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# PRESS RELEASE

## The Confederation of Irish Industry

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SPEECH BY LIAM CONNELLAN, DIRECTOR GENERAL, THE CONFEDERATION  
OF IRISH INDUSTRY AT NATIONAL TOURISM CONFERENCE, IN THE GREAT  
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### TOURISM IN IRELAND

#### Tourism in General

The demand for holidays is one of the fastest growing areas of consumer demand in the Global Economy. By the end of this decade, it is likely that the tourism industry supplying this demand will be one of the major industries in the world in terms of earnings. Between 1960 and 1978 total world arrivals at frontiers grew at an average annual rate of 7.5%. The Institute of Air Transport in it's major review of the prospects for European Tourism published in November 1980 assumed that similar growth would characterise the 1980's.

This growth in tourism has been, and will be, associated with an increasing spread of destinations. There has been a growth in tourism to new areas such as Latin America (countries such as Brazil, Mexico, Argentina and Venezuela), the Middle East and Asia as well as development of unexploited markets in traditional tourism locations.

However, in spite of the increased development of tourist locations, it is likely that Europe as a whole will continue to hold it's share of world arrivals. Europe (including Eastern Europe) currently accounts for three-

quarters of the world's tourists. This dominant position is explained by a number of factors. A wide range of ethnic groups throughout the world have associations with, and feel some form of attraction to Europe. Europe, possibly the richest and most diverse collection of cultures, is a relatively small area, and is, to a great extent, the heartland of the material and cultural values that dominate the developed world.

In 1979 Europe (including Eastern Europe) accounted for 196 million international tourists, and earned £24 billion which accounted for 72.6% and 66.7% of the world total. The following table illustrates the share of Europe in world tourist numbers and Ireland's share in both.

Table 1

	Tourist Arrivals 1979	Tourist Revenue 1979
	Millions	£Billion
Ireland	2.4	0.244
Europe (incl. Eastern Europe)	196.0	24.000
World	270.0	36.000
Europe as % of World	72.6	66.7
Ireland as % of Europe	1.2	1.0
Ireland as % of World	0.9	0.7

Source: European Tourism Future Prospects 1980-1990.

Tourism in Ireland

The growth of visitors to Ireland has been much slower than the growth in world tourism. Ireland's share of world tourists arrivals has declined from 1.9% of total in 1960 to 0.9% in 1979, as a result of a much slower annual growth rate. Between 1960 and 1978 the annual average increase in tourists coming to Ireland was 2.8% compared to a growth in world tourism of 7.5%.

This is illustrated in table 2 below:

Table 2

	World Arrivals at Frontiers	Visitors to Ireland	Ireland's Share
1960	72.1	1.373	1.9%
1978	265.0	2.257	0.9%
Annual Average			
% Change	7.5	2.8	

Tourism in the Irish Economy

Tourism performed very unevenly in the 70's. The damage to tourism caused by the disturbances in Northern Ireland was exacerbated by the oil crisis of 1973/74 and international recession in the mid 70's, and the industry did not reach it's 1969 peak again until late in the 70's.

In 1969, 1.94 million tourists came to the country, but due to the troubles this figure declined sharply so that by 1972, the number of tourists was down to 1.46 million. Numbers increased slightly in the following years, but the 1969 figure was not exceeded until 1977, after which growth appeared to be accelerating. This recovery was brought to a halt by the international recession in late 1979 and 1980. In 1980, tourist numbers declined by 100,000 to 2,22 million. (See Chart No. 1)

While there was a steady increase in the revenue generated by tourism in money terms during the 1970's, the behaviour of revenue in constant prices was similar to the behaviour of tourist numbers. Revenue in constant 1980 prices peaked at £389.2 million in 1968. But the decline in the early 70's saw revenue fall to £278.8 million in 1972, a decline of nearly 30% in four years. Real revenue earnings fluctuated in the middle 70's at a low level and it was not until 1977 that strong growth re-appeared. However, revenue peaked again in 1979 at £376.4 million, so that by 1980 revenue was just below its 1968 peak. (See Chart 2.)

As can be seen from both charts, the industry suffered a decline in 1980. Many of our major markets were affected, as is illustrated in the following table.

Table 3

	Tourist Numbers (000's)		Tourist Revenue (£ million)		
	1979	1980	1979	1980 a	1980 b
Britain	1077	1062	95.4	120.4	101.6
North America	293	251	57.8	56.0	47.3
Continental Europe	358	323	52.3	58.3	49.2
Total Overseas	1794	1699	217.4	247.4	208.8
Total Tourist Revenue	-	-	335.4	384.7	324.6

a : denotes Estimates

b : 1980 Figures expressed in 1979 values

Undoubtedly, the recession in the Developed Countries contributed to this fall off in tourist demand and to the extent that the level of prosperity in our markets is a determinant of demand for our tourist products, it is unlikely that there will be any recovery until economic activity in our markets recovers again perhaps in 1982.

