlines. The recent level of air fares does not permit a return on investment, under present operating circumstances, including cost levels, that is realistic.
			Turn Round capability	Primary	3			
			Promotional Support					
			Personnel (Expertise) pilots etc.					
			Administration support					

TRANSPORT

Sea

Physical Requirements	Mark	Operational Requirements	Existing Supply	Potential Capacity	Constraints
Port Amenities			*Car Passengers*	*Car Passengers*	*Lock System*
Road Access	3	Port operation	Maximum per day = 6,000	Maximum per day = 11,000	Restriction in vessel size at Liverpool.
Compound Space	4	Marine Personnel			*Water Depth*
Terminal Buildings	4	Officers			Economic development of new sea routes restricted by coastline of Ireland and Wales.
Quay Facilities (wall, slips, ramps)	4	Dock labour Maintenance	*Foot Passengers* Maximum per day = 5,500	*Foot Passengers* Maximum per day = 8,000	
Vessels		Administrative Support			*Sea Conditions*
Drive on/off	5	Promotional Support		After this level of demand significant investment will be needed in port facilities at possibly uneconomic returns.	Irregular wave patterns restrict some technical development, i.e., Hovercraft.
Passenger	5	Supplies/Stores			Rail networks in Britain and Ireland, coastline profile, land availability and tidal ports represent constraints to future development.
Depth of Water	5				

COACHING

Physical Requirements	Grading	Mark	Operational Requirements	Grading	Mark	Existing Supply	Potential Capacity	Constraints
Adequate Fleet size		4	Maintenance		4	Fleet size of members of Coach Tourism Council is 163 Coaches	Capacity can be be increased (see constraints)	Relatively poor return on investment, as a result of high initial capital cost of coaches and uneven utilisation owing to seasonality. Competition from Britain is severe owing to more attractive prices that are possible because of less costly coaches.
			Drivers		4			
Access roads to Tourist areas		3	Driver/Guide	Primary	4			
			Guides		4			
Equipment/Mike-Radio Tape, Headrests, Racks, Seating (Fixed/Re-clining), Ventilation, Luggage Compartment,	primary		Facilities for parking at scenic areas		2			
			Equipment (standard)	Secondary	3			
			Comfort Stops		1			
			Ratio 50 seaters/29		2			
Age of coach		5						
Roads		2						
Signposting		3						
Accommodation	Secondary	4						
Car Ferries		4						

CAR HIRE

Physical Requirements	Grading	Mark	Operational Requirements	Grading	Mark	Existing Supply	Potential Capacity	Constraints
Fleet size		5	Good standard of maintenance	Primary	3	Fleet size of Members of Car Hire Council 10,365	Could be extended if necessary	Car Hire is dependent upon tourism for 80% of its revenue. This high dependence brings with it problems which have their roots in the issue of seasonality i.e., fleet management purchasing and divestment. Overheads and marketing costs must either be reduced or revenue increased if more realistic profits are to be attained.
Variety of models	Primary	5	Availability of automatic gears		3			
			No. of Depots/ Offices		4			
Signposting		3			2			
Roads	Secondary	3	Touring Maps	Secondary	4			

TAXI

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
Supply of suitable vehicles		2	Qualified Driver	4	About 1,732 taxis in Dublin	Capacity should be increased particularly in Dublin. There is a lack of control in that each taxi man is free to work or not as he decides. This leads to irregular operation despite the fact that the service is really a primary transport system for visitors.	Opposition of Taxi Association to increased numbers of taxis. Higher duties on purpose built imported vehicles i.e., London taxi. Many ranks without telephones. Licensing system.
Taxi Ranks	Primary	4	Petrol Outlets	5	About 215 taxis in Cork		
Taxi Equipment, Meters, Signs, etc.		2	Maintenance facilities	5	About 206 taxis in Galway		
Radio, Telephone facilities	Secondary	3	Inspection	3	Outside these centres there are private hire (hackney) cars. There would appear to be an adequate supply of qualified drivers.		
			Control	3			

Product Profile

Ireland is below average in taxi services particularly in respect of service which is provided only from ranks, and in quality of vehicles.
Quality of vehicles is uneven and recently some very small vehicles which are unsuitable have been introduced.
The service has tended to deteriorate particularly in Dublin in recent years.
The newly established Taxi Council may help.

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
Facilities							
Conference areas		2	Access transport—Dublin	4	Conference seating capacity 30,100	Unlimited in physical terms but subject to constraints	Development costs Unwillingness of private sector to invest Municipal support poor.
Committee rooms		2	Access transport—others	1	Banquet seating capacity 19,800		
Exhibition space		2	Ground transport	4			
High level hotel accommodation	Primary	3	Hotel staff	4			
Top quality restaurants		2	Technical staff	2			
			Simultaneous translation	0			
Tourist Attractions			Audio-visual equipment	1			
Scenery		4	Conference services	4			
Historic buildings/ monuments		3	Local organisations support	4			
Special events (fixed attractions, i.e. "Changing of the Guard"—London)	Secondary	2	Public attitude	4			
			Governmental support (Customs entry formalities, receptions)	4			
Internal Communications			Secretarial help	3			
Telephone service, cable and telex	Tertiary	2	Ladies programmes	3			
Attractions of Shopping		3	Social programmes	4			

Product Profile

Despite inadequate conference facilities, Ireland has been doing relatively well in the conference business.

