

# **DUBLIN ECONOMICS WORKSHOP**

Limerick: 18 – 20 October 2013

## **TOURISM POLICY IN IRELAND**

*Time for Structural Change?*

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## PROLOGUE

*Two roads diverged in a wood, and I  
I took the one less travelled by  
And that has made all the difference.*

Robert Frost

Robert Frost's famous triplet can be seen narrowly as personal vindication, as a poet, in his choice of an unpopular but ultimately more rewarding journey through life. More generally it examines a reflection point, or tipping point for individuals or organisations where they choose between ambitious goals which are difficult to achieve and less worthwhile goals whose realisation may require less effort.

For our purposes today, the "I" above is Daniel Morrissey T.D., Minister for Industry and Commerce in the Inter-party Government of 1948 – 51. In 1949 he had established the framework for industrial promotion policy by setting up the Industrial Development Authority. Fianna Fail had strongly opposed the setting up of the IDA. Morrissey outlined his policy for tourism in a "Memorandum for Government" on February 2<sup>nd</sup> 1951. Its key features comprised a Department of Tourism focussing on Policy, a single National Tourism Organisation<sup>1</sup> and independent Local Tourism Bodies with responsibility for local tourism development and promotion.

It is clear from the Memorandum that the Minister saw the role of the Department as policy formulation, establishing targets for the Irish Tourist Board (ITB) and providing adequate funding. The Memorandum says that the ITB should be provided with sufficient funds to enable them "to pursue a well-defined programme" and "to be in a position to undertake a programme of development without the need for continuous consultation with Government Departments".

The Minister wanted to establish the ITB as the "one authority responsible for all national tourist propaganda". This, however, involved abolishing the Irish Tourist Association (ITA) which had been established in 1924 and which controlled the tourist information offices.

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<sup>1</sup> With Exchequer funding of a total of £500,000 for four years to cover its operating costs and overseas promotion and a further £500,000 for incentive grants, part-funded from the American Grant Counterpart Special Account (Marshall Aid).

The ITA was a politically powerful organisation. All the local authorities were members of the ITA and contributed finance to it. The Manager of the ITA was J.P. O'Brien, a Civil War colleague of Sean Lemass. The ITB had been providing funding to the ITA<sup>2</sup> to operate tourist offices and carry out international promotion. Minister Morrissey decided that the ITB should discontinue its funding of the ITA and believed that this would force the ITA to hand over its role to the ITB.

The ITA opposed the establishment of local tourism companies to protect its local funding. Minister Morrissey planned to use Sligo Tourist Development Association Ltd (STDA) as the model for local tourism development. STDA was set up by Sligo Corporation and business and community leaders in Sligo in 1951 and the Minister promised that STDA would be given a "Certificate of Approval" which would allow the local authorities to provide funding to it.

On February 14<sup>th</sup> 1951 Minister Morrissey moved the First Stage of the Tourist Traffic (Amendment) Bill, 1951, but the Bill did not progress. Within weeks, the resignation of Dr Noel Browne over the "Mother and Child Scheme" led to the collapse of the Government and the return of Sean Lemass as Minister with responsibility for tourism. Lemass rejected all of Morrissey's ideas, set up a second state tourism organisation, Fogra Failte, where he placed JP O'Brien as Executive Chairman with an annual salary of £1,200, and blocked the development of local tourism bodies.

It could well be argued that current tourism policy owes little to the ideas and actions of post WW2 Governments. But it is extraordinary how some of the tourism issues of that time, still have currency. For example, in reply to a Dail question of 10<sup>th</sup> March 1949, Minister Morrissey announced that the ITB's hotels were to be sold

*"because (Government) does not consider it to be any part of its functions to provide State funds for the acquisition and operation of hotels"*

His questioner, Deputy Bartley, quickly followed on by asking

*"if this principle of the Government's not interfering in hotel business will be applied in respect of other business activities such, for instance, as the manufacture of sugar, the provision of electricity, transport etc."*

The Ceann Comhairle disallowed this supplementary.

Ireland's post WW2 economy faced two roads. Dan Morrissey placed the IDA on the road less travelled - the difficult, but correct one, if one wanted to make a difference. The Failte Ireland road easily accommodated Sean Lemass' short-term political

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<sup>2</sup> In 1948 the ITB provided the ITA with funding of £15,271. This was almost half of the ITB's own spending on wages, salaries and consultants' fees.

gainsmanship, but it led nowhere. Partly because of their different structures and the different DNA's of their respective Boards and executives, Ireland's industrial promotion and tourist promotion agencies have become, respectively best-in-class and worst-in-class. There was no inevitability about either of these outcomes over a 60 year period. But it holds out the hope that, with a proper structure and with mission-focussed and mission-capable managements and Boards, the Irish tourism authorities could come a lot closer to the standards of excellence displayed by the industrial promotion authorities.

## I. TOURISM'S POTENTIAL CONTRIBUTION TO RECOVERY

The tourism sector has the potential to make a significant contribution to a recovery in the Irish economy due in part to its size, its high multipliers and (after re-structuring) its low to medium dependence on Exchequer funding.

