



**BRITISH-IRISH
INTER-PARLIAMENTARY BODY**

**COMHLACHT IDIR-PHARLAIMINTEACH
NA BREATAINE AGUS NA hÉIREANN**

REPORT

from

COMMITTEE C (Economic & Social Affairs)

on

TOURISM

Context of the Enquiry

1. Committee C commenced its enquiry on Tourism with the broad objective of examining developments in the tourism industry in Ireland, both north and south, as well as the potential for increasing and developing the tourism market between Britain and Ireland. Following the cease-fires in Northern Ireland and the subsequent peace process which culminated in the Good Friday Agreement of April 1998, it was felt opportune that the Committee should look at the tourism sector, and in particular its development in those areas and regions where the industry had experienced considerable obstacles to growth largely as a result of the conflict.

2. The period of the enquiry, which was interrupted by general elections in both the UK and Ireland, saw some key developments which had an influence, both negative and positive, on the development and growth of the industry in Ireland. Under the North-South Ministerial Council established by the Good Friday Agreement, implementation bodies to promote greater economic co-operation and development, both north and south were established. In the tourism area, previous co-operation in marketing between the Irish Tourism Agency Bord Fáilte and the Northern Ireland Tourist Board was put on a more enhanced level by the decision of the North-South Ministerial Council to establish a new all-island body, Tourism Ireland whose remit would be to market the whole island of Ireland as a tourist destination on the international market. This body was formally established in 2002.

3. In addition to traditional support measures from government, the tourism industry in Ireland, and in particular cross-border tourism and initiatives, also benefited from the European Special Support Programme for Peace and Reconciliation (EUSPPR) which commenced in 1996 with the general objective of underpinning the peace process, and which in several programmes had a particular focus on cross-border development. Ongoing EU programmes such as LEADER and INTERREG are also a source of support and funding for tourism development. The International Fund for Ireland (IFI), created by the British and Irish governments in 1986, has been a major funding contributor to tourism development initiatives both north and south as well as to specifically north-south co-operative projects in the tourism area.

4. On the negative side, it is to be noted that the tragic events of September 11 2001 also occurred during the period of the enquiry. The aftermath of this tragedy has had global consequences in many sectors, including the international tourism market. As the Committee heard, one of the major challenges of the new all-Ireland tourism body, Tourism Ireland, in its initial period is to seek to mitigate the effect of these developments on the important US tourist input to the industry in Ireland.

Scope of the Enquiry

5. The Committee focussed its attention on certain specific aspects of the issue which it felt were important and relevant to the future growth of the industry and increased tourism flow, both in to Ireland, north and south. These aspects included

- development of tourism infrastructure, both north and south
- the particular efforts to renew and develop tourism growth in cross -border rural areas and in Northern Ireland in the post-conflict scenario
- marketing strategies for inward tourism to Ireland being followed by tourism agencies
- capacity of tourist travel infrastructure, including ports of entry and regional links

6. In the course of its enquiry the Committee held two meetings in Dublin, and one meeting in Belfast, to hear presentations and evidence from key professionals in the industry. The Committee also made a visit to the Shannon-Erne waterway area to assess at first hand a major initiative in the cross-border tourism sector, and also visited the Glens of Antrim area, one of the main tourism destinations in Northern Ireland. Details of meetings and visits, as well as persons and agencies who addressed the Committee, are given in Annex 1.

Conclusions

7. The Committee enquiry covered a wide range of issues relating to the development and promotion of tourism in Ireland, north and south, and between Ireland and Britain, over a three year period. The Committee would make the following observations by way of general conclusions in relation to the area of enquiry.

- a. It is clear that the conflict situation in Northern Ireland had posed serious constraints to the development and expansion of the tourism industry, and in particular in Northern Ireland and in the border areas between north and south. These constraints were in addition to the challenges facing the industry from an increasingly competitive and expanding global tourist market.
- b. The substantial level of co-operation between the tourism promotion bodies, Bord Fáilte Eireann (now Fáilte Eireann) and the Northern Ireland Tourist Board, to operate joint marketing strategies to promote the island of Ireland as a tourist destination, is an important initiative in counteracting these constraints to the benefit of the industry both north and south.
- c. In this context, the establishment of the new all-island tourism body, Tourism Ireland, under the framework of North-South co-operation established by the Good Friday Agreement , is an important and welcome outcome of the peace process. The Committee believes that this initiative is a key element in ensuring that the tourism industry, both north and south, is able to compete effectively, and develop growth in tourism on the island as a whole.

d. The support of both governments, as well as important financial support from EU programmes, the International Fund for Ireland (IFI), and other funding sources was a welcome and significant element in the success of these strategies.

e. The financial assistance from the EU and IFI which has been and continues to be targeted also at investment in tourism at the local as well as the regional level, particularly in regard to Northern Ireland and the border areas is particularly valuable. The investment in projects, including cross-border projects, at local level had also the added value of being integrated into a peace and reconciliation strategy which encouraged co-operation between communities to develop their tourism infrastructure for mutual benefit. The IFI investment, which was substantial, had also attracted a significant level of leveraged investment. The current EU Peace 11 programme, which includes assistance for local and regional tourism infrastructure and marketing is a valuable continuance of the aid provided under the Peace 1 programme.