However, a number of factors within our control have done serious damage to the industry. In 1979, the Post Office dispute, which lasted from February to June, and the petrol shortages which lasted from May to August did serious damage to the 1979 tourism season and probably had a spill over effect in 1980.

#### Prices and Costs

The limited data available seems to indicate that tourist prices in Ireland have been increasing at a higher rate than a wide range of other countries. The Institute of Air Transport, in its examination of the future prospects of the tourism industry, analysed hotel charges in 16 European countries and the rate of price increase in Ireland was only exceeded by Finland and Turkey.

As tourism is highly labour-intensive in most sectors, a large part of the price of tourism products and services is determined by wage costs.

Throughout the 70's, Irish wage costs were rising at a higher level than wages in our markets. However, the potential damage in terms of price increases was minimised or eliminated by decline in our exchange rate against other major currencies. Thus, wage increases were compensated for by the reduction in the value of the pound, thereby minimising or reducing the price of holidays in Ireland.

Entry to the EMS in July 1979 changed this position. As our wage increases have been much higher than the EMS average, our prices on the Continental market with which we have had currency stability have been increasing more rapidly. If one accepts that the demand for holidays is price elastic, then the inevitable conclusion is that demand for higher priced products will decline.

On the British market, the position has been different. The appreciation of Sterling against the Punt following entry to the EMS made holidays in Ireland much less expensive for British tourists. Despite this British demand <sup>in numbers</sup> declined in 1980. This decline is probably explained by three factors. Firstly, the recession in the U.K. has reduced discretionary spending on holidays. Secondly, the sharp reduction in the price of Irish holidays does not appear to have got through to the average British consumer. Thirdly holidays in Ireland must compete with holidays on the Continent which have also become <sup>because of low inflation</sup> even less expensive because of the strengthening of sterling.

I believe that during 1981 we should pay particular attention to attracting visitors from the United Kingdom because of the exceptionally high currency differential. Irish holidays will be relatively less expensive for British tourists than they have been for a long time.

The economic attractions for visitors from Northern Ireland to the Republic will be particularly great during 1981.

#### Importance of Tourism in the Irish Economy

Tourism still makes an important contribution to the economy. Tourism revenue expressed as a percentage of G.N.P. was 4.6% in 1980. This reflected a decline from the level of 7.2%, which was reached in 1966. However, its importance was up on the just over 4% contribution to G.N.P., which tourism made in 1975 and 1976. These percentages do not reflect the full extent of the impact of tourism revenue on expenditure and output caused by the multiplier process.

For example many clothing, textile and food manufacturers depend on tourism for up to 20% of their annual sales. For thousands of retail stores throughout the country a good tourist season means the difference between profit and loss.

It has been estimated that the multiplier associated with revenue from out of state tourism is approximately 1.8. On that basis, the revenue of £280.4 million in 1980 generated incomes of £504.72 million in 1980. Thus when carrier receipts of £87.9 million are added we find that the incomes of £592.6 million pounds were generated which is equivalent to 7.1% of G.N.P.

### Return to Exchequer

Tourism revenue also generates a high level of taxation income for the Government through the multiplier process. Bord Failte estimated in 1974 that 68% of all tourism revenue accrued to the exchequer in the form of various taxes. The following chart illustrates estimated accruals to the exchequer from tourism revenue. (See chart 3.).

### Employment

The NESD Document on Tourism prepared by Brian Deane in 1978 estimated that tourism directly accounted for 26,000 full time jobs and 20,000 seasonal jobs. However, tourism spending generated additional jobs in other service sectors and in manufacturing industry. On the assumption that the tourism share of G.N.P would be equal to the tourism share of employment and using the multiplier estimate of income generated by tourism, the study estimated that tourism supported 74,000 full time jobs directly in tourism and indirectly in industry and services.

### Export Earnings

Tourism is an important source of foreign exchange earnings in Ireland. While its importance has declined from earning over 20% of external receipts in the mid sixties, the current level at over 8% is still substantial. The decline in the relative importance of tourism earnings has in the main been accounted for by the growth in merchandise exports which occurred particularly after our entry into the EEC.

Balance of Payments

In the past the inflow of tourist earnings has been greater than the outflow of tourist spending accounted for by Irish people abroad. In 1978 foreign tourists brought £215.9 million to Ireland while Irish people holidaying abroad spent £178.5 million pounds yielding a net positive balance of £37.4 million pounds. Thus the balance of payments in tourism and travel made a substantial contribution to the reduction of our deficit on the current account which was running at £149 million in 1978.