Table 1. Sectoral Beauty Parade of Employment

Sector	Employment Q2 2013 000's	Wage Multiplier	Job sustainability Medium-term
<b>Agriculture</b> etc.	103.4	0.17	Medium/High
<b>Industry</b> total	238.4	n.a.	High
Examples of which			
• Food/Drink/Tob.	n.a.	0.20	High
• Pharma/Chem.	n.a.	0.07	High
• Mach./Computers	n.a.	0.05	Medium
<b>Construction</b>	102.7	0.42	Low/Medium
<b>Wholesale/retail</b>	271.5	0.31 – 0.48	Low/Medium
<b>Hotels/restaurants</b>	129.6	0.34	Low/Medium
<b>Education</b>	150.3	0.82	Low
<b>Health</b>	244.6	0.66	Low

Employment totals are taken from the CSO's National Household Survey, Q2 of 2013, while wage multipliers are taken from the CSO's 2005 Input-Output tables. Job sustainability is ranked High/Medium/Low: jobs requiring continued injections of public funds are deemed to have low sustainability (in present circumstances), while export-dependent jobs in industry and agriculture are, in aggregate (after allowing for firm failures) considered to be highly sustainable.

While recognising that long-term sustainable jobs in the economy depend on exports of industrial and agricultural goods and services, the problem is that an extra €1 of demand in these sectors gives a very weak stimulus to employment – with wage multipliers varying from 0.05 in Machinery/Computers to a modest 0.2 in Food/Drink/Tobacco.

If public funding was not a constraint (as, for example, in Venezuela), very high wage multipliers in Education and Health would direct spending to those sectors.

However, in Ireland's case, the best combination of high wage multipliers and moderate job sustainability occur in the major employment sectors of Construction, Wholesale/Retail and Hotels/Restaurants (the closest proxy for Tourism). In policy terms, this devolves to stimuli to the Construction and Tourism sectors. The sustainability of jobs within construction is low for areas dependent on the Public Capital Programme (schools, hospitals, roads, sewers etc.) and medium at best for areas dependent on private financing (houses, offices, shops etc.). Job sustainability in Irish tourism is also medium at best, as foreign tourists to Ireland have very low return rates, compared to tourists visiting other European destinations: in the past this has been countered by relatively high levels of promotion by the Irish tourism authorities. In summary, the tourism sector is worth examining to see whether an increase in tourist numbers can be combined with a reduction in Exchequer outlays on tourism.

## II. THE PERFORMANCE OF IRISH TOURISM 1985 - 2012

How one should analyse the performance of Irish tourism is a matter of judgement. However, an earlier study<sup>3</sup> suggested that tourist volumes, prices/costs, competitors and structure were significant.

### II.1. Tourist Volumes:

In 2012, 6.5m. Overseas Visitors i.e. people normally resident abroad, visited Ireland. This is the figure usually attributed to Irish tourism in Failte Ireland documents. However, if one strips away those overseas visitors coming on Business or coming to visit Friends or Relations, the number of actual Tourists coming to Ireland for Holiday/Leisure/Recreation falls to 2.8m. in 2012. Harking back to Morrissey's time, Ireland had as many Overseas Visitors during the early 1950's as Spain. However the post World War II explosion in sun holidays meant that by 1980 Spain had 23m. Overseas Visitors, compared to Ireland's 1.7m.

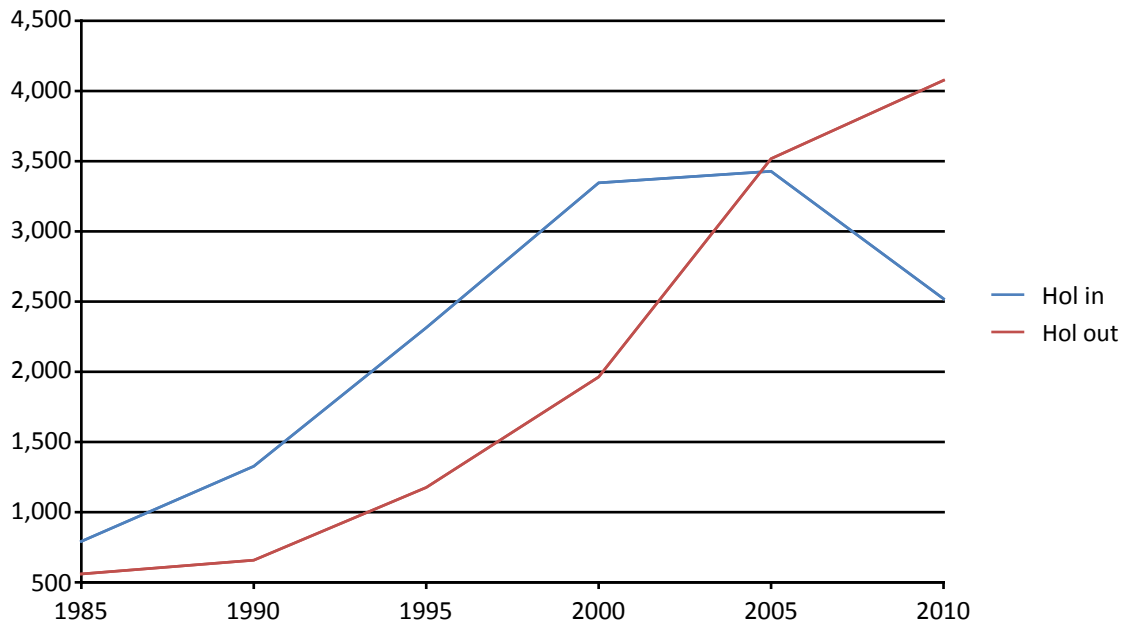
Chart 1 outlines tourist numbers entering and exiting Ireland from 1985 – 2012.