Local support from Irish professional and academic sources has been an important factor in attracting conferences from abroad.

Delegates to conventions spend up to four times as much per day as the ordinary tourist. In addition, the business is not confined to the summer months but more usually takes place in the shoulder to off-season periods.

Generally speaking, adequate conference facilities are not readily available in Ireland. Adequate re-equipping and modern adaptation of existing plant is desirable (i.e. committee rooms, banqueting facilities, provision of audio visual and simultaneous equipment). Access transport to Shannon and Cork is an inhibiting factor to the growth of conference business in Cork/ Shannon/Killarney and Galway areas.

INCENTIVE TRAVEL

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
De-luxe hotel accommodation		3	Access transport	4	(See potential capacity)	Few areas can accommodate incentive groups and provide adequate entertainments to meet requirements. More incentive agencies will use Boeing 747 equipment (360 people, i.e., 180 twins). Outside Dublin and Killarney, the hotel and associated capacity will not be adequate to house all under one roof.	Unwillingness of private sector to invest Municipal support poor Development costs Lack of sophisticated night entertainment Lack of hotels of adequate size Hotel size.
			Ground transport	4			
Restaurants/eating out/dine-around		2	Rail transport	4			
			Hotel staff	4			
Tourist Attractions			Local attitudes (friendliness etc.)	4			
Scenery	Primary	4					
Historic buildings/ monuments		3	Attractive programming	4			
Special events (fixed attractions, "things to do")		2	Governmental support (i.e. free entry formalities)	4			
Special Activities			Social programmes	4			
Golf/fishing/ shopping	Secondary	4					

Product Profile

The incentive travel award winner spends highly because basically he has won an all-in holiday. Normally travel is outside summer months, and predominantly from the U.S.

This market can be affected by devaluation, travel restrictions, company policies, recessions, etc., and external factors beyond the country's control.

The political image of Ireland abroad was a deterrent until recently in promoting this type of group business.

GOLF

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
Well maintained scenic courses or links—9-hole, 18-hole and 18-hole Championship		4	Clubs for hire	2	Existing tourism capacity is determined by the amount of spare time currently available in golf clubs. At present there are approximately 50 golf clubs which are adequately organised and geared to cater for 4,000 golfers per day (i.e., 80 golfers per club). In general, it can be said that there is considerable spare capacity in most clubs outside the big urban areas.	In the foreseeable future the building of golf courses that cater mainly for tourists would not appear to be a viable proposition. Very few new golf courses will be provided in the next five years and the increasing domestic demand for facilities will cancel out any increase in the number of courses.	Environmental requirements
Clubhouses with:			Caddy cars for hire	3			Development costs
Changing rooms			Tuition	3			Leases
Showers			Well-known professional available	2			Financial viability
Toilets	Primary	4	Club organisation, i.e.:	3			Land Costs.
Bar			Rota lists				
Snack bar			Score cards				
Parking			Service in bar				
Suitable accommodation		4	Stewards				
Clubhouses with:							
Professionals shop	Secondary	3					
Drying rooms							

Product Profile

As a tourist product, golf has some structural weaknesses related to the standard of maintenance of courses and the level of clubhouse facilities and service. There is little spare capacity around the urban areas (particularly for the casual golfer) and, in some cases, no welcome for the visitor. However, where it can be demonstrated that tourist revenue is critical for the club, attitudes towards visitors are more helpful.

Marketing golf is a difficult operation; "no agency or airline since the early days of tour promotion in the late '40s and early '50s has succeeded in mass-marketing golf to Europe"—Bord Fáilte Office, North America.

SAILING

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
Suitable water, i.e. not too exposed (inshore sailing). Open sea conditions (deep-sea sailing). Interesting water. Buoyed (sign-posted). Absence of unusual hazards. Away from commercial shipping lanes. Away from industrial mainland.		6	Rescue service	4	The existing capacity for organised sailing is determined by the number of yacht clubs. At present there are 10 yacht clubs and 10 sailing schools. The spare capacity for visitors at the yacht clubs is not known. The sailing schools can cater for approximately 130 tourists per day.	The potential is vast, providing that the shore facilities can be provided.	Environmental blight
			Tuition	2			Water pollution
			Charts	4			Conservation requirements
			Meterological data	4			Development costs
			Maritime authorities	4			Negative public attitudes and lack of interest.
			Ferries to boats	3			
			Yacht Club organisation	3			
Suitable climate, i.e., absence of extreme weather such as hurricanes and frequent gales.	Primary	5					
Sheltered moorings or dinghy parks.		3					
Clubhouse facilities, i.e., changing rooms, bar.		3					
Launching facilities		4					
Suitable accommodation		4					

SAILING—*continued*

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
Clubhouse facilities, i.e., dining area, showers, meeting rooms	Secondary	3					
Shore facilities, i.e., repair workshops, provisions/fuel		2					
Shore facilities, i.e., car parks, telephones	Tertiary	2					

Product Profile

Ireland has some of the finest sailing water in Europe on the South-West Coast. However, the product is weak in the following areas:

—shore facilities;

—general public attitudes about the activity, i.e., lack of instruction for young people and absence of welcome for visitors at Yacht Clubs.

