

Jim Power Economics



TRENDS IN IRISH TOURISM

A report for Dublin Port Company Limited

February 2011

SECTION 1

RECENT TRENDS IN IRISH TOURISM

Economic Significance of Tourism

Since 2007 the growth dynamic of the Irish economy has changed in a significant way. The major drivers of growth since 2002, namely construction, financial services and the retail sector, have slowed dramatically and the Irish economy now faces a very challenging future. In this much changed economic environment, the focus of attention is increasingly focusing on indigenous sectors such as Agri-food and Tourism.

Tourism is a very important sector in the Irish economy and makes a very significant contribution to regional and national employment, tax revenues, the service export performance, and overall economic activity in general.

The most recent detailed data on the tourism sector relate to 2009.

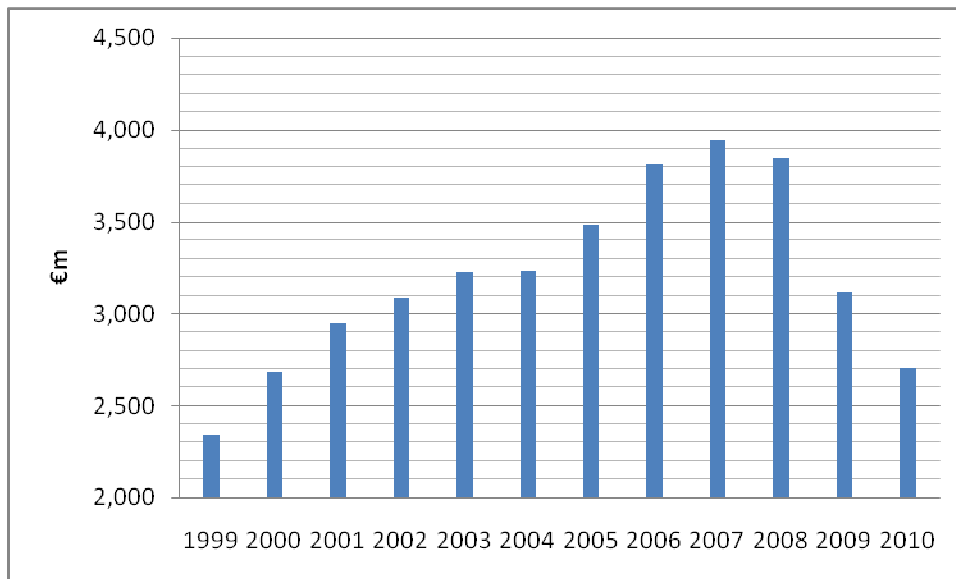
In 2009:

- Total out of state and domestic tourism expenditure totalled €5.3 billion, which is equivalent to 3.9 per cent of GNP;
- In gross value added terms – which is a measure of the contribution of a sector to the economy – tourism generated €3.6 billion in value added, equivalent to 2.5 per cent of total value added in the economy;
- Total foreign exchange earnings from tourism totalled €3.9 billion, which is equivalent to 2.6 per cent of total exports;
- Tax revenues generated directly from tourism totalled €1.3 billion, which is equivalent to 3.7 per cent of total tax revenues in 2009; and
- Employment in Accommodation & Food Service Activities stood at 123,300 in 2009, which is equivalent to 6.4 per cent of total employment. When account is taken of employment in the overall tourism and hospitality sector, including tourism service attractions, total employment stood at 191,747 in 2009.

Recent Trends in Tourism

While the tourism sector makes a very significant contribution to overall economic activity, it is currently experiencing difficult trading conditions, both in terms of tourism numbers and revenues. This report will consider trends in overseas tourism rather than the domestic element, as this is the element of activity that directly impacts on Dublin Port.