f. In the post-conflict period, it is important for the development of the industry on the island as a whole, that investment in tourism infrastructure, particularly in less advantaged areas, be maintained in order to consolidate investment levels achieved in the 1990's. It is particularly important to ensure adequate investment levels are directed to the Border, Midlands and Mid-West (BMW), region, as well as within Northern Ireland, to redress the existing imbalance in the development of tourism infrastructure between these regions and other regions in Ireland.

g. It is equally important that joint marketing strategies continue to be developed and refined, to take account of changing consumer patterns on the global tourism market, and thereby ensure the competitiveness of the industry in Ireland. The Committee shares the view of the tourism promotion agencies that focus on specific event /sports tourism is an area of considerable potential for the industry. The holding of the Special Olympics in Ireland in 2003, for example, will be a substantive boost for the tourism industry.

h. As regards development of the domestic tourist infrastructure on the island of Ireland, the Committee noted that this was adequate in many sectors but that particular attention was needed to ensure that both access routes into Ireland, as well as access routes within Ireland regions, were kept under review to ensure both capacity to deal with increased tourism flow as well as a better spread of tourism volume throughout the island, north and south.

i. In this context, such a review should focus in particular on lesser developed areas. There were clear examples of flagship projects which underlined the importance of this approach. One is the Shannon-Erne Waterway project which is referred to in the body of this report. Another is the Lough Foyle Car

Ferry project, which in the first six months of operation carried almost 200,000 passengers and over 62000 vehicles. This project constitutes an import link in an access route which stretches from north-west Ireland through Northern Ireland to the west of Scotland. This important corridor could be further developed through both regional air access and the Lough Swilly car ferry project.

j. The tourism industry is clearly an important element in the economy, both north and south, which has great potential for expansion. The Committee has noted that the challenges facing the industry, particularly as regards competitiveness and quality of tourism product on offer to the global consumer, are well appreciated by the tourism promotion agencies, Tourism Ireland, Fáilte Eireann and the Northern Ireland Tourist Board. It is confident that these agencies are pursuing highly professional and focused strategies, particularly in the global marketing area, to ensure steady levels of growth in tourism in Ireland.

Report of the Enquiry

Cross-Border Initiatives

Shannon-Erne Waterway Project.

8. The Committee visited County Cavan in the border region and the Ballinamore - Ballyconnell Canal which forms part of the Shannon Erne Waterway. This waterway is regarded as a major flagship project in cross-border tourism co-operation. The Committee heard a presentation on the project from Mr. Alan Hill, marketing and development manager of Shannon-Erne Waterway Promotions. It also heard evidence from a representative of Bord Fáilte.

9. The concept of a canal, some 40 miles in length, linking the Shannon waterway in the south and the Erne waterway in the north dates from the 1840's when it would have resulted in the major transportation link for carriage of goods in Ireland. The Ballinamore and Ballyconnell canal opened in 1860 but by then the growth of carriage by rail had seen canal traffic in decline and it closed in 1869. The concept was revived in the 1990's when the International Fund for Ireland (IFI) committed itself to the project of restoring the canal as a leisure waterway and in the process creating the longest leisure navigation course in Europe. Work began in 1991 and was completed in 1994, with the canal reconstructed to modern standards but also retaining features of the old canal.

10. The cost of reconstruction was £ 30 million. The canal gives access to a 63 km area of lake, river and still water canal sections with 16 automated locks, 34 stone bridges and 6 fully serviced mooring areas. By linking the Shannon and Erne

waterways it has created a 750 km inland leisure waterway from north to south of the island.

11. The major outcomes of the project are

- the creation of the longest leisure navigation course in Europe thereby enhancing Ireland, both north and south as a centre for boating holidays
- attracting new tourism expenditure to a rural and disadvantaged border area
- creating a new partnership structure in cross border co-operation between governments, funding agencies, the management agency for the resource and local authorities and private sector involved in the tourism industry.

12. The economic benefit to the area from the waterway has been substantial, with an average annual visitor level of 14,700, accounting for an estimated tourism revenue for the region of I£ 7.7 million. This level of expenditure is able to sustain around 300 jobs in the area in addition to employment involved in the construction of new tourism infrastructure in the region. On average some 3,500 boats have used the waterway annually since 1994. The local boat hire industry has 20 companies offering a total fleet of around 800 boats. A study has indicated that the level of private sector investment attracted into the region of the waterway in the 1990's was approximately I£30 million, focussed mainly on boat hire locations, new and upgraded tourist accommodation and additional tourist facilities and attractions. Accommodation, restaurants, and new facilities to cater for increased tourist levels were issues on which investment promotion activities were concentrated. The need for good maintenance and management of the waterway to preserve its unique environmental attraction. Pricing was of course a vital factor in a keen competitive international market in the sector.

13. The Committee was given an assessment of some of the opportunities and challenges in regard to the future consolidation and success of the project. A particular strength of the initiative was that his company was a unique partnership involving funding agencies, the local tourism private sector and outside investors, with ownership of the project very much focussed on the local area and community. Marketing had centred on a unique global tourist product with high amenity and environment quality, ample fleet capacity well located, and the objective of creating high repeat business, including new business. Historically the German speaking market was a high dependence one for the boating leisure sector but the US, Scandinavian and Benelux markets, including tour operators as well as direct sell, were now being targeted.