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<sup>3</sup> Casey, J., O'Rourke, F., (2001) *Rejuvenating Dublin's Tourism Product*. [www.dcba.ie](http://www.dcba.ie)

## Chart 1

### Overseas Holiday Visitors Into and Out of Ireland, 1985 to 2012 in millions



Source. CSO Tourism and Travel Annual Series

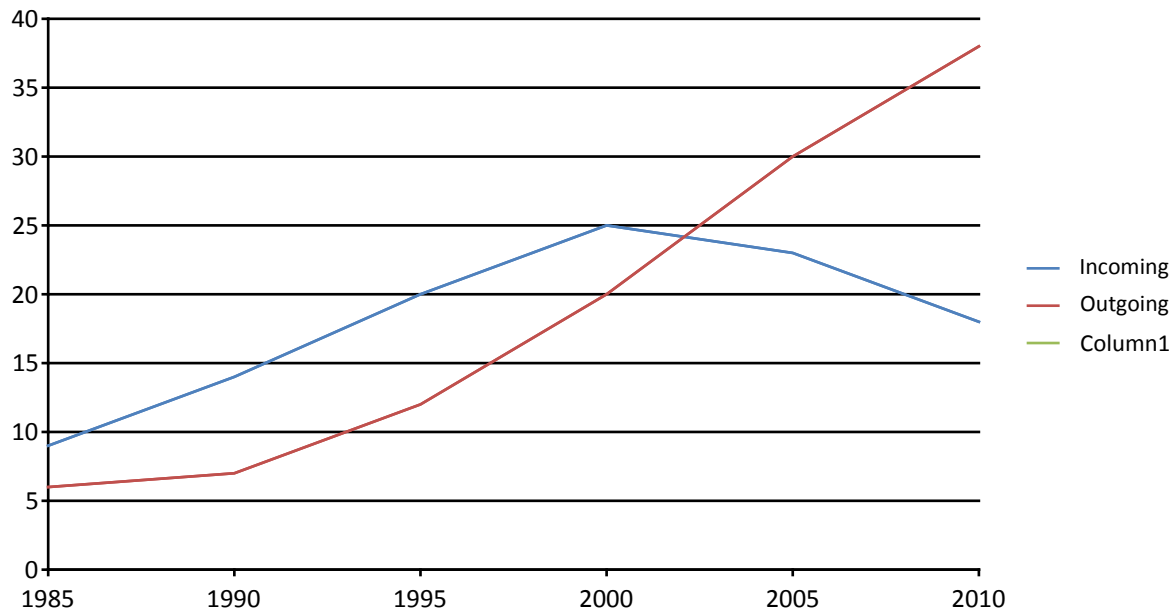
Inward tourism numbers grew from 0.6m. in 1985 to 3.3m. in 2000; this was Ireland's best and most sustained period of tourism growth and was well ahead of the growth in international tourism generally. The trend since 2000 has been a constant loss of market share, as the uncompetitiveness associated with the late phase of the Celtic Tiger period moved Ireland from being a tourist destination country to becoming a tourist origin country. From a peak of 4.0m. inward tourists in 2007, numbers fell to 2.5m. in 2010, before recovering slightly to 2.8m. in 2012.

There is however a major difficulty with the use of Holiday Visitor statistics because of changes in holiday patterns. The average length of holiday has fallen over the last thirty years with the growth of city-breaks and the reduction in the cost of air travel. The best single measure of Irish Tourism therefore may be the number of bed-nights of holiday Visitors.

## Chart 2



## Bed-nights in millions p.a. for Holiday Visitors in and Out



*Incoming means the Total Number of Bed-nights for Overseas Holiday Visitors to Ireland while Outgoing means the Total Number of Bed-nights spent by Irish Residents on Holidays Overseas.*

Source. CSO Tourism and Travel Annual Series

Chart 2 shows that Ireland provided 19 million bed-nights to Overseas Holiday Visitors in 2012 and that this was lower than every year between 1995 and 2008. Between 2000 and 2012 the number of Incoming Bed-nights fell from 25 million to 19 million while the number of Outgoing Bed-nights increased from 20 million to 36 million over the same period. In broad cultural terms, Ireland appears to excite less positive interest in the rest of the world than it did in the mid 1990's. In the mid 1990's Ireland's economy was growing at c. 8% p.a. with little inflation, in high culture Seamas Heaney became Nobel Laureate, while in popular culture Ireland produced a series of Eurovision winners (with the Riverdance spinoff) and U2 were at the height of their powers. Currently the Irish economy is in difficulty, it now comes last in Eurovision and its cultural icons appear to be much less attractive to an international audience.

## II.2. Cost-effectiveness:

The marketing spend of the Irish Tourism Organisations is relatively high and its yield in terms of tourist numbers is low. In a study<sup>4</sup> of the budgets of national tourism organisations (NTO's), the World Tourism Organisation (WTO) found that, in 2009, Ireland had the highest marketing spend per tourist arrival of 29 European countries. Ireland's marketing spend per arrival was \$9.59, almost eight times that of France and almost nineteen times that of Italy.