Chart 1 Overseas Tourist Revenue

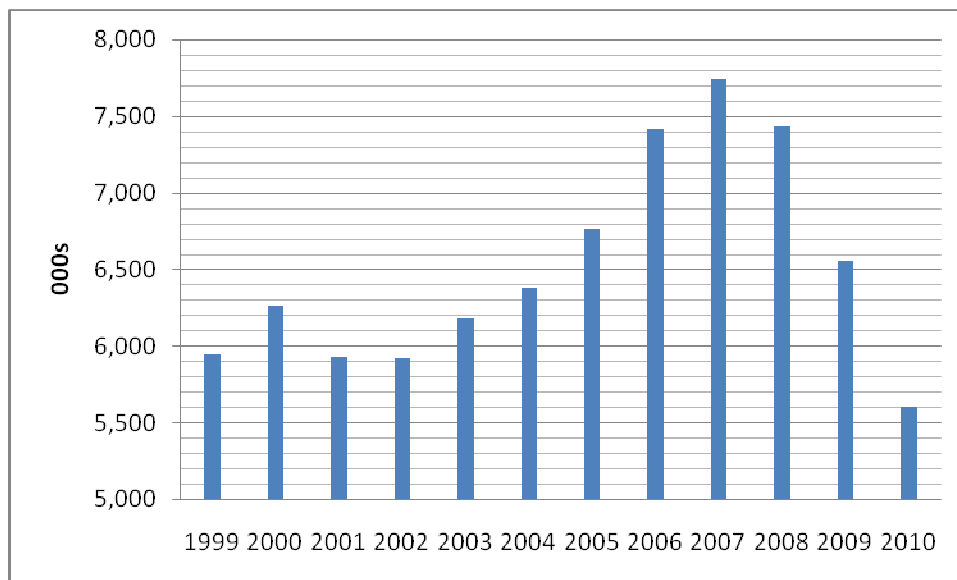


Source: Failte Ireland

Chart 1 shows the trend in overseas tourist revenue between 1999 and 2010. Total overseas revenues peaked in 2007 and subsequently fell back sharply. Overseas tourist earnings in 2010 reached the lowest level since 2000.

Chart 2 shows the trend in overseas tourist numbers between 1999 and 2010. Total overseas tourist numbers peaked in 2007 and subsequently fell back sharply. Overseas tourist numbers in 2010 reached the lowest level experienced between 1999 and 2010.

Chart 2
Overseas Tourist Numbers



Source: Failte Ireland

Preliminary data for 2010 suggest that total out of state and domestic tourism expenditure totalled €4.6 billion, a decline of 13 per cent on 2009. Foreign exchange earnings in 2010 are estimated at €3.3 billion. This represents a decline of 14 per cent on 2009 and represents a decline of 32.7 per cent on the peak year of 2007.

Table 1 provides a detailed breakdown of out of state revenues from tourism by source country between 2004 and 2010. All source markets have experienced a sharp decline in revenues, but the single most important market Britain, has experienced a decline of 38.1 per cent from the peak level of earnings achieved in 2007.

Table 1
Tourism Revenue

(€ mn)	2004	2005	2006	2007	2008	2009	2010e
Britain	1,276.1	1,274.2	1,372.4	1,387.3	1,348.5	1,034.6	859
Mainland Europe:	930.4	1,238.6	1,354.5	1,404.7	1,517.0	1,179.7	980
Of which							
<i>Germany</i>	<i>177.4</i>	<i>237.7</i>	<i>244.6</i>	<i>234.5</i>	<i>287.8</i>	<i>185.0</i>	<i>N/A</i>
<i>France</i>	<i>158.3</i>	<i>176.3</i>	<i>199.1</i>	<i>200.3</i>	<i>253.4</i>	<i>207.6</i>	<i>N/A</i>
<i>Italy</i>	<i>119.0</i>	<i>124.3</i>	<i>149.4</i>	<i>168.9</i>	<i>157.1</i>	<i>157.7</i>	<i>N/A</i>
<i>Netherlands</i>	<i>69.4</i>	<i>80.4</i>	<i>70.8</i>	<i>71.6</i>	<i>68.3</i>	<i>61.3</i>	<i>N/A</i>
<i>Other Europe</i>	<i>406.3</i>	<i>619.9</i>	<i>690.6</i>	<i>729.4</i>	<i>750.4</i>	<i>568.1</i>	<i>N/A</i>
North America	772.1	738.2	815.1	823.3	667.7	621.1	560
Other Overseas	256.3	235.9	267.1	329.3	315.8	279.4	304
Total Overseas	3,234.9	3,486.9	3,809.0	3,944.6	3,849.0	3,114.8	2,703
Northern Ireland	174.1	178.8	190.8	202.8	210.5	209.9	210
Total Out of State	3,409	3,665.7	3,999.8	4,147.4	4,059.5	3,324.7	2,913
Overseas Same-Day Revenue	22.0	23.3	30.3	28.6	35.5	30.3	N/A
Carrier Receipts	634.0	583.0	663.0	726.0	686.0	524.0	N/A
Total Foreign Exchange Earnings	4,065	4,272	4,693	4,902	4,781	3,879	3,300