14. There were challenges to address. The season was short but they had ambitions to extend it. Access to the region could be improved. Market diversification, as well as attracting customers of different age profile, was an objective. As there was little domestic market for the product, they intended to market the sector on a national

level also. Since the Committee visit, the role of Shannon-erne Waterways promotion has been subsumed into the new all-Ireland body, Waterways Ireland. In addition a Shannon -erne Waterways Chamber of Commerce, largely representing local tourism providers has been established. It has had some success in extending the tourism season in the area, largely through mixing the elements of the local tourism package, to include in addition to cruising, fishing, outdoor sports, music and culture and natural amenities. The chamber works closely with RTO's and is targeting a national and UK market rather than the international one as a priority for its diversified tourism product.

Cross-Border Co-operation -Overseas Tourism Marketing Initiative -OTMI

15. During its visit to County Cavan, the Committee also had a briefing from Ms. Pauline Daly of Bord Fáilte on an initiative by the tourism industry both north and south to develop a marketing strategy and programme for the whole island of Ireland. At the outset the initiative came from organisations within the tourism industry itself. With the expansion of the venture, both Bord Fáilte and the Northern Ireland Tourist Board joined with representatives in the industry, both north and south, to set up the Overseas Tourism Marketing Initiative (OTMI) in the form of a limited company. The initiative ran from 1994 to 2000 and attracted EU co-funding for its annual budget of around I£7 million. The core of the venture was to develop an annual consumer tourism marketing programme for the whole island, north and south. The programme was initially targeted at the north American tourist market but was later expanded to include the important markets of the UK, France and Germany.

16. OTMI activity involved producing tourism literature designed for specific markets, as well as the use of IT information services, in market promotion and activity to familiarise the local trade with the Ireland product and to promote it directly to the consumer. The total budget for these activities over the period of the initiative was I£40 million with the contribution of the Northern Ireland Tourist Board between £Stg.300,000 and 400,000 per annum, over 6 years.

17. The OTMI initiative also received substantive support from the EU Special Support Programme for Peace and Reconciliation (EUSSPPR) to support co-operation between the agencies in specific programmes. In 1996 joint submission for EU support was agreed for the Brand Ireland campaign on the British market - I£ 350,000; the Marketplace Activity programme on the European market - I£203,000, and a Border Town Marketing scheme-I£ 175,000. The Brand Ireland (UK market) and Marketplace Activity (Europe) programmes received further support in 1998 of I£ 304,885 and 225,191 respectively.

18. The Committee has noted that in respect of both the initiatives which were examined during this visit, both have been subsumed into more formal bodies with an expanded remit. The activities of the Shannon-erne Waterways Promotion agency have been subsumed into those of the new north-south implementation body , Waterways Ireland, which has the responsibility for the maintenance and

development of inland navigable waterways throughout the island. In the case of the OTMI initiative, the new all-Ireland tourism body, Tourism Ireland was formally established in 2001 with the core mandate of marketing Ireland on an all island basis as a tourist destination in all international markets.

Tourism Industry in Northern Ireland

19. The Committee visited Northern Ireland in January 2001 and met with officials from the Department of Enterprise, Trade and Investment (DETI) and representatives of the Northern Ireland Tourist Board (NITB). The latter indicated that the NITB was a non-departmental public body, which included representatives of industry and local government. Its funding resources were from government, the European Union, the International Fund for Ireland, and from additional sources.

20. The NITB had in recent years utilised the enthusiasm and knowledge of local authorities through the formation of Regional Tourist Organisations (RTO's) aimed at marketing tourism on a regional basis. This had the advantage of bringing together local government, local industry, funding from both private and public sectors, as well as the resources of the NITB, into a single venture for tourism promotion. In addition to marketing RTO's also provided advice and assistance to visitors. Among RTO's already established were the Belfast Visitor and Convention Bureau; Causeway Coast and Glens; Derry Visitor and Convention Bureau; Fermanagh Lakeland Tourism and the Kingdoms of Down Tourism.

21. Although tourism accounted for only 2% of GDP in Northern Ireland (compared to 4% in Britain and 7% in Republic of Ireland), the development of tourism was a key factor in the success of the Northern Ireland economy. In 1999, the increase in foreign visits was in the order of 12% on 1998. Accommodation levels had improved in the period since 1995 - hotel room capacity in Belfast had doubled and had increased by 30% on average throughout Northern Ireland in this period, with a concomitant significant increase in guesthouse and self-catering capacity. Both Northern Ireland and the Republic of Ireland were heavily dependent on visitors from Britain. Northern Ireland had along way to go to reach the levels of European and North American visitors that the Republic of Ireland was able to attract. There was a lack of tourist operators providing routes through Northern Ireland for visiting groups. This was a wasted opportunity as many groups visiting Dublin and other areas in the south might well appreciate the opportunity to visit parts of Northern Ireland. The problem was not one of access as the transport infrastructure was effective. It was more a problem of visitors' attitudes and perception in regard to Northern Ireland.