However, it is now likely that Irish people spend as much abroad as foreign visitors do in Ireland. Irish people are now spending over £200 million abroad annually. While approximately 22% of Irish spending abroad is necessary business travel, there is substantial scope for reducing Irish spending on foreign holidays. This market must not be ignored. Every £10 million spent in Ireland rather than abroad creates about 1000 jobs in the Irish economy.

Every Irish person spending a week on holiday in Ireland creates at least one job in the Irish economy for that week. If the holiday is spent abroad this represents a week's work lost to the economy.

The tourism industry must give equal emphasis to promotion of its facilities on the home market as it gives to promotion abroad. This will be particularly important during 1981 when the impact of recession is likely to slow down the growth of international tourism.

### Other Contributions to the Economy

Tourism brings many other benefits to the economy. Many of our tourist facilities and destinations are located in the less affluent areas of the country. Thus the development of tourism brings incomes and employment to those areas which are relatively less affluent and contributes towards the elimination of regional inequalities.

Furthermore, tourism has created a social and transport infrastructure in the form of hotels and other facilities and better shipping and airline services than would be the case in its absence. Facilities have been developed for the use of the public and economy at large at lower cost.

Finally, the promotion of Irish tourism abroad improves the image of and increases the knowledge of Ireland. It contributes to the marketing and promotional activities of CTT and those companies which are selling Irish products in foreign markets.

### Problems of Irish Tourism

The following are some of the major problems which must be faced by the Irish tourism industry:-

1. Firstly, tourism is highly seasonal with a high concentration of tourist arrivals and consumption of tourist services in the peak summer season in June, July and August. Bord Failte estimates that 49% of all overseas visitors arrive in that period. Thus there is substantial capacity under-utilisation in the hotel industry. Various attempts such as the stimulation of the conference visits and

the marketing of specialist holidays have been made to increase tourist arrivals in the off-season. These promotions must continue, and their appeal widened.

2. Secondly, the quality of our environment and natural resources has always been cited as a major attraction of Ireland. We must ensure that this remains so.

There is absolutely no conflict between the need to conserve our relatively unspoilt amenities and the pressing need for industrial development in Ireland. Most new factories are landscaped and add to the attractiveness of the environment. They are also fitted with the most modern anti-pollution equipment.

3. Thirdly, Ireland has a very high dependence on tourists who were born in or have relatives in Ireland. The following table shows that in a group of selected countries we have the highest dependence on such visits. The proportion of our tourists who come purely for holidays is among the lowest in the selected group of countries.

Table 4

BREAKDOWN OF ARRIVALS BY TRAVEL MOTIVE IN  
SOME EUROPEAN RECEIVING COUNTRIES

	Cyprus 1978	Turkey 1976	Ireland 1978	Spain 1978	France 1976	United Kingdom 1977	Portugal 1977
	%	%	%	%	%	%	%
Holidays	79.0	97.5	49.0	89.8	60.2	49.2	70.7
Business	11.5	0.5	18.0	4.7	12.4	17.4	13.8
Other(1)	9.5	2.0	33.0	5.5	27.4	33.4	15.5
Total	100	100	100	100	100	100	100

Source: European Tourism-Future Prospects 1980-1990

(1) Visits to friends and relatives, education, sports, etc.

In view of the decline in emigration which occurred in Ireland in the 1960's there may be a tendency for first generation tourism to decline although this might be offset by the increasing number of affluent second and third generation descendants of Irish immigrants coming on visits.

4. Fourthly, the industry has been characterised by low investment in tourist facilities particularly in recent years. If Ireland is to remain attractive in an international arena then investments in Hotels and other tourist facilities must be stepped up, and new products and services specifically for tourists must be developed.

#### Action Programme for 1981

The tourism industry is facing a difficult year in 1981 due to the international recession. These short term problems can be overcome by a combination of measures such as:-

- (a) Promote home holidays.

Irish people now spend over £200 million on visits abroad each year. Every £10 million of this spending retained in Ireland means 1000 jobs in the economy. A major promotional drive must be made to sell holidays in Ireland, and appropriate entertainment facilities provided.

- (b) Promote tourism from Northern Ireland.

The exceptional strengthening of sterling has made holidays in the Republic particularly attractive economically for visitors from Northern Ireland.

(c) Promote tourism from Britain

This too will be helped enormously by the strengthening of sterling. Early reports are encouraging but the effort must be sustained.

(d) Adopting a co-ordinated approach.

The tourism industry is an important industry. It contributes directly 4% of national income, and directly employs about 40,000 people. There are many sectors of industry depending on the development of tourism. All are interlinked. Tourist resorts and hotels can be showplaces for the best of Irish household products and food. Irish manufacturers can support local festivals and activities which promote the tourist attractions of their area.

It is everyone's interest that the tourism industry develops co-ordinated activities to create the conditions for growth. The Confederation of Irish Industry, for its part, gives its strong support to all efforts to promote and develop the industry.