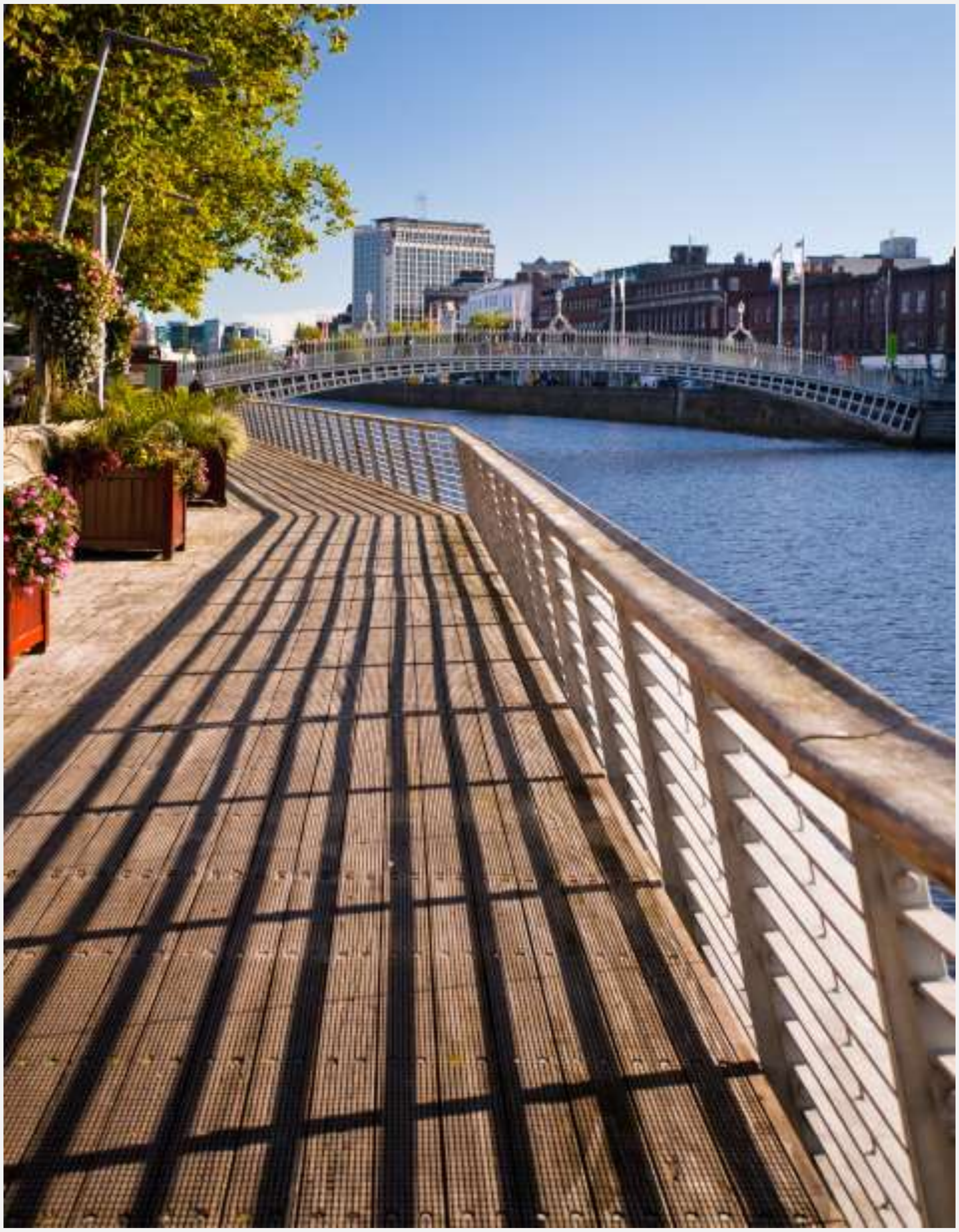
Wider Benefits of Tourist Accommodation



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Section 1: Introduction

This document[1] highlights some of the social, economic and wider benefits to local residents, businesses and others from developing tourist accommodation, hotels in particular, within their communities. It is intended to help inform local authorities when assessing planning applications.