**Table 2.1**  
**Tourism Marketing Spend per Arrival: 2009 Ranking**  
[\$]

Rank	Country	Marketing spend per arrival (\$)
<b>5 Highest</b>		
1	Ireland	\$9.59
2	Romania	\$9.51
3	Portugal	\$8.48
4	Norway	\$8.33
5	Slovakia	\$6.40
<b>5 Lowest</b>		
25	France	\$1.22
26	Lithuania	\$1.05
27	Italy	\$0.51
28	Poland	\$0.49
29	Hungary	\$0.48

The WTO/ETC Report concluded that

*“There appears to be very little correlation between marketing spending by NTOs and International Arrivals”.*

The Irish tourism organisations argue that Ireland will always have to spend more than sun-holiday destinations, to attract tourists. However, this does not hold in the case of Britain – a holiday destination with broadly similar attractions and climate. Using a slightly different set of figures to those used earlier by the WTO/ETC, in 2011 the three

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<sup>4</sup> World Tourism Organisation, European Travel Commission (2010), *Budgets of National Tourism Organisations 2008 – 2009*

Governments in Britain (London, Edinburgh, Cardiff) provided £102m. of state funding to tourism, or €128 at 2011 exchange rates. In 2011 the Irish Government spent €142m. on the two national tourism organisations with €90m. going to Failte Ireland and €52m. going to Tourism Ireland. Britain however attracted 11.2m. overseas holiday visitors, while Ireland attracted 2.8m.. Ireland’s state spend per tourist attracted was 4.4 times that of Britain in 2011.

The main reason for Ireland’s exceptionally high marketing spend per overseas holiday visitor is because of its failure to attract Repeat Visitors.

**Table 2.2. Repeat Tourists as a Percentage of Total Tourists**  
[various years]

Country/Region	%
Spain (2011)	83%
Cumbria, UK (2011)	82%
Scotland (2011)	68%
Amsterdam (2009)	46%
Ireland (2010)	35%

Most countries get far more Repeat tourists than First-time tourists. However, for every two tourists Ireland initially attracts, only one returns. If Ireland had the same level of repeat tourists as Scotland, our tourist numbers in 2012 would have doubled to 5.6m., with no additional Exchequer outlay.

The low level of repeat tourists in Ireland is not seen as a problem by the tourist authorities. In its latest (2011) Annual Report (p. 12), Failte Ireland records the following satisfaction ratings by tourists, viz.

*“99% of overseas holidaymakers’ expectations were met or exceeded” and*

*“67% of overseas holidaymakers said that they would definitely recommend Ireland as a holiday destination”.*

What tourists say to researchers and what they actually do are two different things. In Ireland’s case, tourists fail to return in disappointingly large numbers. We would argue that this is in large part due to the failure of the state dominated tourism industry to engage local communities and enrich the tourist experience.

### **II.3. Competitors/Benchmarks:**

Scotland and Amsterdam provide useful benchmarks which Irish tourism's Governmental and organisational authorities should seek to emulate, or given their inaction in the face of the scale of change required, be forced to emulate.

#### **2.3.1 Scotland:**

Ireland has a lot to learn from the way Scotland goes about its tourist business. Its productivity and cost-effectiveness in attracting foreign tourists is (unsurprisingly?) better than that for Britain as a whole. In Ireland, Failte Ireland is seen among tourist operatives as the lender of last resort – a role which, within its financial constraints, Failte Ireland enthusiastically adopts. Thus in recent years, major events with putative tourism benefits such as the Volvo Ocean race, the Irish Golf Open and the RDS Horse Show have been grant aided with up to seven figure amounts. Following such a public “investment” cost benefit studies are produced to demonstrate that the direct, indirect and induced expenditure is many multiples of the original “investment” – a wholly unsurprising outcome. However such studies rarely distinguish between spending by additional foreign visitors attracted by the event, which adds to national income and spending by locals, which merely displaces national income which would have otherwise occurred at some other venue. The Scots have no truck with such arguments. They would consider that, if, for example, a 180 year old organisation such as the RDS, with considerable resources accumulated over the years, was unable to fully fund its Horse Show from such resources, then perhaps it should reconsider running it.

Edinburgh hosts its Fringe festival, which currently attracts over 1m. visitors to the city, a substantial minority of whom are from overseas. The Fringe is the most successful cultural tourism event in the world. In 2011 the Fringe organised 258 venues, 2,542 events, 21,192 performers, 41,689 performances, sold around 2 million tickets and attracted over 1 million visitors to Edinburgh. The Fringe did this with a staff of 20 and a grant of only £360,000. They did this because they were able to give leadership and co-ordinate the voluntary effort, energy and resources of the city and citizens of Edinburgh.

This community involvement in tourism extends beyond Edinburgh to Scotland as a whole, where 43% of employees at Scottish tourist attractions are unpaid volunteers and a further 33% are “Other Paid” i.e part-time.. Some small ATB's, such as the Isle of Aran, depended almost totally on volunteers.

**Table 2.3 Employee status at Scottish Visitor Attractions<sup>5</sup>**

Status	Number	% of total
Full-time paid	2,958	24%
Other paid	4,060	33%
Volunteers	5,209	43%
Total	12,227	100%

Contrary to the fears of the Irish tourism authorities, volunteers in Scottish tourism do not appear to displace paid jobs. Rather they allow low-volume tourist attractions to stay open – tourist attractions which would simply not exist if they had to be staffed with paid employees.

**Table 2.4. Number of Tourist Attractions getting 10k+ visitors p.a.<sup>6</sup>**

Category of Attraction	Scotland	Ireland
Museums and Art Galleries	109	19
Visitor Centres	56	26
Castles	34	19
Distilleries	23	4
Historic houses	22	6
Gardens	16	3
Other	39	71
<b>Total</b>	<b>299</b>	<b>148</b>

The total number of visitors to the Top 10 fee-paying visitor attractions in 2009, both in Scotland and Ireland, was similar at 4.7/4.8m. But, due to its ability to operate small attractions, Scotland had 299 attractions with 10k+ visitors, or twice the Irish number. Ireland cannot compete with Scotland in terms of the number of distilleries and historic

<sup>5</sup> Visitscotland (2010), *Annual report for 2009*

<sup>6</sup> Sources: Fáilte Ireland and Visitscotland various.

houses. However, it should be able to match the Scottish number of visitor centres, art galleries and museums by reducing costs with volunteers and “other paid” employees.