Water pollution is a concern, particularly around the urban areas.

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
Navigable river, lake, canal or estuary		5	Repair/breakdown services	4	300 miles of navigable waterway. Present cruiser population 650, i.e., 450 hire boats and 200 private boats.	The potential capacity of the inland waterways is approx. 5,000 cruisers, i.e., 3,000 hire boats and 2,000 private boats. This density, however, could only be achieved through careful planning and management of the resource.	Environmental blight Water Pollution Conservation requirements Cost: (a) Development (b) Package price Lack of organised rescue service Economics of hire operation Weak infrastructure, i.e., moorings, markets, etc.
Cruisers		5	Charts	4			
Environmental quality		4	Tuition	4			
Suitable water conditions, i.e., not too hazardous, buoyed (signposted) not too much commercial traffic, away from industry	Primary	4	Interpretative services	2			
Sheltered mooring with facilities, i.e., provisions, water/fuel, eating, shopping, refuse disposal		3					
Items and places of historic and other interest, e.g., industrial archaeology							
Scenic countryside		4					
Shore facilities, i.e., eating places, night entertainment	Secondary	1					

Product Profile

As far as the basic resource is concerned, this is a strong product. Future expansion must, however, take place within a firm planning and management framework as the resource is fragile. Brady, Shipman and Martin Report on Shannon provides such a framework. Water pollution must be controlled at all costs as clean water is a basic requirement of cruising. Comparisons made with navigable waterways in Europe tend to confirm the view that, from a basic resource viewpoint, Ireland is in a very favourable position.

VISITOR ENTERTAINMENT

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
1. *Banquets and Entertainment*			Professional management	5	650 places available nightly (Bunratty, Knappogue, Dun Guaire, Robertstown) during summer; approx. half in shoulder months falling to 310 in winter.	There is a need for this type of entertainment, particularly in South-East and South (see Constraints).	High risk factor: return on capital non-existent or too marginal. Cost of rehabilitating historic buildings. Lack of initiative in parts of country other than Mid-West and East. Decline in operational standards often visible after first year. Employment of amateur talent as means of keeping down costs. Willingness of owners to make buildings available.
Historic/interesting architectural environment		6	Professional promotion	5			
Catering facilities	Primary	4	Producer/scriptwriter	4			
Toilet facilities		4	Musicians/actors	4			
Transportation		4	Catering staff	3			
Car/coach parking		4					
Accommodation	Secondary	4					

Product Profile

Ireland has an abundance of suitable buildings near larger cities and resorts. Historical banquets (not necessarily 'medieval'), combining eating out with entertainment in attractive surroundings, are much in demand by tourists. Lead taken by SFADCO followed elsewhere with varying degrees of success. Two operators have left the business (Castle Tours; Tailors Hall). Potential operators are deterred by high risk factor; can only be viable with constant high capacity audiences.

VISITOR ENTERTAINMENT—*continued*

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
2. *Traditional music and Folklore*							Experience shows that voluntary organisations are willing but in some cases not wholly competent. Cost of rehabilitating suitable buildings. Hoteis and halls when used not always most suitable environment. Training needed in presentation/production.
Theatres/hotels/halls/Tithe Cheoil		3	Professional management or competent voluntary organisation	3	Demand exceeds supply	Output could be doubled in three years dependent upon constraints.	
Toilet facilities		2	Professional promotion	3			
Transportation	Primary	1	Musicians/dancers	5			
Car/coach parking		4	Producers	2			
Restaurant/Bar	Secondary	3					
Accommodation		3					

Product Profile

Traditional music and folklore ***rates highest*** on what visitors 'want to see' in the evenings. Great potential, but talent marred by lack of training in presentation. Voluntary bodies, particularly CCE, provide performers for Seisiun evenings but the only truly professional performances are those staged in theatres in Traiee and Galway. Poor halls are often criticised by visitors. Tithe Cheoil locations vary successful and pleasing environment for visitors, e.g., Tully Cross, Clondra.

VISITOR ENTERTAINMENT—*continued*

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
3. *Theatre*							
Theatre buildings		*2	Professional management	4	Capacity never reached nightly due to uneven standards of successive shows and poor promotion in some cases.	Capacity could be increased once constraints overcome.	Finance; consequent lack of viability of performing units lack of training particularly for producers Uncertainty of standard in 'amateur' performances Paucity of managerial and/or organisational ability Poor conditions of buildings
Bar/Cafe		3	Professional promotion	3			
Toilets	Primary	2	Professional performers and stage crews	5			
Transportation		4	Amateur performers and stage crews, once status is recognised.	4			
Car/coach parking		4					
Accommodation	Secondary	3					

*Except in Dublin and Cork which are excellent

Product Profile

Visitors find Irish theatre remarkably good in performence but often complain of poor facilities. Good buildings exist in Dublin, Cork, Wexford and Waterford, but many in Dublin and Cork are desperately in need of repair. There is no central co-ordination of drama, e.g., tours, exchanges of productions, theatre for schools, summer theatre seasons (in other countries this would be a function of the Arts Council). There is abundance of talent but many Irish Equity members work in Britain because of lack of opportunities here.

