

BUDGET 2020

Competitiveness and investment at a time of uncertainty

Supporting Ireland's largest
indigenous industry and
biggest regional employer

A SUBMISSION BY THE IRISH TOURISM
INDUSTRY CONFEDERATION



Improving Competitiveness

Ireland's tourism and hospitality sector is the largest indigenous industry and biggest regional employer the country has employing 270,000 people. After a number of strong years 2019 is far more challenging with latest available data from the CSO showing expenditure by overseas visitors down 4% with all markets in retreat with the exception of North America.

This period represents a key juncture for Irish tourism with Brexit, increased VAT, and damaged competitiveness all making trading conditions much more difficult for the 20,000 tourism and hospitality businesses throughout the country.

With Brexit set to be crystallised this year, now is the time in Budget 2020 to support this key industry and improve competitiveness by the following means:

1 Review the tourism VAT rate

The tourism VAT increase from 9% to 13.5% has meant an additional tax burden of €466 million on the tourism industry this year. Ireland now has a higher VAT rate than 27 countries in Europe, to improve competitiveness Ireland's tourism VAT rate needs to be urgently reviewed so that it is in line with European peers.

2 Reducing costs of business

Ireland is "a high cost, slowly increasing" economy according to the National Competitiveness Council and ITIC's recent report highlighted that the competitiveness of Irish tourism has been damaged in recent times by Government policy. With carbon taxes due to be increased, competitiveness must be improved in a number of ways and these include; VAT and insurance costs to be tackled; proposed commercial water rates increase should be deferred; local authority rates need to be reformed; excise taxes to be moderated and reviewed; apprenticeship and work permit regimes supported; and labour cost increases should be ameliorated by reform of income tax and adjustment of social insurance.

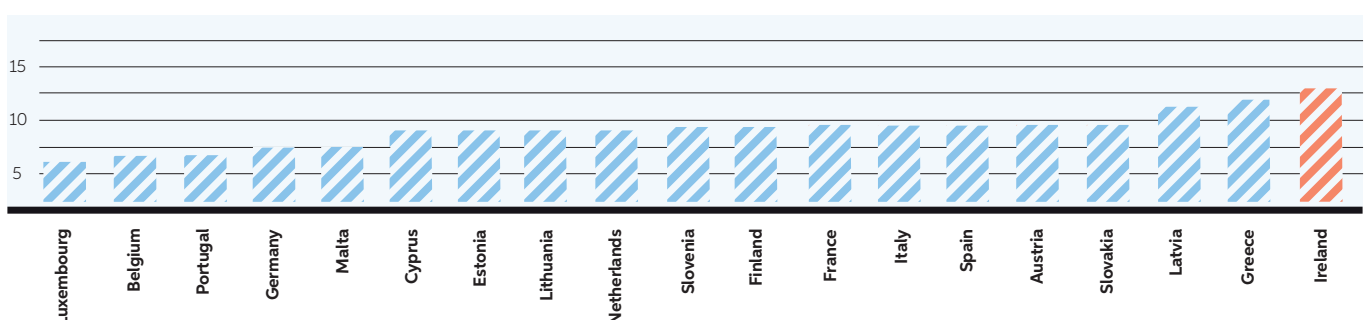
3 Insurance reform

Unsustainable insurance increases are placing a significant burden on tourism businesses and reform and a new book of quantum urgently needs to be fast tracked and expedited to lower premiums. Funding is required for the Garda Fraud Unit and greater transparency is needed on how premiums are calculated and cases settled.

€466m
additional tax burden on the tourism industry this year

Ireland has the highest tourism VAT rate across the eurozone

Source: Hotrec, pwc



Strategic Investment

Investing in Irish tourism is productive investment. Fáilte Ireland, the National Tourism Development Authority, estimate that 23c of every euro spent by a tourist is returned to the exchequer in direct tourism related taxes. Last year that equated to over €2 billion in tax receipts. With a weaker market and intense Brexit pressures now is the time for Government to increase its commitment to Irish tourism to support regional development, provide a market-diversification industry fund, and increase overseas marketing.

Government funding to Irish tourism of €169 million is only now at 2008 levels. That is a long decade of underinvestment. €30 million additional funding is required in Budget 2020 to support Irish tourism during this challenging period:

“State investment in tourism is productive investment. The industry returns over €2 billion to the exchequer in direct tourism related taxes”

1 Increased overseas marketing

The marketing of Ireland has been under-resourced for a number of years and Tourism Ireland's budget needs to be increased so that Ireland's profile as a holiday destination is elevated and enhanced worldwide. This is a key driver of visitor numbers and revenue and is an investment that reaps dividends for both tourism and trade flows.

2 A Brexit market diversification fund for industry

Other sectors of the economy (food, agri, exports, manufacturing) have specific industry funding to mitigate the impacts of Brexit. It is high time that similar support was rolled out for Ireland's tourism and hospitality sector. Fáilte Ireland estimate that a hard Brexit is set to cost Ireland's tourism industry €390 million. A fund for industry to draw down to allow it to market diversify and protect itself from Brexit is overdue and vital for a vulnerable sector.

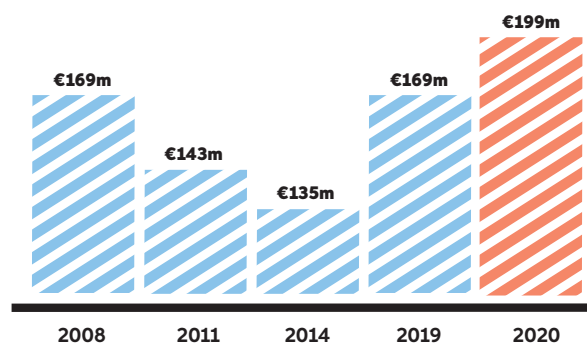
3 Increased product development funding

Developing new products of scale and international appeal is vital if Irish tourism is to continue offering visitors compelling and exciting things to see and do. The Irish tourism industry is already investing €2.5 billion over the next 3 years in product development but the state must play its role and up its commitment to tourism product development particularly in regional Ireland.

€30m
required extra funding for tourism budget

Government Funding for Tourism

Tourism funding must be improved in Budget 2020 to support regional Ireland



Tourism: Regional Ireland's key economic engine

At a time of great international uncertainty Irish tourism must be protected and supported.

Budget 2020 is a critical opportunity for the Government to prove its commitment to Irish tourism and support Ireland's largest indigenous industry and biggest regional employer. Pro-competitive policies and strategic investment is required more than ever as Ireland's tourism industry faces a challenging period.

Ireland's tourism industry can continue to deliver jobs, regional development and strong exchequer returns but only if growth is enabled by the right policies and investment decisions by Government.

ABOUT ITIC

The Irish Tourism Industry Confederation (ITIC) represents the leading tourism interests and businesses throughout the Republic of Ireland. Through independent research, analysis and interpretation ITIC aims to help the tourism sector realise its full potential.

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