Source: Failte Ireland & Own Estimates

Table 2**Visitor Numbers**

(000s)	2004	2005	2006	2007	2008	2009	2010e
Britain	3,526	3,640	3,821	3,776	3,579	3,031	2,485
Mainland Europe:	1,582	1,903	2,252	2,577	2,561	2,327	1,931
Of which							
Germany	298	402	417	436	456	408	N/A
France	297	310	360	394	412	390	N/A
Italy	186	190	248	265	232	276	N/A
Netherlands	151	157	155	155	151	134	N/A
Other Europe	650	844	1,073	1,327	1,310	1,119	N/A
North America	956	937	1,034	1,071	953	892	811
Other Overseas	319	284	310	316	343	306	373
Total Overseas	6,384	6,763	7,417	7,739	7,436	6,555	5,600
Northern Ireland	569	570	585	593	591	634	659
Total Out of State	6,953	7,333	8,002	8,332	8,026	7,189	6,259

Source: Failte Ireland

Table 2 provides a detailed breakdown of total out of state visitor numbers between 2004 and 2010. Total overseas visitor numbers peaked at 7.7 million in 2007 and then declined by 27.6 per cent in the three-year period to 2010. Tourist numbers from the most important market, Britain, declined by 35 per cent between 2006 and 2010.

Table 3**Breakdown of Overseas Visitors by Purpose of Visit**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Holiday	3,259	3,320	3,140	3,217	3,291	3,367	3,365	3,710	3,993	3,592	2,931
Friends/Relatives	1,464	1,576	1,568	1,609	1,727	1,794	2,108	2,297	2,237	2,238	2,289
Business	885	945	847	780	744	819	857	939	1,016	1,121	873
Other	337	338	284	316	416	404	433	469	492	486	462
Total	5,945	6,179	5,839	5,922	6,178	6,384	6,763	7,415	7,738	7,437	6,555

Source: Failte Ireland

Table 3 breaks down overseas visitors by purpose of visit between 1999 and 2009. The number of holiday makers peaked at 3.9 million in 2007 and declined by 26.6 per cent between 2007 and 2009, equivalent to an absolute decline of just over 1 million holidaymakers. Those visiting friends and relatives increased steadily over the period from 1999 to 2006 and have remained stable over the past four years. Holiday visitors accounted for 44.7 per cent of total overseas visitors in 2009. This stood at 54.8 per cent in 1999. Over the same period the percentage of those visiting friends and relatives increased from 24.6 per cent of total overseas visitors to 34.9 per cent of the total.

Table 4 provides a breakdown of how overseas visitors enter Ireland. In 2009, 12 per cent of visitors entered by sea route, which is equivalent to 786,200 visitors. In 1999, 27 per cent entered by sea route, equivalent to 1.6 million visitors.

Table 4**Route of Entry – Breakdown**

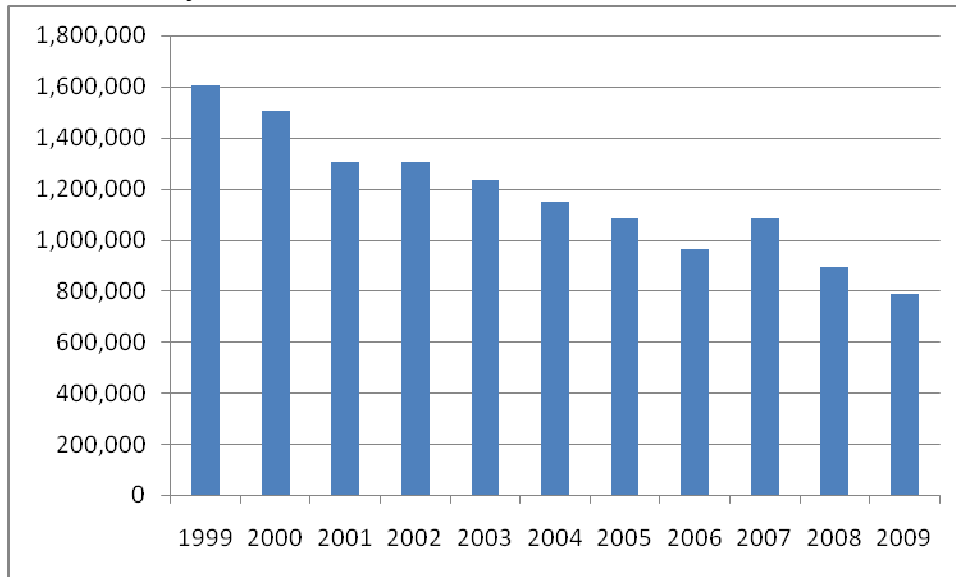
(%)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Britain-Sea	26	23	21	21	19	17	15	12	13	11	11
Mainland Europe – Sea	1	1	1	1	1	1	1	1	1	1	1
Mainland Europe – Air	17	18	19	19	19	21	24	28	32	34	36
Transatlantic – Air	8	9	9	9	10	10	9	8	9	8	9
Britain – Air	44	46	47	48	49	49	49	49	43	45	42
Via Northern Ireland	4	3	3	3	2	2	2	2	2	2	2

Source: Failte Ireland

Chart 3 shows the trend in absolute terms in sea entry by visitors into Ireland between 1999 and 2009. A clear downward trend has been established. This primarily reflects the establishment of numerous extra air access routes into Ireland at very competitive fares. In 2009, 10 per cent of holiday makers entered the country by sea, down from 34 per cent in 1999.