VISITOR ENTERTAINMENT—continued

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
4. *Music*							
Concert halls		1	Professional management	4	Good professional orchestras (2) exist; also, many good individual performers in all categories. Only in Cork do good concert halls (2) exist.	Lack of national concert hall in Dublin has limited potential. Research has shown that such a hall could be utilised six nights per week *all year* to contain existing symphony concert series plus jazz, Feis Cheoil, etc.	Finance, mainly for construction Lack of concert halls, notably in Dublin. Small domestic market outside larger centres
Bar/Cafe		0	Professional promotion	3			
Toilets	Primary	1	Professional musicians (i.e., orchestras, etc.)	5			
Transportation		4					
Car/coach parking		4					
Accommodation	Secondary	3					

Product Profile

Very few visitors come to Ireland expecting to attend musical performances (other than for 'folk' music). Professional musical activity is much better co-ordinated than theatrical activity because the main activator is RTE; most of the orchestral, celebrity and chamber music output is for broadcasting and there is a very serious lack of concert halls (except in Cork). The Music Association of Ireland (MAI) and Ogra Cheoil are helpful voluntary bodies. MAI has recently appointed a full-time organiser for the country.

VISITOR ENTERTAINMENT—*continued*

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
5. *Hotel Cabaret, Singing Pubs, etc.*							
Hotels with function rooms		3	Professional management and promotion	2	Capacity is adequate to meet present demands.	Better shows and facilities could undoubtedly increase demand. Capacity could be doubled provided constraints were met. Dublin city is very well serviced with commercial entertainment venues.	Dreary hotel function rooms Dirty pub premises Poor toilet facilities Unreliability of occurence Lack of efficient talent agencies
Lounges		3	Regularity of occurrence	2			
Toilets	Primary	2					
Transportation		4	Suitable artists	3			
Car/coach parking		4	Audience participation	4			
Accommodation	Secondary	3					

Product Profile

Some hotels provide very good regular cabaret/dinner shows, particularly in Dublin city. Many cabarets are poorly presented.

FESTIVALS

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
1. *Major Festivals*							
Well maintained environment		3	Imaginative voluntary committee	4	About 12 existing festivals may be regarded as 'major' in domestic (but hardly international) terms. Perhaps three could be considered 'major' in an international sense.	'Potential capacity, inappropriate term regarding festivals (Cf. constraints column in relation to increasing the number of festivals). If a new festival is developed in any large centre it would create its own capacity.	Apathetic committee Paucity of professional expertise Poorly maintained environment Tasteless decoration Litter Inability to cater for large crowds Late promotional material
Theatres/halls/ exhibition space		3	Professional management	4			
Open spaces/parks/ playing fields		4	Professional promotion	3			
Street decoration/ floodlighting	Primary	3	Co-operation of public authority	3			
Toilets		3	Co-operation of local voluntary organisations	4			
First-Aid facilities (when provided)		3	Licensing extension	6			
Accommodation		4	Availability as appropriate of first-class Irish and foreign choirs/bands-orchestras/ theatre companies/ operatic groups/folk musicians/films-lecturers/Roses etc.	5			
Restaurants/Bars		4					
Information Bureau/ reservation		4					
Car/coach parking		4					

Product Profile

Major festivals (apart from their community involvement function) attract foreign specialist groups (e.g., choirs) and generate foreign press and TV publicity on Ireland as an enjoyable place. Those which best fulfil the foreign interest function are: Festival of Kerry, Wexford Festival Opera, Festival in Great Houses, Waterford Light Opera Festival, Cork Choral Festival and Dundalk Drama International. Festivals cannot be considered amorphously — each must be taken on its own terms.

FESTIVALS—*continued*

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
2. *Minor Festivals*							
Well maintained environment		2	Imaginative voluntary committees	4	Of over 200 local 'festivals' approx. 50 receive some kind of assistance from BFE or RTOs. Most have important community function; few are directly relevant to tourism.	There is no reason to extend number of local festivals from tourism angle. Difficulty is in identification of few which have tourism content or potential.	Inexperienced committees Late promotional material Poorly maintained environment Tasteless decoration Litter lack of toilets
Theatres/halls/ exhibition space		2	Professional promotion	2			
Open spaces/parks/ playing fields		3	Co-operation of public authority	3			
Street decoration/ floodlighting	Primary	2	Co-operation of local voluntary organisations	4			
Toilets		1	Licensing extension	5			
First-Aid facilities		1	Availability of Irish and foreign bands/ sporting competitions etc.	4			
Accommodation		3					
Restaurants/Bars		3					
Information/ Reservation Bureau		2					

Product Profile

Many small festivals can be enjoyable in a purely domestic way, particularly when based on traditions of the neighbourhood. Those which attract foreign participation or publicity are few, though some have a good overseas following, notably, Castlebar 4-day Walks, Pan Celtic Week, Fleadh Nua, Killarney Bach Festival, Letterkenny Folk Dance Festival, Galway Oyster Festival, 20th Century Music Festival (Dublin), Listowel Writers Week and the numerous angling festivals. They are an attraction for home holidaymakers and overseas visitors who happen to be in the country at the time.