22. There were several issues raised by the tourist industry in northern Ireland with both the NITB and DETI. These included provision of support to companies building hotels. In some cases grants of 25% of construction costs were given, but no grants were available for hotels in Belfast on the grounds that supply was adequate. The industry had argued that government should do more to support hotel construction to help cater for the growing number of visitors to Northern Ireland. Other

problematic issues were the differential VAT rates between Northern Ireland and the Republic of Ireland, and the difference in exchange rates, both factors which worked in favour of the industry in the south. During its meeting with Bord Fáilte in Dublin in January 2003, the Committee was told that the VAT issue did not amount to a major problem.

23. As regards future development, efforts would continue to obtain a continuation of support from EU sources for tourism in Northern Ireland, including from the Peace II programme. Such aid would be targeted at specific sectors, and in particular rural tourism. The main objectives of the NITB in promoting growth would be a marketing strategy for Northern Ireland, a market focussed on tourism infrastructure development, and an enhanced investment programme aimed at providing more cultural and recreational/leisure facilities, more focus on sporting activities and the development of water-based holiday facilities.

24. The NITB welcomed the formation of the new all-island company Tourism Ireland Ltd with a mandate to market Ireland as a tourist destination on the international market on an all island basis. This would clearly lead to increased tourist numbers and revenue to both parts of the island. It would allow the NITB and Bord Fáilte to continue existing co-operation to market and promote tourism on a regional basis, with the new company dealing with overseas promotion.

International Fund for Ireland

25. The Committee had a meeting with Mr. William T Mc Carter, Chairman of the International Fund for Ireland who gave an overview of the IFI activities. Created in 1986 the IFI had committed over £400 million to more than 4000 projects in direct spending and had been associated with over £1 billion in leveraged investment. The majority of these funds had been directed at disadvantaged areas, largely benefiting economic and social development in Northern Ireland and in the border counties , north and south. Initially established and funded by the British and Irish governments , donors to the Fund now also included the USA ,Canada, New Zealand, and subsequently Australia and the European Union.

26. The Fund's twin aims were economic and social development at local level, and reconciliation and co-operation between both communities in Northern Ireland and between north and south. It took a hands-on approach, aiming to bring commercial and organisational expertise to local project initiatives. It often acted as an initiator by first funding particular programmes or areas and then establishing confidence and capacity which was able to attract investment and funding from other sources. As well as confidence building and establishing networks between communities at local level it also provided expertise and training to community leaders on the ground.

27. The IFI had been heavily involved in funding tourism initiatives at community level, often through reconstruction activities. To date it has provided in excess of £50 million to the sector including some 300 capital projects, with an employment

creation potential of some 3000 jobs. It has also been able to stimulate leverage investment of some £120 million into tourism. The IFI's tourism programme is targeted at three key areas, infrastructure investment(both accommodation and amenities), human resource development, and marketing. The programme budget for 2003 is £ Sterling 2.5 million for northern Ireland and £ Sterling 1.45 million for projects in the south of Ireland.

28. Mr. Carter gave an example of one project in Northern Ireland, the Causeway Gateway programme, which helped support the Giants Causeway area in north Antrim as a focal point for attracting tourism, through such measures as training of tour guides, provision of enhanced facilities for visitors, and a local marketing programme. The Committee was able to visit this area as part of its visit.

North-South Co-operation in Tourism

29. The Committee met in Dublin in March 2001 to hear a submission from tourism agencies on the framework and programmes of co-operation between Bord Fáilte and the Northern Ireland Tourist Board in their efforts to market Ireland north and south as a tourist destination for international visitors. The meeting was opportune as it allowed the committee to have an overview of the structure of co-operation to date prior to the establishment later in 2001 of the new body Tourism Ireland Ltd, and the consequent redefining of roles for Bord Fáilte and the Northern Ireland Tourist Board, an area which the Committee examined at its final meeting on its enquiry into tourism held in January 2003.

30. The Committee heard that there had been longstanding co-operation between the two tourism promotion agencies. In recent years this joint activity had centred around six main areas of co-operation, all of which had been in receipt of support and financial assistance from various outside agencies and organisations. The six areas of activity were:

- Assistance for joint activity from the International Fund for Ireland (IFI)
- the Tourism Brand Ireland initiative
- the Overseas Tourism Marketing Initiative (OTMI)
- Joint Programmes funded by the EU Special Support Programme for Peace and Reconciliation (PeaceI)
- the Ireland/Northern Ireland INTERREG II Programme
- the Gulliver programme.

Joint Activities -IFI

31. The focus of IFI funding was on Northern Ireland and the border counties. Approximately three quarters of IFI resources were expended in Northern Ireland

with the remainder being deployed in the south of Ireland. Bord Fáilte and the NITB undertook to jointly administer elements of the tourism programme of the IFI on behalf of the Fund. Many of these elements were in the form of joint marketing initiatives, involving in recent years in Britain, the USA, Europe, Australia and New Zealand. These activities had been enlarged to include marketing and trade promotion in selected European countries as well as into the far east market.

32. A detailed review of these joint marketing initiatives was undertaken in 1997 which showed that the programme was generating good results. This was a positive outcome given that the marketing of Ireland, north and south, during the period had to counter the negative impact of the conflict situation in Northern Ireland, with the internal difficulties that posed for the industry both in Northern Ireland and in the Republic of Ireland, in addition to having to compete against increasing and well resourced competition from other international tourist destinations for the global tourist market. As a result of the review of marketing activities, it was decided to switch focus in joint marketing to highlighting extended season opportunities as well as theme development, and specific area focus, in tourism products, such as the Causeway Gateway initiative referred to above.