As stated in the recent Department of Transport, Tourism and Sport strategy report, titled "People, Place and Policy: Growing Tourism to 2025"[2], the tourism sector continues to be one of Ireland's most important economic sectors, which has significant potential to play a further role in Ireland's economic renewal. In 2015, for example:

- tourism was responsible for out-of-state earnings, or "exports", of €6.0 bn (including access carrier receipts);
- combined tourism revenue from both the domestic and out-of-state markets came to some €7.7 bn, equivalent to 4% of Gross National Product (GNP) in revenue terms[3];
- out of this revenue, some €1.8 bn was contributed directly to the Exchequer through taxation, equivalent to 3.4% of total tax revenues.

The tourism sector also has a low import content, which means that most of the money earned by the sector stays in Ireland. However, the tourism product or service, which the tourist consumes, is somewhat different to the kind of product or service that is consumed in most other sectors. This is because the typical tourism product or service, which most tourists seek, consists of a suite of individual elements, both paid and unpaid, that makes up the tourism destination.

While the most readily identifiable element of the tourism industry is often the tourist accommodation sector, the industry nonetheless includes a much broader spectrum of activities, such as visitor attractions, visitor activities, tour operators, air and sea carriers, and so on. Plus, a much wider range of enterprises also draw at least some of their business from tourists, including the retail sector, pubs and restaurants, entertainment venues and public transport.

[1] First prepared in October 2016
[2] *People, Place and Policy: Growing Tourism to 2025*, Department of Transport, Tourism and Sport, May 2015.
[3] *Tourism Facts 2015* , Fáilte Ireland, 2016.

Tourists thus do not choose between competing accommodation operators, attraction and activity providers, tour operators or transport providers. Customers choose a destination. Because of this, factors such as natural scenery, culture, visitor attractions and events, alongside tourist accommodation, are all contributors to a destination's overall attractiveness.

In this context, it is important to remember that tourist accommodation needs a demonstrable, sustainable level of demand in order to be viable, which often draws on this wider area, or destination, attractiveness. Where such demand does not exist, the development of hotels, guesthouses or other tourist accommodation should be avoided.

At the same time, where demand exists, tourist accommodation often provides a key "visitor hub" for tourist destinations. Indeed, tourist accommodation can be instrumental in facilitating and maximising tourism spend in an area, with significant benefits for local communities and local residents, e.g. by turning "day trippers" into staying visitors. Added to this, however, tourist accommodation, and especially hotels, often plays an important role as a "community hub" in a local area, which also provides other benefits for local residents, local businesses and others. This document therefore seeks to outline some of the benefits of sustainable, demand-led tourist accommodation, such as:

- the commercial and economic benefits arising from tourist accommodation such as the business that follows for other enterprises in its area, the opportunities it provides for local suppliers, or its contribution to the Exchequer and the wider public funding base;
- the benefits to local residents from tourist accommodation, such as employment opportunities, opportunities for skills acquisition and access to business and recreational facilities and infrastructure;
- other benefits such as contribution to area regeneration effects, environmental and sustainable development benefits, etc.

Section 2: Commercial and Economic Benefits

Investing in tourist accommodation, where demand for it exists, can provide an array of significant benefits in local areas, in commercial or economic terms. In particular, the presence of accommodation in tourist destinations provides a potentially valuable source of business for local suppliers to the tourism or related sectors, while also contributing to the Exchequer and public funding base. However, very importantly, it also increases the opportunity to attract tourists to stay in a destination, which ultimately leads to further tourist expenditure and additional business for other businesses in the local area.

Tourists staying in tourist accommodation spend money throughout the local area...

As noted earlier, tourists experience a tourist destination by drawing on a host of different attractions and activities, including not only tourist accommodation but also other products and services. Tourists staying in tourist accommodation spend their money both inside and outside their accommodation, which means increased footfall for other local traders and service providers, and an additional chain of economic activity generated beyond the accommodation itself.

Indeed, proprietors of tourist accommodation actively encourage and assist guests to enjoy attractions and activities in the local economy, since they are integral to the tourism "product" that accommodation providers derive their business from. As noted earlier, industries that tend to benefit most include restaurants, the retail sector, recreational and leisure services, visitor attractions and activities, and transport services.

Fáilte Ireland's Survey of Overseas Travellers (SOT), for example, shows that the average overseas tourist to Ireland spent about €530 per person in 2015[4]. However, only about €160 of this, or about 30%, was attributable to spend on accommodation, with the remaining €370, or about 70%, attributable to spend on other items. Food and drink alone accounted for spend of nearly €180 per person, with another €190 per person spent on entertainment and sightseeing, transport, shopping and other activities.