Finally, the main lesson which the successful Scottish tourist experience can grant to Ireland is in relation to its national tourist organisation. Traditionally Scotland’s tourism deployed a national Scottish Tourism Board, with responsibility for promoting tourism abroad and 14 Area Tourist Boards (ATB’s) responsible for local tourist development. In 2001, over-impressed with Celtic Tiger developments, Scotland wished to join the “Arc of Prosperity” of Ireland, Iceland and Norway. It attempted to centralise tourism development, in line with its perception of the Irish experience, to the detriment of the ATB’s. This proved disastrous and was quickly reversed.

Finally, Scottish tourism, with most of its attractions both small-scale (in European terms) and dispersed, manages to exploit such attractions in a way that Ireland currently does not by a combination of volunteering and local community involvement.

### **2.3.2. Amsterdam:**

One of the most notable features of Irish tourism during the past decade and a half has been the growth in city tourism, particularly in Dublin. In contrast, the tourism product outside Dublin appears to be in the Mature or Decline phase of its life cycle. In its pattern of spending, Failte Ireland has not yet accommodated to this reality. In 2009, when Dublin Tourism was still in existence, the Dublin area generated 32% of all tourist earnings, but only 6% of Failte Ireland’s current spending was in Dublin. In its 2011 Annual Report, only one of eleven investments by Failte Ireland in tourism products or infrastructure was in Dublin – extending the waiting area for the Book of Kells. It is probably necessary to take a longer view as to why the public tourism bodies have not yet accommodated to the new reality of city tourism. Traditionally, both the tourism development body (Bord Failte) and the industrial promotion agency (IDA Ireland) had tried to direct economic activity towards poorer parts of the country. IDA grants were higher outside Dublin. However, about two decades ago, incoming industrialists made it clear to IDA that they wished to locate in a large Irish city, or not locate in Ireland at all: IDA’s new grant aid regime did not discriminate by geography. In contrast, the Irish tourism development body has failed to react to the market upturn in city tourism and thus failed to allocate resources to tourism in Dublin which would have been proportionate to its potential.

In 2009 Amsterdam attracted in over 7m. foreign holiday tourists, whereas Ireland attracted 2.8m. The cost and productivity performance of the Amsterdam Tourism and Convention Board (atcb) set high benchmarks for Failte Ireland.

**Table 2.4. Benchmarking Ireland's and Amsterdam's NTO's 2009<sup>7</sup>**

	<b>Amsterdam</b> <i>atcb</i>	<b>Ireland</b> <i>Failte Ireland</i>
<b>Outcomes</b>		
Foreign Holiday Tourists (m.)	7.0	2.8
Employment (no.) in fte*	98	417
Employment cost (€m.)	4.29	27.04
<b>Productivity</b>		
For. hol. tourists per employee p.a.	71,430	6,753
Av. employee cost (€)	43,776	64,837

\*Full-time equivalents

The atcb attracts in more than ten times the number of foreign tourists per employee as does Failte Ireland, at two third the employee cost. In terms of outcomes, it is difficult to see why the average Failte Ireland employee should merit average remuneration which is almost twice the average industrial wage. In 2011 the basic salary of Failte Ireland's ceo was €168,379: an equal amount is paid in pension to the ceo to allow him retire at age 55. Finally, the unfunded liabilities for the pension funds operating for Failte Ireland's retirees and employees amounted to €177m. at end 2011. Even without the need for structural reform in Irish tourism policy, serious organisational change is called for at Failte Ireland.

The reasons for Amsterdam's continuing success as a tourist destination are too many to mention. But both the atcb and Scotland share two managerial similarities. First, both are cautiously prudent in looking after public monies e.g. both regard access fees to public attractions as potential funding for developing such attractions, rather than as hurdles preventing access to culture by the poor. Secondly, their NTO's act as enablers of tourist activity rather than directors e.g. community involvement in rural and urban Scottish tourism and business and municipal involvement in Amsterdam tourism.

#### **II.4. The Structure of Irish Tourism:**

Ireland is the only developed country that gives responsibility for tourism development and local marketing to a centralized state organisation. In all other developed countries responsibility for tourism development and local marketing is given to local community-

<sup>7</sup> Sources: Annual reports for both companies

based organisations. These organisations typically involve the local authorities and the local tourism industry.

These local organisations are often amazingly efficient in the provision of tourism services. Geelong in Australia has a community-based approach and is able to operate 4 tourism information offices with two full-time staff but with 120 volunteers. In Cumbria, the Lake District, the tourism office in Ambleside is run by a family with a subsidy of £4,000 each year from the local authority. In Scotland over 4,000 volunteers help to run local tourism attractions, many of which, as mentioned earlier, would not be viable without this voluntary effort.

Tourism is an industry that is intimately linked to community. When a tourist visits any destination the holiday experience will be based on all his/her experiences at the destination. A single business cannot control the totality of the holiday experience in the same way as a single manufacturing business can control product quality. Tourism needs the support of the entire community and of all the institutions of the community. All other developed countries that are interested in tourism, understand this and have developed local tourism organisations that develop community support for tourism and harness that support effectively.