Tourism Brand Ireland

33. This initiative reflected the need of the Irish tourist industry, both north and south, to respond through innovative marketing strategies to the changing and more sophisticated consumer market in international tourism. The TBI initiative aimed at developing a strategic consumer marketing approach was launched in November 1996, and involved close co-operation between Bord Fáilte, the NITB and the tourism industry. A twin focus of the initial programme was to develop a visual identity for Ireland as a tourist destination and to develop an advertising approach to deliver this identity to the consumer.

34. The Tourism Brand Ireland venture was a necessary and important response of the industry to a changing market, the underlying motif being "what got us to this point will not bring us forward". Patterns of competition had been changing, consumer tastes and attitudes had also been changing and the communication environment, and methods of selling the specific tourism product, had also changed significantly. There has been a substantive investment in the initiative, with the NITB contributing £500000 of total development costs of £3.5 million and Bord Fáilte's investment contribution running at around £10 million annually, largely in the media campaign.

Overseas Tourism Marketing Initiative (OTMI)

35. This initiative has already been referred to in this report in the context of the Committee's visit to Northern Ireland in January 2001. In additions to the two tourist agencies it had the support of the EU, the industry and governments. Concentrated on overseas marketing activities, it generated specific marketing campaign aimed to achieve maximum growth in particular markets. Its joint activities have laid the basis

for the expansion and concentration of marketing Ireland overseas under the new north-south agency, Tourism Ireland Ltd.

Joint Activities funded by EU Peace I Programme.

Brand Ireland

36. Among the joint activities which received funding support from the EU Peace I Programme were the marketing campaign Brand Ireland aimed at the British Market, the marketplace promotion programme aimed at European countries, and the Border Town Marketing scheme aimed at supporting urban based tourism in border areas.

37. The first phase of Brand Ireland targeted the market in Scotland and Northern England. Its objectives were to raise consumer awareness of holiday destinations, boost off-season business, stimulate the development of niche product areas, and in addition to enhancing co-operation between enterprises, north and south, seek a contribution level from the private sector of around £20,000-25,000. A review of phase one showed that most objectives had been realised. Consumer awareness was increased through a variety of advertising and promotion events both with consumers and the trade, which included trips for trade personnel. Feedback allowed modification and refinement of the image and identity of the tourism product as promoted. Off-season promotion concentrated on angling and golf tourism products and among niche products was the promotion of the British Open Golf Tournament. The private sector contribution to the programme was over £27,000 in kind plus £11500 raised in advertising sales.

38. Consumer feedback showed, on the positive side, that Ireland appealed as an activity destination, attractive to both families and to those without family commitments. Scenery and friendly welcomes were also a recurring theme in endorsements. On the downside, it was clear that there was a limited awareness of what Ireland had to offer, for some access, particularly time of journey was a problem, prices were regarded as high, and not surprisingly, there were negative views about the weather!

Marketplace Activity (Europe)

39. This promotion campaign was conducted in nine European countries. It aimed to generate consumer awareness and follow-up inquiries on Ireland as a tourist destination. It also focussed on tourism to border count regions, and involved generating visitor trips to twelve separate counties on the island. The various methods used included direct consumer marketing, as well as advertising and presence at tourist consumer fairs, trade marketing, publicity and PR, and tour operator familiarisation programmes. The guiding motif for this programme is that it is consumer led, both in activity and target.

Border Towns Initiative

40. This joint initiative was aimed at supporting the marketing of urban based tourism in the border regions(8 urban centres in the south and 7 in the north). Its objectives were to develop a set of cohesive marketing programmes for these centres which would enable them to increase the volume of foreign visitors, increase the level of visitor spend, assist in development new visitor markets and enhance cross-border co-operation, in both the public and private sectors, to maximise tourism growth in their respective regions.

Ireland/Northern Ireland INTERREG II Programme

41. Under this EU programme for the period 1994-1999 both Bord Fáilte and the NITB sat on the Joint working group on Tourism and jointly administer the tourism programme of INTERREG. In all 21 marketing projects were approved and supported under the programme. In addition to projects already mentioned in this report such as Tourism Brand Ireland and the Shannon-Erne Waterway, other marketing projects included Anglers Holidays, an Independent Hostels Co-operative for young visitors, the Millennium Lakeland Golf Classic, the Restaurant Association of Ireland, and the North West Air Access Consortium. This latter project is a public cross-border consortium jointly funded by both tourist agencies with programmes aimed to support air access and route development, joint marketing of travel opportunities and regional tourism products in the area. Funding is restricted to in-bound travel volume only and it had been estimated that the initiative had produced around 120000 passengers to the north-west region.

Gulliver Programme

42. The Gulliver Programme is an electronic information and reservation system for prospective visitors to Ireland both north and south, developed as a joint marketing support tool. It received start-up assistance from the International Fund for Ireland. It functions as a private company established by Bord Fáilte and the Northern Ireland Tourist Board and FEXCO , a financial services company based in County Kerry which was the successful bidder when the tender was issued for sale. It has a distribution channel with over 16000 items, an award-winning web-site, an international call centre servicing Britain, Ireland, France, USA,Germany,Italy, Spain,and Switzerland and also services Bord Fáilte inquiries. The web-site has a hot link to the NITB. It offers an all-island reservation service , based on approved or registered accommodation only, to the service area and employs around 50 staff.