In 2009, 10 per cent of total visitors brought a car with them into Ireland. This percentage stood at 22 per cent in 1999. Not surprisingly, a greater percentage of visitors from Britain bring a car with them into Ireland. In 2009, 20 per cent of total visitors from Britain brought a car with them into Ireland. This is down from 32 per cent in 1999.

Chart 3
Route of Entry-Sea



Source: Failte Ireland

Dublin Port plays a key role in visitor related travel to and from Ireland. Table 5 breaks down vehicle traffic associated with tourism in and out of Ireland in 2009 by port.

Table 5

Visitor Related Vehicle Traffic by Port 2009

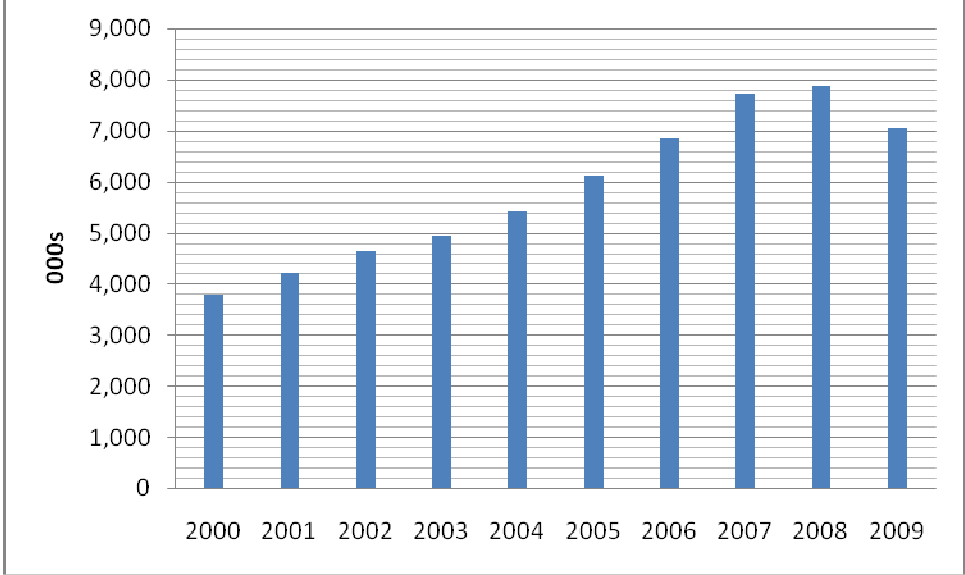
PASSENGER CARS,MOTOR CYCLES & ACCOMPANYING TRAILERS/CARAVANS			PASSENGER BUSES	
	Number	%	Number	%
TOTAL TRAFFIC	779,237	100.0%	57,556	100.0%
Cork	18,297	2.3%	158	0.3%
Dublin Port	372,147	47.8%	53,435	92.8%
Dun Laoghaire	97,979	12.6%	1,070	1.9%
Rosslare	290,814	37.3%	2,893	5.0%
TOTAL RECEIVED	395,331	100.0%	29,402	100.0%
Cork	9,299	2.4%	84	0.3%
Dublin Port	197,093	49.9%	27,467	93.4%
Dun Laoghaire	43,607	11.0%	387	1.3%
Rosslare	145,332	36.7%	1,464	5.0%
TOTAL FORWARDED	383,906	100.0%	28,154	100.0%
Cork	8,998	2.3%	74	0.3%
Dublin Port	175,054	45.6%	25,968	92.2%
Dun Laoghaire	54,372	14.2%	683	2.4%
Rosslare	145,482	37.9%	1,429	5.1%

Source: CSO, Statistics of Port Traffic 2009

Dublin Port accommodated 47.8 per cent of total passenger cars, motor cycles and accompanying trailers and caravans in and out of Ireland in 2009. It accounted for 49.9 per cent of inward traffic and 45.6 per cent of outward traffic.

Dublin Port accounted for 92.8 per cent of total passenger buses in and out of Ireland in 2009. It accounted for 93.4 per cent of inward traffic and 92.2 per cent of outward traffic.