Down the years, successive Irish national tourism organisations have opposed local involvement, or have insisted in dominating any local tourism initiative they became involved in. In the 1950's Sean Lemass took the low road in opposing local tourist organisations, for short-term political considerations. In 1964 the Second Programme for Economic Expansion (p. 234) attempted to revive Morrissey's idea of local involvement viz.

*"The regional companies will receive funds from local authorities and other sources, with guidance and assistance from Bord Failte in the formative years. Ultimately, it is hoped that these companies will be financed solely by local funds, a development which would be in keeping with the long-term objective of transferring responsibility for certain aspects of tourism development from Bord Failte to local interests."*

Bord Failte drew up the articles and memorandums of the RTOs and subverted government policy by effectively turning the RTOs into Bord Failte subsidiaries. More recently in the 1990's Bord Failte promised the Impact trade union that it would actively discourage community involvement in providing services to tourists.

The statist, centralised model of tourism management and development is unique to Ireland. It is no longer working. It is time to change it.



### **III. THE RIGHT ROAD**

#### ***A NEW STRUCTURE FOR IRISH TOURISM***

To assist Ireland to recover from recession, Irish tourism needs to be restructured and set on the right road. In 1951 Daniel Morrissey set out to develop a clear and coherent policy framework for Irish tourism just as he had done in 1949 for manufacturing. It is a simple blueprint which, if updated, would bring Ireland's tourism structure into line with standard practice throughout Europe.

Implementing this blueprint would mean the retention of Tourism Ireland. All countries with an interest in Tourism have a state organisation involved in international marketing and playing the same role as Tourism Ireland. However it should be possible to cut the Exchequer subsidy to Tourism Ireland by up to €15m. p.a., by replacing virtually all international above-the-line promotion with promotion on social media, while continuing necessary below-the-line trade promotion. No developed country has a state tourism organisation playing the role of Failte Ireland. What is needed is the abolition of Failte Ireland and the transfer of its functions, resources and, where worthy, the personnel of Failte Ireland to independent local tourism organisations under a new co-ordinating body.

Communities all over Ireland are seeking a new direction for tourism. The Morrissey blueprint from 1951 would give communities a structure which would allow them to mobilise their resources to develop tourism and provide local jobs and business opportunities in a dynamic tourism industry.

## **Appendix 1: The Morrissey Memorandum**

February 1951

Department of Industry and Commerce

Memorandum for Government

Tourist Industry

1 Following the reconstitution of the Irish Tourist Board on the 1<sup>st</sup> of October 1950 the Board was advised of the contents of the report of the cabinet Committee on Tourism which was approved by the Government on the 16<sup>th</sup> June, 1950, and was supplied with copies of the various reports received by the Minister concerning tourist development. On the 16<sup>th</sup> November, 1950 the Board submitted an interim memorandum (Appendix A) dealing with certain aspects of tourist development, and has now submitted a further memorandum (Appendix B) in which was indicated the general lines of policy proposed to be followed by the Board, the staffing requirements and financial arrangements which the Board consider necessary for the development of tourism.

2 The Minister strongly supports the view expressed by the Board that sufficient funds should be placed at their disposal over a number of years to enable the Board to pursue a well defined programme, and that the Board should be in a position to undertake a programme of development without the need for continuous consultation with Government Departments (Pages 1 and 2, Appendix B). Under existing legislation provision exists for the making of an annual Grant-in-Aid to the Board within a maximum of £45,000 and for the making of repayable advances from the Exchequer to the Board within an Aggregate of £1.25 million which, save as may otherwise be authorized by the Minister for Finance, must be used solely for works, investments and loans of a profit-earning nature. Advances already made have absorbed approximately £400,000 leaving approximately £800,000 within that statutory limit for advances. These provisions are, in the Minister's view, completely inadequate to meet the position in regard to tourist development. Apart from the inadequacy of the provisions the fact that, except in exceptional circumstances, advances can be made to the Board only for projects that can be certified to be profit earning is bound to have a stultifying effect on the Board's activities and will preclude any rapid advance being made in the solution of the problems facing the tourist industry.

The Minister is, accordingly, in full agreement with the view expressed by the Board that powers should be taken to make available to the Board a substantial annual grant, and apart from the submission of an annual budget of expenditure under certain headings, the Board should not be subject to any conditions as to the repayment of funds in whole or in part to the Exchequer.

3 The Board proposes that provision should be made for a maximum annual grant of £350,000 but the Minister for Finance considers that the Board's financial requirements would be met adequately by allocating a sum of £500,000 to finance the Tourist Board over the next four years for purposes other than for the proposed scheme of incentive grants outlined in pages 6 – 7 of Appendix B. The Minister for Finance does not, however, consider that the period of four years should be specified in the amending legislation but rather it should be understood that the £500,000 would cover at least four years requirements. The insertion in the proposed legislation of a four year time limit would entail the necessity for amending legislation towards the end of the time even if the £500,000 had not been reached. The Minister for Finance has further indicated that his agreement in principle to the provision of grants for the Board not exceeding in the aggregate £500,000 is subject to two conditions: first, that the annual provision will be governed by national and international factors affecting tourist travel (as the Board suggests) and, second, that in common with other public expenditure, the provisions for the Tourist Board will be subject to annual review in the light of budgetary considerations.