The New Framework for Irish Tourism -North and South

43. The Committee held its final meeting in its enquiry on Tourism in Dublin in January 2003. It was appropriate that the Committee heard a presentation from Mr. Paul O'Toole, the Chief Executive of the newly established company, Tourism Ireland Ltd, whose mandate involves the consolidation in a single agency of many of the activities and programmes of north-south co-operation between Bord -Fáilte and the Northern Ireland Tourist Board, which were the subject of the substantial volume of evidence given to the Committee since it began its enquiry in 2000. The Committee

also heard a presentation from Mr. Ciarán Tuite of Bord Fáilte, on the new role for this agency, and the NITB, with the new dispensation in regard to the promotion and marketing of tourism within Ireland.

Tourism Ireland Ltd.

44. Tourism Ireland (TI) is the outcome of the framework for co-operation established under the North-South Ministerial Council, one of the institutions established under the Good Friday agreement of April 1998. Its mandate is to promote the growth of tourism to the island of Ireland and to support Northern Ireland to realise its potential in tourism. It has the twin role of marketing the island of Ireland as a tourist destination in all overseas markets and also undertaking product and regional marketing campaigns on behalf of Bord Fáilte and the NITB. The goals set for TI have been agreed by the North-South Ministerial Council. These are growth in the tourism business to the island of Ireland of 5% per annum over the next three years, compared to a similar objective of 4% on the part of European countries. A further goal is to support Northern Ireland to realise its potential in the sector, and the target here is a growth rate of 3% per annum, which would involve a faster rate than the average for the whole island. This goal could be achieved with a 1% shift in market share between north and south. A 1% shift would be equivalent to a 10% increase in the leisure market income in Northern Ireland.

45. The organisational structure of TI reflects its unique role. It has a board of 12 members, drawn equally from Northern Ireland and the Republic of Ireland with board members reflecting a variety of commercial and tourist interest groups. The Chief Executive oversees an operational structure of three divisions, Markets and Customer Relations, Corporate Services, and Marketing. The head office is divided between Coleraine and Dublin, with a staff of 48. The overseas representation has a staff of 100, with offices in 14 cities, staff in 4 others and sales agents in an additional 6 cities. The staffing levels of TI are currently under review. The present staff of 148 is comprised of 91 persons from Bord Fáilte, 21 from the NITB and 36 new recruits, which Mr. O'Toole described as a good mix of the old and the new.

46. The core budget of TI is Euro 50 million, 29 million for marketing and 21 million for operations. The marketing budget is funded by the Irish Government and the NI Executive on a 2:1 basis. In addition to the core budget, it is estimated that supplementary funds of E 5 million will be available from both tourist boards for specific programmes and it is anticipated that a E2 million trade contribution will be available for the provision of specific international platforms for tourism products.

General Marketing Strategy

47. TI was set up in 2001 and began its first all-Ireland marketing programme on 1 January 2002. The merging of the operations of Bord Fáilte and NITB overseas was accomplished smoothly, whilst maintaining a service to the sector. Tourism Ireland leads on promoting Irish tourism on the international market, and Bord Fáilte and the NITB lead on Ireland based tourism. TI also manages the Tourism Marketing

Partnership in Ireland and overseas which gives the industry itself a role in strategy and planning, and also involves working with foreign and domestic airlines to encourage inward tourism. At present there are marketing campaigns in 42 countries, 16 being full campaign and the rest limited campaigns "to test the market". TI's strategy recognises that 80% of tourist business in Ireland originates in 4 countries -the UK USA France and Germany, a further 11% in Italy Netherlands Australia and Canada, and the remaining 9% in the rest of the world. Focus is therefore on the 8 major countries where the bulk of the marketing budget of E29 million is spent. It is also recognised that Ireland is not and never will be a mass tourism market. The marketing approach is therefore to identify Ireland's "best-prospect" tourism products, promote them through top class materials, and have good market intelligence to allow continuing assessment of progress and difficulties.

Marketing Northern Ireland.

48. TI has a mandate to be pro-active on developing foreign tourism growth in Northern Ireland. The marketing theme is "the island of Ireland", with NI being highlighted in many more "shop windows" on the international markets, through brochures, interaction with travel agents and use of Internet. Increased exposure to the international trade will be achieved through visits of 1200 journalists in 2003, including to NI and to border areas. Mr. O'Toole stressed that such marketing was "best value" if it succeeded in getting the foreign media speaking well of the Irish tourism product. TI continued to work with the NITB to present the product in new ways which counter-acted the negative image of NI which was still unfortunately a perception on the global market. This would be a long term and slow build strategy in the future. The key was to present a positive and quality product to the tourist, through improved infrastructure, rather than saying that NI is safe and secure. TI were also looking for a better spread of access to Ireland, particularly from the UK market. At present 70% of tourist access was through Dublin and 30% through other locations in the south, Belfast and Derry.