...and those staying in hotels or other paid accommodation also tend to spend more.

Provision of paid tourist accommodation in an area, meanwhile, also increases the choice of accommodation options available to prospective tourists to a destination, and thereby makes it more attractive for those who (a) prefer to stay in paid accommodation such as hotels, guesthouses or B&Bs or (b) do not have the option of staying in unpaid accommodation (i.e. with friends and relatives). Furthermore, tourists staying in paid tourist accommodation generally spend more than those staying in unpaid accommodation. Again, SOT data for 2015 shows that:

[4] See Table 1 in the appendix.

- overseas tourists who stayed mainly in paid accommodation spent an average of €590 per person while in Ireland, whereas overseas tourists staying mainly in unpaid accommodation spent an average of €350 per person[5];
- tourists in paid accommodation spent an average of about €380 per person on non-accommodation items, whereas tourists in unpaid accommodation spent €320 per person. In particular, overseas tourists in paid accommodation spent nearly 15% more on food and drink, nearly 60% more on entertainment and sightseeing and over 50% more on transport.

Tourist accommodation provides downstream economic and commercial opportunities for local businesses…

As noted above, tourists staying in paid accommodation spend their money on both accommodation and non-accommodation attractions, activities, products and services, which means increased footfall for other local traders and service providers, and an additional chain of economic activity generated beyond the accommodation itself. In this regard, therefore, tourist accommodation indirectly facilitates downstream economic and commercial opportunities for local businesses.

However, demand-led tourist accommodation also directly contributes to downstream economic and commercial opportunities for local businesses, as local businesses provide goods and services directly to accommodation providers, thereby generating further knock-on economic effects for the local area. Furthermore, local purchasing of goods and services is especially important in the tourist accommodation sector (e.g. through the need for fresh produce for accommodations' food and drink activities), which means that the sector supports not just economic aims but also social objectives through support of rural and regional economies. For example:

- a recent EY report for HOTREC (the trade association for hotels, restaurants and cafés in Europe)[6] estimates that every €1.00 earned in the hospitality sector in Ireland generates another €1.26 elsewhere in the economy;
- the Ireland Hotel Industry Survey 2015[7] shows that the average Irish hotel generates operating expenses of about €42,000 per room, which are equivalent to more than 75% of hotel revenues. For a 100 bedroom hotel, therefore, average operating expenses are about €4.2 mn;

[5] See Table 2 in the appendix.
[6] *The Hospitality Sector in Europe: An Assessment of the Economic Contribution of the Hospitality Sector Across 31 Countries*, Report Prepared by EY for HOTREC, September 2013.
[7] *Ireland Hotel Industry Survey 2015*, Crowe Horwath, August 2015.

- furthermore, within this operating expenditure, nearly 50% is attributable to food and beverage operations, with nearly 20% attributable to room operations.

Such expenditure partly reflects wages and salaries paid out by accommodation providers. It also reflects real business opportunities created for local food and drink producers, local furniture suppliers, local laundry services and others, many of whom are often SMEs or even micro-enterprises.

...and is a significant contributor to the Exchequer and others.

Tourist accommodation, as is the tourism sector generally, is also a very significant contributor to the Exchequer, with Fáilte Ireland data showing that every euro of tourism expenditure in Ireland in 2015 (including spend by both overseas and domestic tourists) generated 23 cent in tax revenues[8]. Therefore, as noted in Section 1 above, total tourism expenditure of some €7.7 bn generated about €1.8 bn in Exchequer revenues in 2015.

In addition to this, demand-led tourist accommodation is a significant contributor to both the commercial rate base collected by local authorities in Ireland and to other local charges, such as commercial water charges. Irish Hotels Federation (IHF) estimates suggest that Irish hotels pay an average of €1,500 per room to local authorities in the form of commercial rates. Based on these estimates, therefore, Ireland's existing registered hotel stock of over 57,300 rooms contributes €86 mn per annum in local authority rates, which is equivalent to 6% of the combined local authority rate base of some €1.5 bn[9].

Section 3: Benefits for Local Residents

Investing in demand-led tourist accommodation also provides significant benefits to local residents. These include employment opportunities, opportunities for skills acquisition, and access to facilities and infrastructure that have key local benefits for business, recreational, social or community purposes.

Tourist accommodation is a major provider of jobs in local areas for local residents...