4 For the financing of the proposed scheme of incentive grants, the Minister for Finance has proposed that there should be a further amendment of the Tourist Traffic Acts to provide that the Minister for Industry and Commerce would not be precluded from providing funds for incentive grants out of voted moneys outside the £500,000 limit; such issues would be offset by receipts of moneys released from the American Grant Counterpart Special Account, with the consent of the E.C.A.

5 The Minister thinks it well to point out that the Board does not contemplate the immediate large scale expansion of its activities and organisation and that the rate of expansion will be governed by national and international factors affecting tourist travel. (Page 2 of Appendix B). In the circumstances the Minister is disposed to agree generally that the alternative arrangements put forward by the Minister for Finance are adequate to finance the Board's activities over the next four years.

He does not agree, however, with the view of the Minister for Finance that, while it should be understood that the £500,000 to be provided to the Tourist Board should cover at least four years, the period of four years should not be specified in the proposed legislation.

The Minister anticipates that the sum of £500,000 will either be completely or substantially exhausted within the four years and the need for amending legislation will arise in any event before the termination of such period. Furthermore, the Minister is satisfied that unless the allocation of £500,000 is related to a definite period of four years the proposed legislation will not be effective in convincing the public generally, and the tourist industry and the E.C.A. in particular, of the Government's intention that the problems facing the tourist industry are to be attacked vigorously. He accordingly recommends that in the proposed legislation there should be a reference to a period of four years.

6 The Minister is in general agreement with the view expressed in Page 4 of Appendix B regarding the need for a fully organised effort to promote travel to this country by exploiting the various techniques of modern publicity. He is satisfied that having regard to the

importance of tourism in the national economy, an annual expenditure rising to £170,000 as detailed in pages 15, 16 and 17 of Appendix B to cover the cost of improvements in existing tourist bureaux and the addition of further bureaux at Philadelphia, Boston, Shannon, etc together with improved and increased production of tourist literature, would be fully justified.

7 The Minister agrees in principle with the view expressed by the Board (Page 9, Appendix B) as to the desirability of having one authority responsible for all tourist propaganda, but he is not satisfied that, in all circumstances, he would be justified in taking steps to preclude the Irish Tourist Association from receiving contributions from local authorities by revoking the Certificate of Approval which was issued to the Association under the Tourist Traffic (Development) Act, 1931. He supports however the proposed withdrawal by the Board of financial assistance to the Association. He proposes, further, that where they Board so recommends he would issue Certificates of Approval under the 1931 Act to local tourist bodies to enable them receive contributions from local authorities. The payment of contributions to such local tourist bodies by local authorities would tend to reduce their contributions to the Irish Tourist Association, and this fact, combined with the withdrawal by the Board of the financial assistance it has heretofore given to the Association, should in the Minister's opinion, in due course, produce the position envisaged in the Board's memorandum. He accordingly recommends that the Government approve of the recommendation that no further financial assistance should be granted to the Irish Tourist Association by the Tourist Board, and that the Minister, where the Board so recommends, should issue Certificates of Approval under the Tourist Traffic (Development) Act, 1931, to local tourist bodies.

8 The Minister for Finance, who has been consulted in this matter, agrees in principle with the recommendation of the Tourist Board but has expressed concern at the fact that contributions by local authorities amounting to approximately £15,000 a year towards the publicity expenditure of the Irish Tourist Association would, under the arrangements proposed by the Board, no longer be available to the central tourist publicity authority. He has suggested that local authorities should either be compelled or empowered to pay contributions to the Tourist Board. The Minister for Local Government, who has also been consulted, has indicated that he is strongly opposed to this suggestion. He has also indicated that as the Minister does not propose the withdrawal of the certificate given to the Irish Tourist Association under the Act of 1913, he cannot agree that local authorities should be enabled to contribute to local tourist bodies.

9 The Minister agrees with the proposal put forward by the Tourist Board (Page 6 Appendix B) for a scheme of incentive grants to stimulate the modernisation and improvement of hotels to be financed from the Grant Counterpart Funds in the manner indicated in paragraph 3 of this memorandum. A representative of the Board has indicated, in course of discussion that, while this scheme will not be publicised as one aimed solely at developing American traffic, it is the Board's intention to establish a system of priorities under which precedence will be given to hotels located in areas to which American visitors are likely to be attracted. The Board has indicated that the £100,000 already earmarked from Grant Counterpart for tourist purposes will enable a "pilot" scheme of grant incentives

to be operated and that ultimately total expenditure may rise to a maximum of £500,000. The Minister for Finance has indicated that, subject to the "pilot" scheme proving successful, to the availability of Grant Counterpart Funds, and to the concurrence of the E.C.A., he would raise no objection to the release of additional funds.

10 The staffing arrangements proposed by the Board (Pages 14, 15, 18 and 19 of Appendix B) are, in the Minister's opinion, reasonable having regard to the additional and expanded functions which the Board expects to discharge. The Minister thinks it well in this connection to direct attention to the assurance given by the Board that the establishment strength proposed will be built up gradually and as required (Page 5, Appendix B). He understands that the Board has under consideration the question of engaging the services of a firm of consultants to advise on organisation and methods. The Minister for Finance has noted with approval that the Board does not contemplate an immediate large-scale expansion of its activities and organisation. He regards it as essential that the Board should exercise the utmost economy in staffing and that the minimum organisation necessary to fulfil its functions should be settled with the advice of experts in organisation and methods. He further considers it desirable that all vacancies in posts on the staff of the Board should be publicly advertised. While the Minister is in general agreement with the view of the Minister for Finance on this subject he does not agree that, in every case, the Board should be obliged to recruit staff by public advertisement as this might not, in certain circumstances, produce the best result in the recruitment of staff.