Air Access

49. Northern Ireland has three major airports, Belfast International, Belfast City (both privately owned) and City of Derry airport, which have stated they are fully capable of dealing with any short term increase in passenger levels. Belfast International had 3.7 million passengers in 2001, with domestic scheduled flights accounting for around 72% of this traffic, and the remaining by international charter(22%) and international scheduled (6%) flights. Belfast City airport, with a terminal capacity of 2.2 million passengers per annum, had around 1.7 million passengers in the same year. It operates domestic UK routes with almost half the traffic in business travellers.

Challenges for the Tourism Sector

50. In the short term, the current uncertain global economic and political environment would heavily damage consumer confidence in travel. Decisions on

travel will not be taken in this climate. Post September 11, 20% of all US airline seats were lost. The industry will be hit and it is generally felt that it will take two years to recover to present position. There are other global challenges specific to the industry. Competition is more widespread and intense, particularly as regards pricing and marketing. Tourism inflation is happening and in the case of Ireland, where people have to spend more, the key is to ensure that the product on offer is good value for the money, and not to try and market Ireland as a cheap destination. TI would also concentrate on developing an effective communications strategy for marketing Ireland.

51. Longer term challenges involved several key issues. Competitiveness of the industry had to be assessed and a review was underway by both the Irish government and the NI Executive, prior to its suspension. Product quality had to be maintained to meet and if possible exceed customer expectation and although there were difficulties here, the situation was not critical. Investment in the industry had to be maintained also. The 1990's had seen a large wave of investment, but this needs renewing. However with rising costs and lower profit levels the investment level in the sector was being squeezed. A further challenge was to develop new markets as well as re-invigorating existing ones. Special efforts were being focussed at present on Canada and Spain as potential growth markets for inward tourism.

52. Despite considerable global constraints and challenges, Mr. O'Toole did not view the situation too negatively. In 2002, the industry had survived a difficult year and it was expected that volume would show and increase, although revenue and profits would be lower than 2001. The 2003 outlook, although problematic, had some positive indicators. 2002 has shown that effective marketing had worked despite the global downswing. Both the Irish and British tourism agencies had gone into the market, particularly the US market, with extra investment despite extremely negative prospects and had gained results. The message was clear that effective marketing, consumer led and professionally managed and implemented, held out the prospect of steady growth for the tourism sector in Ireland. He believed TI was up to the challenge.

53. Regional air access was difficult to sustain even though it held out potential for increased growth in regional tourism, including the sports sector, and in particular from the UK market. There was no economic argument to justify subsidies for regional operators but possibly a social one. As regards the marketing image of "the island of Ireland" Mr. O'Toole did not think this would disadvantage growth of tourism in Northern Ireland. He agreed it was difficult to judge but the NITB were happy with both the image and the brand being promoted by TI. They had to "think the consumer" and give information on the product, the message being come here and you'll have a good time! On marketing through website, Mr. O'Toole explained they were developing a hybrid web site to accommodate both the big international operators, who were important, as well as the smaller players. The objective was to make it the website of choice for information on Ireland.

Bord Fáilte

54. The Committee also heard a presentation from Mr. Ciarán Tuite, acting General Manager for Enterprise Support in Bord Fáilte. Following the establishment of Tourism Ireland, BF had a distinct but integrated role with TI in marketing in Ireland, which also included assisting individual enterprises to develop and go into foreign markets. BF also now had responsibility for CERT, the agency for professional training and management development in all areas of the tourism sectors. It had a particular focus on product development and marketing in specific sectors such as golf and sporting events. The marketing budget of Euro 20 million in 2003 would see 6.3 m go to sports tourism and event marketing, 4 m to product marketing, 2 m for promotion on the domestic market and 3.4m for promotion of regional festivals and events.

Marketing Strategy

55. Research indicated there had to be a concentration on special interest holidays. Of the 6 million visitors to Ireland annually around 1 million wanted such a holiday, and the industry had to develop this sector. BF worked with SME's in marketing and product development in this area. BF would heavily market sports events, some 13 major ones in 2003. Getting international sports personalities into Ireland for such events was an important tool in breaking into certain foreign markets for add-on tourism. Regional festivals and special events were also an important element in their strategy as these were able to spread the economic benefit from tourism into the regions, and give them more profile. BF also worked closely with SME's and tourism operators to develop quality and profile for this sector, and introducing the events to the international tourist trade.

56. BF also worked closely with the industry to develop capacity in the Border and Mid-West regions which were eligible for funding support under EU schemes, as well as National development Programmes, and also were assisted by sources such as the International Fund for Ireland (IFI)

57. The domestic market in Ireland was vital for the trade as it was less seasonal. An increasing volume of visitors to Ireland were on shorter second holidays or short breaks and the short break market was also important for domestic tourism. Effective marketing was a key to the development of this sector and the attraction of new business. However price was also an important factor as this sector had to compete with foreign competition offering low fares to cheaper destinations. The introduction of the Euro had a positive effect in allowing greater price transparency.

Constraints

58. The outcome in the sector for 2002 showed a mixed picture. The hotel and self-catering sector was good but guesthouses revenue was down. Car rentals, coach tours and special attractions were also down, and a large part of this is attributable to the fall-off in the US market. However speciality areas such as golf, angling and equestrian activity all showed an increase. The major factors of concern to the

tourism sector were staffing resources due to a tight labour market, rising insurance costs, and generally higher overheads.