Tourist accommodation is a major contributor to jobs in the State. According to recent estimates from the Quarterly National Household Survey (QNHS), for example, employment in accommodation and food service activities accounts for about 85,000 full-time jobs, or about 5.5% of all full-time jobs in the Irish economy.

[8] *Tourism Facts 2015 – Preliminary*, Fáilte Ireland, July 2016.
[9] The figure for the total commercial rate base across all local authorities is as per the Annual Financial Statement for local authorities for the year ended 31st December 2013.

Furthermore, accommodation and food service activities also account for about 55,000 part-time jobs, or about 12.5% of all part-time jobs in the economy.

Tourist accommodation is therefore a very labour-intensive sector, with a share of employment that is higher than its share of GNP. This means that it creates jobs to a greater extent than other less labour-intensive sectors, with Fáilte Ireland data again suggesting that every €1 mn in tourist expenditure helps to support 29 jobs in the Irish economy[10].

Estimates from the Annual Services Inquiry (ASI), meanwhile, also show that personnel costs in the accommodation sector are equivalent to 37% of turnover. This compares to 7% in the IT sector, 14% in the retail sector, 21% in the transport sector, 29% in the food and beverage sector, 29% in the real estate sector or 29% in professional, scientific or technical services[11].

The sector is also a key contributor in providing jobs to (a) geographical areas where employment opportunities are relatively few and (b) disadvantaged groups, which find employment more difficult to access. These include females, young people and first-time labour market entrants, minority groups or people returning to the labour market. For example:

- while still a key employment sector in the capital, just 35% of employment in accommodation and food service activities is situated in Dublin, compared to 40% of jobs in transport and storage activities, 41% of jobs in administrative and support activities, 43% of jobs in professional and technical activities, 54% of jobs in financial, insurance and real estate activities and 55% of jobs in information and communication activities[12];
- 53% of persons employed in accommodation and food service activities in Ireland are female, whereas the equivalent figure for persons employed across all sectors is 46%. Accommodation and food service also has the highest share of female employment among all sectors bar education and health;
- 18% of persons employed in accommodation and food service activities are under the age of 25, whereas the equivalent figure for persons employed across all sectors is just 7%. Also, 51% of persons employed in accommodation and food service activities are under the age of 35, with the equivalent figure for persons employed across all sectors being 31%;
- the recent EY report for HOTREC notes that the hospitality sector is the largest employer of migrant labour in Europe[13].

[10] *Tourism Facts 2015*, Fáilte Ireland, 2016.
[11] Based on (most recent) ASI data for 2012.
[12] Based on QNHS data for the first quarter of 2016.
[13] *The Hospitality Sector in Europe: An Assessment of the Economic Contribution of the*

…and it provides an opportunity for many local people to acquire valuable and transferable skills/experience.

Jobs in tourist accommodation encompass a wide range of roles, qualifications and skills, and operators invest in training their employees at all levels, on a regular basis. Furthermore, skills acquired in the sector are often used either to further progress within the same sector (e.g. to supervisor or manager levels) or indeed to further careers within other sectors (e.g. wider food and beverage sectors, customer service roles, retail sector).

The sector is often a point of entry for unskilled workers, who are then trained within the sector. It provides many young people with their first employment experience, with "breakthrough" jobs or "first" jobs, allowing them to enter the working world and providing them with vital experience and training, which in turn opens doors to future jobs. It employs many third-level students on a part-time or seasonal basis, giving them valuable working and life skills, and the income earned from this employment assists in meeting living expenses and other costs associated with third-level education.

Tourist accommodations' employment of more females and young people, relative to other industries, also contributes to a more diverse workforce. It offers many groups, who can find labour market participation difficult (e.g. stay-at-home parents, students, rural workers, those with caring responsibilities) a flexible approach to working, which can enable them to take a job while still pursuing other activities or meeting care responsibilities, thereby contributing to higher labour market participation and greater labour market flexibility, while also adding to the skill base available in the labour market. Furthermore, by promoting access to the labour market for vulnerable groups, it again supports not only economic goals but also social goals, such as reintegrating the unemployed into the working environment and providing transferable skills/training.

The sector's investment in training can support the local economy as employees seek career progression or indeed establish their own businesses. This supports obvious benefits to hotel employees in terms of their skills development, but also benefits other firms within the local economy to the extent that employees move on to positions elsewhere.

Hospitality Sector Across 31 Countries, Report Prepared by EY for HOTREC, September 2013.

A hotel often plays a pivotal role as a "hub" for a variety of activities in local communities.