FESTIVALS—*continued*

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
3. *Other Major Events*							
Well maintained environment		4	Imaginative voluntary committees	5	From tourism point of view, existing supply is very good. Difficult to quantify (see Product Profile).	Capacity can be extended as necessary.	Inexperienced committees Lack of professional expertise Late promotion Inability to cater for large crowds Litter Lack of toilets Lack of parking space
Recreational/ sporting facilities		4	Professional manage- ment	4			
			Professional promotion	3			
Open spaces/fair- grounds		4	Co-operation of public authority	4			
Public halls	Primary	2	Recognition by appropriate official sporting body	6			
Toilets		2		6			
First-Aid facilities		3	Availability of Irish- overseas participants/ contestants	5			
Accommodation		4					
Restaurants/Bars		4					
Information/ Reservation Bureau							

Product Profile

'Events' include national commemorations, sporting fixtures, international rallies, etc. Some of the more important, such as the Dublin Horse Show, have a very large tourist content. The strength of this type of product is its capacity to generate tourist business. In addition, events can be scheduled for the shoulder and off-seasons and, consequently, are of particular importance in improving plant utilisation.

At more local level, the Donegal Motor Rally (for example) has become the largest annual tourism event in the North-West.

HORSE-DRAWN CARAVANS

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
Horses		4	Supervision	2	Caravans:	Sustained emphasis to be placed on improving all-round standards, particularly in the area of overnight stops. There must be improvements in all areas of this product.	Insufficient suitable overnight stops
Harness		3	Staff	3	Listed 360		Difficulty in negotiating with landowners about overnight stops
Purpose-built caravans, i.e.,		3	Agreements with landowners about overnight stops	4	Unlisted 76		Increasing traffic on roads
Breaking system			Recommended routes	4			Environmental blight
Reflectors & breakdown triangle			Proving of clients competence	3			Weather
Ventilation			Harnessing instructions	3			Increasing cost and diminishing supply of suitable horses and harness
Water tanks			General advice	3			
Locks			Cleaning of caravans	3			
General equipment, bunks, tables, etc., cooking equipment, blankets, linen.			ISPCA	5			
Suitable terrain, i.e.:		4					
Absence of steep gradients	Primary						
Fairly wide roads							
Not too much traffic							
Scenic — sea-side							
Items of historic/other interest							

HORSE-DRAWN CARAVANS—*continued*

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
Items/places of local interest							
Bases with:		3					
Reception office							
Telephones							
Toilets & showers							
Harness storage							
Parking							
Refuse bins							
Grain store							
Grazing							
Good entrance							
Overnight stops with:		2					
Toilet facilities							
Drinking water							
Grazing & watering facilities							
Fencing							
Refuse bins							
Good entrance							
Good sign-posting							

Product Profile

It is difficult to evaluate the strength of the product as standards tend to range from good to bad. A beneficial aspect of the revenue from horse-drawn caravanning is that it tends to occur in areas where tourist revenue is low.

Physical Requirements	Operational Requirements	Existing Supply	Potential Capacity	Constraints
Well-maintained structures of architectural/historic interest Great houses preferably still in 'family' ownership with collections intact; where not possible at least furniture and contents should be appropriate to relevant period(s). Gardens should be aesthetically pleasing whether layout formal or natural; preferably with botanic interest. Good physical access, e.g., external direction signposting, surfaced driveways etc. Adequate bus and car parking. Visitor reception/information area Good visitor circulation routes. Adequate security system Toilet facilities for visitors Internal signposting, e.g., for garden walks etc. Litter bins Possibly snack/sovenir facilities	Good presentation, e.g., layout, displays, information panels, lighting, etc. Good quality guide books Well trained, knowledgeable guides, preferably with languages Pre-recorded guide commentaries Professional marketing & promotion Audio visual back-up where necessary, e.g., national monuments such as Newgrange.	30 full member properties in HITHA (1978), of which 22 privately owned, 8 State owned or leased. Approx. 10 OPW properties. e.g., State apartments, Derrynane, Garnish Island etc. Geographically, supply is uneven with only two of above properties in the Western Region and one in the North-West.	Present average annual attendance per HITHA property is approx. 20,000 visitors and much lower for the majority; therefore no capacity constraint on existing stock which could accommodate a much higher volume of traffic.	Expansion of capacity limited by extent supply of quality historic buildings especially in West and North-West. Limited funds available for restoration and commercial exploitation of buildings already in State ownership, e.g., Donegal Castle. Major costs for private owners in opening, e.g., structural repairs, staffing, insurance, security etc. Existing low average level of demand suggests little or no profit on this product unless commercialised, e.g. banquets. Limited number of owners willing or able to undertake operator role and run as a business.