11 The Board's proposals in regard to resort development (Page 11, Appendix B) i.e. that the interest and co-operation of local authorities should be secured and that local development associations should be encouraged by financial assistance if necessary, are, in the Minister's opinion calculated to achieve the desired results at the minimum expenditure to the state and he recommends them to the Government for approval. He is in agreement with the view expressed that the existing properties in the Board's ownership should be disposed of at the earliest possible date. The Board has recently submitted specific recommendations regarding the future of these properties and they are at present the subject of inter-Departmental examination. A further submission regarding this matter will be made to the Government in due course.

12 As regards the recommendations made in Pages 7 and 8 of Appendix B regarding income tax relief and remission of rates on hotel premises, these questions are being examined inter-Departmentally and the Minister does not propose to seek a direction from the Government on these recommendations at this stage.

13 The Minister recommends that the Government should approve of the preparation of legislation to amend the financial provisions of the Tourist Traffic Acts, 1939 and 1946 by providing (a) that over a period of four years, grants not exceeding in the aggregate a sum of £500,000 may be paid by the Minister for Finance to the Irish Tourist Board; (b) that in addition the Minister for Industry and Commerce may provide funds out of voted moneys for the grant incentive scheme to be operated by the Tourist Board; and (c) for the abandonment of the powers of the Minister for Finance to make repayable advances from

the Exchequer to the Board.

14 The Board has also asked that the provisions of Part III of the Tourist Traffic Act, 1939 relating to the registration of hotels, guesthouses, etc, should be amended on the lines indicated in a memorandum (Appendix C) prepared by the Board. The objects of the proposed amendments are as follows:-

- a) To require that applicants for registration of premises should pay the appropriate registration fee within a period of three months from the date on which the Board notifies its intention to register premises.
- b) To empower the Board to terminate the registration of premises where the Board, following the special inspections of the premises concerned and, on considering any representations the proprietors of the premises may make, decides that it is undesirable that the premises should continue to be registered.
- c) To empower the Board to terminate the registration of premises for overcharging.
- d) To substitute permanent certificates for existing annual certificates of registration of premises.
- e) At present the Board's powers of prosecution for infringement of the Tourist Traffic Act, 1939, are limited to proceedings against the proprietors of hotels, etc. This creates legal difficulties and the Board proposes that the Act should be amended to render occupiers as well as proprietors liable to prosecution.

15 The Minister accepts the need for the amendments proposed by the Board and he recommends that the Government should approve of the appropriate amendments being made in the Tourist Traffic Act, 1939.

As regards the proposed amendment at (d) above the Minister for Finance has indicated that the proposal to substitute permanent certificates for annual certificates of registration of premises is not understood, as it is not apparent how the provision of a permanent certificate of registration could be reconciled with the requirement that registration should be renewed annually on payment of a prescribed fee. The Minister for Finance could not agree to any proposal which would involve a reduction in the revenue derived by the Board from registration fees. He is in fact strongly of the opinion, in view of the fall in the value of money and the benefits derived by the hotel industry from the Board's publicity programme, these fees should be substantially increased. The Minister can see no conflict between the provision by the Board of permanent certificates of registration and the requirement that registration should be renewed annually, as, under the proposed legislation, where premises cease to be registered due to the non-payment of the appropriate fee or other causes, the proprietor will be required to return the certificate of registration to the Board, or in default render himself liable to prosecution. The Minister does not agree that this proposal would have any effect on revenue derived by the Board from registration fees; on the contrary, it would lead to economies in the operation of the Board's registration scheme.

16 The Minister submits the attached Heads of the Tourist Traffic (Amendment) Bill for approval by the Government and he will be glad to receive the Government's agreement to his approaching the Attorney general with a view to having a Bill prepared accordingly.

17 There are enclosed (appendices D, E and F) copies of the Christenberry Report and of the preliminary and final reports of the Irish Hotels Commission for American Tourism; Summaries prepared by the Department of Industry and Commerce are attached to each of these documents. The Tourist Board suggested, and the Minister agreed, that the best method of publishing the appropriate portions of the Christenberry Report and the reports of the Irish Hotels Commission would be in the form of a synthesis of these and other relevant reports on tourism. This synthesis is now being prepared by the Tourist Board. The Irish Hotels Commission have expressed a wish to be allowed to publish their final report. The Minister is not in favour of the publication of this report seeing that the Christenberry and other reports have not been published. He considers that the publication by the Tourist Board of the synthesis that is now being prepared would adequately meet the situation and he recommends this course for the approval of the Government. The Minister does not consider it necessary to furnish any separate comments to the Government on the recommendations made in these reports.

18 The Minister understands from the Department of External Affairs that the Dublin Mission of the E.C.A. have expressed impatience at the delay in putting forward proposals for the development of the tourist industry and that they have indicated that they think the stage has been reached at which they should recommend the withdrawal of approval for the utilization of the £100,000 from the Grant Counterpart Fund. The adverse effects which might follow from alienating the sympathies of the E.C.A. need not be stressed. The Minister feels, in the circumstances, that as soon as the Government have come to conclusions on the recommendations which he now submits their conclusions should be made known to the Dublin Mission of the E.C.A. and he would be glad to receive the approval of the Government for the adoption of this course.

19 The Minister accordingly recommends, for the approval of the Government, the proposals contained in paragraphs 5, 7, 11, 13, 15, 16, 17 and 18 of this Memorandum.