59. On the difference in VAT rates north and south Mr. Tuite agreed it had an impact favourable to the south but that the rates were not dramatically different. It was not a major differential. Pricing was important. Prices had risen but were not a critical factors. Eating out costs has risen significantly but accommodation pricing was still competitive, on a par with France and Benelux and better than Germany. It was important to remember that Ireland was not a mass tourist market, our competitors were the northern European region and we were still price competitive with them. He agreed costs would have to be kept under control in a highly competitive global market. In regard to lost US tourism business, he believed this market was very cyclical in direct relation to international tensions but that it would return. There was also a more sophisticated US traveller group who did travel and was not price sensitive. The response to cyclical trends was to have a strategy of non-overdependence on one market, however important.

60. The Committee believed that efforts were required to ensure greater investment in tourism and development of tourist volume in the border counties area, as well as Northern Ireland. Mr. Tuite agreed that both tourist bodies aimed to work closely with the industry in these areas to develop an integrated corporate approach to tourism growth, which would improve facilities on offer without involving duplication in the region. There have been good levels of investment in the area and it was important to try and maintain and upgrade these even in time of strained resources. There were constraints on what BF could do. It was precluded from giving grant aid at micro level, this was for the Regional tourism boards. It was not allowed, under EU rules, to subsidise accommodation. They were actively encouraging tour operators, through marketing and promotional efforts, to extend their operations into border areas. However they could not decide for them and to a large extent , they went where there were good earnings. BF role was to focus them on what was available. There was also potential in this region for attracting the growing independent traveller sector, although tour operators remained an important group, even if less so than 5 years ago. Another constraint was that there were hardly any domestic tour operators left in the market, with much of the business owned by multinationals.

Training

61. As regards the matter area of training in the industry, BF was now responsible for managing CERT, the training agency for the tourist industry established by the Irish Government some 20 years ago. CERT has two major hotel schools as well as a network of other training centres. Cert also acts as a contact point for foreign workers coming into the domestic industry and facilitates their entry to the market. BF are focussing also on attracting women workers back to work into the industry. In addition to the CERT structure, major operators in the industry also have training programmes for young people wishing to work in the industry.

Written Evidence

62. The Committee enquiry also received written submission on aspects of the development of tourism in Ireland and , north and south, as well as aspects of tourism flow between Ireland and Britain. Information was provided by the Department of Enterprise, Trade and Investment (DETI) in Northern Ireland, from the Translink Company in Northern Ireland, from the Development Department of the Scottish Executive, and from the Air and Sea Ports division of the Department for Regional Development in Northern Ireland. These written submissions are appended to this report.

APPENDIX 1

Members visiting County Cavan on 17/18 July 2000

Andrew Boylan TD
Joe Benton MP
Jeff Ennis MP
Maria Fyfe MP
Cecilia Keaveney TD
Seamus Kirk TD (Chairman)
William O'Brien MP (Co-Chairman)
Brian O'Shea TD
Brendan Smith TD

Members visiting Northern Ireland on 17/18 January 2001

Andrew Boylan TD
Jeff Ennis MP
Cecilia Keaveney TD
Seamus Kirk TD (Chairman)
Rt Hon Sir Brian Mawhinney MP
William O'Brien MP (Co-Chairman)
Brian O'Shea TD
Brendan Smith TD

Meeting in Dublin on 27 March 2001

Andrew Boylan TD
Jeff Ennis MP
Cecilia Keaveney TD
Seamus Kirk TD (Chairman)
Rt Hon Sir Brian Mawhinney MP
William O'Brien MP (Co-Chairman)
Brian O'Shea TD
Brendan Smith TD

Meeting in Dublin on 20 January 2003

Mr. Harry Barnes MP
Mr. Jerry Cowley TD
Mr. Seymour Crawford TD
Mr. Jimmy Devins TD
Mr. John Ellis TD
Mr Seamus Kirk TD (Chairman)
Mr Andrew McKay MP
Mr William O'Brien MP(Co-Chairman)
Mr. Robert Walter MP

Meeting in Dublin on 27 February 2003

Mr. Harry Barnes MP
Mr. Jerry Cowley TD
Mr. Jimmy Devins TD
Mr. John Ellis TD
Mr Seamus Kirk TD (Chairman)
Mr William O'Brien MP(Co-Chairman)
Mr. Robert Walter MP

Witnesses who met the Committee

Co.Cavan 17/18 July 2000

Mr. John Martin and Mr. Joe Gillespie of Waterways Ireland
Mr. Alan Hill, Shannon-Erne Waterway Promotions Ltd
Ms. Pauline Daly, Bord Fáilte Éireann

Belfast. Northern Ireland 17/18 January 2001

Officials of the Department of Enterprise , Trade and Employment (DETI)
Representative of the Northern Ireland Tourist Board (NITB)
Dame Mary Peters, Deputy Chairperson NITB
William T Mc Carter, Chairman, International Fund for Ireland.

Dublin. 27 March 2001

Officials of the Department of Tourism, Sport and Recreation
Representative of Bord Fáilte Éireann
Dr. Noel O'Connor, Head of Tourism Faculty, Dublin Institute of Technology

Dublin. 20 January 2003.

Mr. Ciarán Tuite, Acting General Manager for Enterprise Support, Bord Fáilte
Mr. Paul O'Toole, Chief Executive Officer, Tourism Ireland Ltd.