Chart 4
OVERSEAS VISITS BY IRISH RESIDENTS



Source: CSO

Chart 4 shows the trend in overseas visits by Irish residents. Between 2000 and 2008 there was growth of 108.2 per cent, representing an absolute increase of 4.1 million. Due to the sharp downturn in the economy in 2009, there was a decline of 830,000 in the number of Irish people travelling abroad. A further decline is likely to have been seen in 2010.

Table 6 provides a breakdown of route of travel. There was a trend decline in those travelling by sea cross channel between 2000 and 2007, but in 2008 and 2009 there was a marked recovery.

Table 6

Visits Abroad by Irish Residents by Route of Travel

(000s)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Air Cross-Channel	1,577	1,670	1,825	1,825	1,982	2,215	2,252	2,356	2,468	2,365
Sea Cross-Channel	414	439	413	408	384	336	341	333	357	421
Continental Europe	1,550	1,864	2,190	2,438	2,735	3,205	3,867	4,583	4,533	3,859
Transatlantic	242	243	206	259	309	357	387	441	520	402
Total Overseas Visits	3,783	4,216	4,634	4,929	5,409	6,113	6,848	7,713	7,877	7,047

Source: CSO

SECTION 2

OUTLOOK FOR IRISH TOURISM

The Irish tourism industry is going through a very difficult period at the moment. In 2010 there were over two million fewer visitors coming to Ireland, compared to 2007. The downturn in overseas visitors to Ireland has been deeper than in any other European country. The worrying aspect is that there was a recovery in global tourism in 2010, but Ireland did not share in that recovery and in fact continued to decline. Overseas visitors to Ireland fell by 15 per cent in 2010, with British visitors declining by 18 per cent and accounted for almost half of the total decline in visitor numbers.

The sharp downturn in Irish overseas tourism is due to both cyclical and structural factors. The key cyclical factor is the global recession of 2008 and 2009, which saw a sharp rise in unemployment and considerable financial distress in many of Ireland's main tourism source markets. The key structural forces include a cutback in air access as some routes have been closed; the severe damage that has been done to Ireland's international reputation; and the perception that Ireland is a very expensive tourist destination.

In February 2011 a coalition of private tourism interests prepared a report¹ outlining a series of measures needed to revive the industry again. The key proposals included:

- Recover Ireland's damaged reputation around the world;
- Re-launch Ireland as a tourism destination;
- Capitalise on quality and value as Ireland regains competitiveness;
- Focus on winning a larger share of top overseas markets at a time of little growth in domestic demand;
- Get the marketing right;
- Sell to Ireland's strengths;
- Establish an Industry-led tourism recovery task force;
- Re-engineer tourism agency structures;
- Introduce a business loan guarantee scheme; and

¹ 'Tourism Opportunity – Driving Economic Renewal'

- Establish a high level inter-departmental working group.

These measures are short-term in nature and are designed as a possible solution to the immediate problems. However, some of the measures are more structural in nature and if implemented would enhance longer-term prospects for the tourism industry.

The report focused on re-building the tourism market in Britain, the United States, Germany and France. It suggested that on a best case scenario, total visitor number to Ireland could reach just over 8 million by 2015, which would represent an increase of 45 per cent on 2010 numbers.

The importance of tourism as a driver of employment, tax revenues and overall economic activity is now very well recognised in a very changed domestic economic environment. Consequently, it is likely that significant resources and effort will be directed at growing tourism into Ireland over the coming decade. The immediate task will be to reverse the trend decline that has emerged over the past three years and then try to grow the industry.

The percentage of visitors who enter by sea from Britain is now stabilising at 11 per cent having declined consistently from 26 per cent in 1999. From Mainland Europe it has remained very stable at 1 per cent over the past decade, and this is not likely to change, although the contraction in air access and a likely longer-term increase in air fares might contribute to some growth in sea access.

There has been significant growth in cruise liner holidays globally in recent years. Given Ireland's island status and research² which indicates that Ireland is a favoured location for Cruise liners represent a significant potential source of growth for Irish tourism over the next decade. The research findings show that Americans love Ireland as a cruise destination due to strong family links and an understanding of the Irish brand and the attractions. Dublin Port already plays an important role in cruise liner tourism and is a popular destination. It offers easy access to the capital city and its various attractions, and to other modes of transport. There is significant potential for this activity, particularly for shorter cruises and cruises in the middle of itinerary. However, investment will be required to improve the look of the port for disembarking and also to accommodate bigger cruise liners.

² Red C Cruise Liner Research, November 2010