GREAT HOUSES AND GARDENS—*continued*

Physical Requirements	Operational Requirements	Existing Supply	Potential Capacity	Constraints
				Lack of physical/operational requirements already listed. Existing State policies re-maintenance and development of privately owned properties which open may not be sufficiently attractive, e.g., no financial assistance from State towards maintenance of buildings.

Product Profile

By comparison to many European Houses and Gardens, Ireland's position is weak, nonetheless it is a strong product in Irish tourism. It is highly compatible with overall product policy. It has shortcomings in terms of regional distribution. Marketing and promotion are generally weak.

While recent changes in taxation law now favour private houses opening, there is little direct State assistance available towards meeting the associated costs of so doing. The exercise of functions similar to those of the Historic Buildings Council and National Trust in Britain would greatly assist future development of this product in Ireland. While many properties are worth preserving, relatively few are of major tourism importance because of their size or location. Future tourism planning will need to determine where priorities lie.

EQUESTRIAN ACTIVITIES

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
1. *Hunting*							
Hunting terrain		6	Hirelings	5	Tourist capacity is at present determined by the number of visitors accepted by the individual hunts, i.e., approx. 100 places on any given day during the hunting season.	Operating at capacity now.	Permission from landowners Conflicting land use demands, i.e., Urban expansion Agriculture Economics of hiring horses Competition by domestic market for visitor places
Hunters		5	Horse transportation	3			
Tack	Primary	4	General hunt organisation	4			
Accommodation		4					
Stables		2					

Product Profile

Ireland is very strong in relation to the basic resources — terrain and horses. The long-term future of the product is uncertain due to the constraints as listed. However, new forms of the activity are likely to emerge, e.g., drag hunting, mini hunts, etc. Hunting is important as an off-season activity (November, December, January and February) and is, *per capita*, a high revenue earner.

EQUESTRIAN ACTIVITIES—*continued*

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
2. *Hacking and Pleasure Riding*							
Terrain		5	Horses/ponies for hire	4	3,000 horses-ponies for hire on organised basis	Not counting working or thoroughbred horses, there are in excess of 30,000 other horses and ponies in the country. Many of these could be made available to tourists.	Economics of riding schools Permission from landowners Conflicting land use demands, i.e.: Urban expansion Forestry Agriculture Conflicting activities, i.e.: Walking Motoring Lack of riding school organisational structure, i.e.: Staff tuition inter-stable co-operation Lack of action about preservation of bridle paths, etc. Conservation requirements Environmental blight
Horses/ponies		4					
Tack		2	Trained staff in stables	2			
Stables with:	Primary	2					
Changing facilities/ showers			Supervision	2			
Paddock			Specialist sales expertise	2			
Accommodation		4					

Product Profile

It is strong in relation to the basic resources — terrain and horses and weak in relation to quality of staff, supervision and sales expertise. The long-term future is good, care being necessary in the short-term to match the individual potential customer's needs to what is available — this is more important for riding holidays than for any other product.

EQUESTRIAN ACTIVITIES—*continued*

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
3. *Tuition*							
Horses		4	Qualified/recognised instructors	2	In the context of holidays for learning to ride or improving/perfecting riding ability, almost non-existent.	Difficult to estimate but 5-7 years could produce say 30-50 effective establishments handling 500-1,000 visitors per week.	Economics of riding establishments Riding instruction as a career neither stable nor attractive in financial terms—preponderence of girl students as a result. Lack of national qualifications for instructors recognisable internationally. Difficulties in projecting Ireland's tuitional image. Conflicting land use demands.
Tack	Primary	2	Trainad staff in stables	2			
Facilities		2	Programmes/qualifications of tuition	0			
Accommodation		4	Supervision	2			
			Specialist sales expertise	0			

Product Profile

While Ireland has an excellent image as regards the horse, it is less so in respect of tuition. Ireland has an automatic disadvantage in there being no recognised Irish qualification for instructors — students can only get the British Horse Society certificates.

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
4. *Mountain Trail Riding/ Trekking*							
Terrain		5	Horses/ponies for hire	4	300 horses/ponies for hire on organised basis at 20 establishments. In addition, there is a fluid seasonal supply which cannot be quantified.	Capacity could at best be doubled subject to a reduction of development (see constraints).	Economics of running trekking establishments Lack of action about the preservation of bridle paths etc. Lack of overnight stops Environmental blight.
Horses/Ponies		3	Trained staff in stables	1			
Tack	Primary	2	Supervision	1			
Stables		2	Protective clothing/equipment for hire	1			
Accommodation		4	Elementary tuition	0			
			Specialist sales expertise	1			

Product Profile

While Ireland has an abundance of the primary physical requirements for trekking, i.e., horses and terrain, there are basic weaknesses in this product related to organisational structures and standards. Apart from approximately 20 establishments which have received Bord Fáilte grants, no control can be exercised on this activity. Stables and riding facilities appear and disappear with extreme rapidity. Except in isolated cases, mountain trail riding is not marketed as such though it does get considerable indirect coverage in promotional literature.