Tourist accommodation also plays an important role as a "community hub" for activities that lie at the heart of local areas throughout Ireland, including business, recreational, social or community activities. Irish hotels, for example, are:

- a common meeting space within local communities, both formally and informally, which is used by a host of business, sporting or community organisations in local communities. This might include groups or organisations simply meeting over coffee in a hotel bar or lobby, or the formal hire of meeting room space for meetings, training, interviews etc;
- often the prime venue in many local communities for major social and family events, such as weddings or other family functions, or for social functions hosted by a variety of local organisations. They also often provide the main venue for local fundraising events. In addition, major providers of tourist accommodation often contribute to fundraising of local organisations, most noticeably through sponsorship activities;
- a prime location for much of Ireland's physical recreation infrastructure, such as swimming pools, gymnasiums and other leisure club facilities, and they are also the main site for much of Ireland's spa industry. There are over 320 hotels in Ireland that are registered with such leisure facilities, or about 40% of the all 820 registered hotels operating in Ireland.

In addition, hotels with extensive meeting, conference or event facilities, which serve local needs, also attract significant visiting business to a local area in their own right, where the demand exists. For example, several Irish hotels, including some in locations outside the major urban centres, have facilities to attract large business conferences or entertainment events, which attract staying visitors not only to the venue itself but also provide business for other tourist accommodation in the local area. There are over 170 hotels in Ireland that are registered as having business and conference facilities, or about 20% of all registered hotels in Ireland.

Section 4: Other Benefits

Finally, the provision of demand-led tourist accommodation can play a key role in delivering a range of other benefits. For example:

- tourist accommodation can be a key component in delivering successful, well designed area regeneration initiatives. It can enhance the tourist "package" by making available attractions and activities in an area even more attractive to visit, while also (in the case of hotels) enhancing facilities available in a local area. However, the appropriateness of developing tourist accommodation within wider area regeneration schemes can of course only be supported where potential demand clearly exists;

- tourist accommodation often provides a suitable and sustainable re-use of existing buildings, which maintains a local area's architectural heritage while at the same time providing opportunity for economic activity, and thereby promoting sustainable development. By bringing older buildings back to life, tourist accommodation can also help to improve visual impacts on wider streetscapes;
- the absence of intensive tourism development in Ireland has meant that environmental problems specifically linked to tourism have not been a significant issue in Ireland, and tourist accommodation is quite often amenable to development that is complementary to the natural and built environment.

Section 5: Conclusion

Tourist accommodation is a vital part of the tourism and leisure product in Ireland. As noted earlier, while accommodation is just one part of a wider tourism product, which encompasses a much broader spectrum of attractions and activities, it is nonetheless a core component of what makes up a successful tourist destination, and its presence in a destination is instrumental in facilitating and maximising tourism spend in the area, with significant benefits for local communities and local residents. Added to this, of course, tourist accommodation, and especially hotels, also plays an important role as a community hub in a local area, which provides other benefits for local residents, local businesses and others.

Therefore, failure to provide adequate tourist accommodation in a tourist destination, will ultimately lead to a situation where potential overnight visitors will instead become lower spending day-trippers, or indeed, lack of adequate tourist accommodation might deter potential tourists from visiting a destination at all. This will mean a loss of revenue for local tourism businesses and other related businesses, an injection of economic activity that is lost to the local economy, with knock-on effects for local employment and for the wider community benefits that such premises provide.

Appendix: Tables

Table 1: Average Expenditure by Overseas Tourists to Ireland – 2015

	€	%
Accommodation	163	31%
Food and drink	176	33%
Entertainment and sightseeing	39	7%
Transport	68	13%
Shopping	72	14%
Miscellaneous other	12	2%
TOTAL	529	100%
Non-accommodation items	*366*	*69%*

Source: Derived from Fáilte Ireland's Survey of Overseas Travellers

Table 2: Average Expenditure by Overseas Tourists to Ireland – Paid v Unpaid Accommodation – 2015

	Paid €	%	Unpaid €	%
Accommodation	215	36%	33	9%
Food and drink	179	30%	157	45%
Entertainment and sightseeing	43	7%	27	8%
Transport	78	13%	51	14%
Shopping	66	11%	74	21%
Miscellaneous other	10	2%	11	3%
TOTAL	591	100%	354	100%
Non-accommodation items	*376*	*64%*	*321*	*91%*

Source: Derived from Fáilte Ireland's Survey of Overseas Travellers