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
1. *Game Fishing*							
Fully stocked waters, i.e., salmon, sea trout and brown trout		4	Tackle shops	5	*Salmon* 90,000 rod days per annum available: currently operating at 40% utilisation.	Capacity could be increased marginally but since utilisation only 40% not immediate problem.	Conservation requirements
			Guides/Boatmen	3			Environmental blight
			Access to water via owners or lessees	5			Ownership of waters
Physical access, i.e., roads, car parks, jetties, slipways, paths and stands.	Primary	5	Local organisation: Licences	3			Water Pollution: The legal constraints on pollution are improving. At present, apart from some brown trout lakes, i.e., Sheelin and Derryvaragh, is not too serious. The problem is, however, developing and may be expected to accelerate in the light of industrial development and inadequate legal constraints.
			Contacts with local angling associations	3	*Trout* 180,000 rod days per annum	Capacity could be extended marginally but not realistically by very much.	
			Local angling maps	2			
			Tuition	0			
Boats		5					
Suitable accommodation		5					
Anglers' huts		3					
Shore facilities, i.e., toilets and changing facilities.	Secondary	3					Lack of professional managment at national level.

Product Profile

Ireland is in a good position regarding game angling availability and, with adequate protection of the resource, the future potential of this product is excellent. With increasing European demands in their home countries, and potential capacity in Ireland, this product could make a substantial contribution to tourism revenue.

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
2. *Coarse Angling*							
Fully stocked waters, i.e., pike, bream, rudd, tench, perch, etc.		5	Tackle shops	5	*General Coarse:* 800,000 rod days per annum	The resource is considerably under-used at present and capacity is not therefore a constraint.	Conservation requirements
			Availability of bait	2			Environmental blight
			Boatmen	2			Servicing of anglers' needs
			Access to water via owners or lessees	5	*Pike* 140,000 rod days per annum		Water Pollution: At present, water pollution is not a major problem; however, vigilance is necessary to ensure that the resource is protected for the future.
Physical access, i.e., roads, car parks, jetties, slipways, paths and stands.	Primary	4	Local organisation: Contacts with local angling associations	3			
			Local angling maps	2			
Boats		3					
Suitable accommodation		3					
Shore facilities, i.e., toilets and showers.	Secondary	2					
Family entertainment	Tertiary	2					

Product Profile

Ireland is in a very good position regarding the basic resource. As in game fishing, protection of the resource is essential if its full potential is to be realised.

Physical Requirements	Grading	Mark	Operational Requirements	Mark	Existing Supply	Potential Capacity	Constraints
3. *Sea Angling*							
General sea angling availability, i.e., blue shark, port-beagle shark, tope, pollack, ling, etc.		5	Tackle shops	5	Determined by the number of boats available	The potential is excellent.	Weather
			Availability of bait	4		Capacity is determined by the number of boats available, shore facilities and the management of these facilities.	Viability of boat operation
			Boatmen and boat organisation	3			Conservation requirements (over-fishing)
			Local organisation:				Tide times.
			Contacts with local angling associations	4			
			Local angling maps	4			
			Meterological data	5			
Boats		2	Rescue services	5			
Shore facilities, i.e., toilets, changing, car parking, weighing-in.	Primary	3	Ship-to-shore radio	3			
Suitable harbours		3					
Suitable accomdation		4					

Product Profile

Ireland is unique in Europe in the variety and extent of this product.

TOURIST PROFILE

This Appendix brings together some of the more important data available in various research documents and surveys undertaken by Bord Fáilte and used in the preparation of this report.

The information provided refers to the year 1977. Monetary values are given in the prices of that year.

Table E1

Estimate of Expenditure per Visit and per day 1977

		Expenditure per Visit	Expenditure per Day
		£	£
BRITAIN:	Business	82.20	10.96
	Predisposed	66.23	4.50
	Discretionary	62.10	8.06
NORTH AMERICA:	Business	148.65	12.18
	Predisposed	206.19	10.00
	Discretionary	157.97	19.62
CONTINENTAL EUROPE:	Business	124.63	13.55
	Predisposed	112.12	6.92
	Discretionary	124.94	8.56
OTHER AREAS:	Business	186.12	18.61
	Predisposed	125.92	6.92
	Discretionary	120.94	6.47
NORTHERN IRELAND:		49.09	5.34

Source: Bord Fáilte, *Survey of Travellers*, 1977.

Table E2

Length of Stay 1977

	Average Length of Stay
Business	7.5
Predisposed	14.7
Discretionary	7.7
Business	12.2
Predisposed	20.6
Discretionary	8.0
Business	9.2
Predisposed	16.2
Discretionary	14.6
Business	10.0
Predisposed	18.2
Discretionary	18.7
Long Holiday	10.0
Short Holiday	1.8
Long Holiday	9.1
Short Holiday	1.8

Survey of Travellers, 1977.

Table E3

Seasonality (Visits or Holidays by Month of Commencement) 1977

		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
BRITAIN:	Business	10	6	7	9	9	6	7	8	9	10	12	9
	Predisposed	5	3	4	6	5	7	21	26	11	6	4	4
	Discretionary	2	1	2	5	8	11	19	26	18	6	1	1
NORTH AMERICA:	Business	6	7	6	6	10	6	10	9	12	13	8	7
	Predisposed	2	2	4	3	7	13	21	24	13	4	3	4
	Discretionary	1	1	2	4	9	10	15	22	24	10	2	1
CONTINENTAL EUROPE:	Business	4	8	8	8	14	9	9	9	12	7	9	5
	Discretionary	2	3	5	6	8	11	26	17	11	5	4	3
OTHER AREAS:		2	3	3	5	8	13	9	24	13	9	6	2
NORTHERN IRELAND:	Long Holiday	1	1	1	1	1	8	43	40	3	1	0	1
	Short Holiday	3	2	5	10	8	15	18	17	12	5	3	3
DOMESTIC:	Long Holiday	1	0	1	2	4	9	30	41	9	1	1	2
	Short Holiday	3	4	7	15	8	9	12	13	16	7	3	3

Source:
Bord Fáilte, *Survey of Travellers,* 1977.

TABLE E4

Mode of Arrival (Overseas Visitors—1977) %

	Britain	North America	Continental Europe	Other Areas	Total
Sea	62	13	29	35	47
Air	38	87	71	65	53

Source: Bord Fáilte, *Survey of Travellers*, 1977.

TABLE E5

Car Usage—Overseas Visitors %, 1977

	Britain	North America	Continental Europe	Other Areas	Total
Brought Car	36	3	15	18	26
Hired Car	7	43	25	22	17

Source: Bord Fáilte, *Survey of Travellers*, 1977.

TABLE E6

Year of last visit to Ireland, 1977, %

Year	Britain	North America	Continental Europe	Other Areas	Total
Before 1970	8	5	2	9	7
1970	1	1	1	2	1
1971	1	2	0	0	1
1972	1	4	1	2	2
1973	2	4	1	2	2
1974	4	6	2	1	4
1975	11	8	5	5	9
1976	39	13	18	9	30
1977	19	4	12	8	15
First visit	14	53	58	62	29

Source: Bord Fáilte, *Survey of Travellers*, 1977.

TABLE E7

Bednights by region, 1977, %

Region	Britain	North America	Continental Europe	Other Areas	Total
Dublin	14	24	24	43	19
East	8	5	10	8	8
South-East	13	7	5	13	11
South	22	21	29	16	23
Mid-West	9	12	9	12	10
West	14	12	12	5	13
North-West	7	9	6	1	7
Midlands	10	6	3	1	7
Northern Ireland	2	5	2	0	3

Source: Bord Fáilte, *Survey of Travellers*, 1977.

TABLE E8

Socio-economic group of overseas visitors, 1977, %

	Britain	North America	Continental Europe	Other Areas	Total
AB	31	55	49	66	39
C1	29	30	44	28	32
C2	31	12	6	5	23
DE	10	4	1	1	7

Source: Bord Fáilte, *Survey of Travellers*, 1977.

TABLE E9

Overseas visitor group composition 1977, %

	Britain	North America	Continental Europe	Other Areas	Total
Alone	46	36	44	47	42
Married couple	15	29	16	28	20
Other pair	2	3	6	1	3
Family with children	19	5	7	11	14
Other adult in party	17	26	25	12	20
Other	1	1	2	0	1

Source: Bord Fáilte, *Survey of Travellers*, 1977.

TABLE E10

Proportion of overseas visitors on package tour or independent visit, 1977

	Britain	North America	Continental Europe	Other Areas	Total
Package	6	20	27	7	11
Independent	94	80	73	93	89

Source: Bord Fáilte, *Survey of Travellers*, 1977.

Wt.—. P.127460. 2,500. 9/80. Cahill. (1296). G.Spl.

29.	Some Major Issues in Health Policy	July	1977
30.	Personal Incomes by County in 1973	July	1977
31.	The Potential for Growth in Irish Tax Revenues	Sept.	1977
32.	The Work of the NESC: 1974–1976	Sept.	1977
33.	Comments on Economic and Social Development, 1976–1980	July	1977
34.	Alternative Growth Rates in Irish Agriculture	Oct.	1977
35.	Population and Employment Projections 1986: A Reassessment	Oct.	1977
36.	Universality and Selectivity: Strategies in Social Policy	Jan.	1978
37.	Integrated Approaches to Personal Income Taxes and Transfers,	Mar.	1978
38.	Universality and Selectivity: Social Services in Ireland	June	1978
39.	The Work of the NESC: 1977	June	1978
40.	Policies to Accelerate Agricultural Development	Sept.	1978
41.	Rural Areas: Change and Development	Sept.	1978
42.	Report on Policies for Agricultural and Rural Development	Sept.	1978
43.	Productivity and Management	Feb.	1979
44.	Comments on Development for Full Employment	Dec.	1978
45.	Urbanisation and Regional Development in Ireland	June	1979
46.	Irish Forestry Policy	Sept.	1979
47.	Alternative Strategies for Family Income Support	April	1980
48.	Transport Policy	Mar.	1980
49.	Enterprise in the Public Sector	May	1980
50.	Major Issues In Planning Services for Mentally and Physically Handicapped Persons		
51.	Personal Incomes by Region in 1977	July	1980

ISBN 0-907116-27-2