An examination of the impact the single European currency will have on tourism in the Cork and Kerry region by Ronan Doyle.

Ronan Doyle
Department of Hotel, Catering and Tourism Studies, Institute of Technology, Tralee, Kerry, Ireland.

Follow this and additional works at: https://sword.cit.ie/allthe

Part of the Tourism and Travel Commons

Recommended Citation
Doyle, Ronan, "An examination of the impact the single European currency will have on tourism in the Cork and Kerry region by Ronan Doyle." (2001). Theses [online]. Available at: https://sword.cit.ie/allthe/566

This Master Thesis is brought to you for free and open access by the Dissertations and Theses at SWORD - South West Open Research Deposit. It has been accepted for inclusion in Theses by an authorized administrator of SWORD - South West Open Research Deposit. For more information, please contact sword@cit.ie.
AN EXAMINATION OF THE IMPACT THE SINGLE EUROPEAN CURRENCY WILL HAVE ON TOURISM IN THE CORK AND KERRY REGION.

RONAN DOYLE
An Examination of the Impact the Single European Currency will have on Tourism in the Cork and Kerry Region

by

Ronan Doyle

A Thesis
In fulfilment of
The requirements for the degree of
Master of Arts

Supervisor: Gerry Gallagher MBS

Sponsoring Designated Institute,
Institute of Technology, Tralee,

Submitted to the Higher Education and Training Awards Council
August 2001
An Examination of the Impact the Single European Currency will have on Tourism in the Cork and Kerry Region

by

Ronan Doyle

A Thesis
In fulfilment of
The requirements for the degree of
Master of Arts

Supervisor: Gerry Gallagher MBS

Sponsoring Designated Institute,
Institute of Technology, Tralee,

Submitted to the Higher Education and Training Awards Council
August 2001
Abstract

AN EXAMINATION OF THE IMPACT THE SINGLE EUROPEAN CURRENCY WILL HAVE ON THE TOURISM INDUSTRY IN THE CORK AND KERRY REGION

By Ronan Doyle

This study has been conducted at a time when Ireland’s tourism industry is booming. Following eight successive years of growth there exists an air of invincibility surrounding the sector. However, on 1st January 2002 the European Single Currency will come into circulation in the form of Euro notes and coins, and with it comes the seeds of change. It could very well profoundly transform Irish tourism and will undoubtedly involve changes in business behaviour and practice.

The study examines tourism in Ireland at national and regional level. It explores the foundations behind the European Single Currency and its implications for tourism in Ireland. The competitive assessment of Ireland’s tourism product identifies that the Euro could have serious consequences for those tourism operators that are not prepared for the increased competitiveness within the tourism marketplace. The current views of the Cork and Kerry tourism stakeholders are analysed in the form of questionnaire, in-depth personal interviews and a focus group interview.

Following the examination of the consequences of a Single European Currency on tourism in the Cork and Kerry region, the study establishes that the Euro introduction will affect the various tourism sectors in different ways and that unprepared tourism operators in the region must be able to adapt and evolve in order to survive in an increasingly competitive tourism marketplace. Domestic and international tourists are spoilt for choice when it comes to cheap holiday destinations; Ireland is an expensive holiday destination due to a high cost base and therefore must compete on quality and value for money. Tourism is about people and tourism in the region will succeed by developing a well-trained and professional workforce to implement best practice.

The study highlights that small tourism enterprises in the Cork and Kerry region are not prepared for the Euro introduction and that the Euro information campaigns have failed to equip the sector with the necessary information to plan for increased competition. The study proposes that the small tourism operator must consider closer relationships with local tourism businesses to form alliances or cooperatives in order to benefit from synergic outcomes. They must incorporate strategic focus, innovative thinking and a service quality commitment to their management style. Destinations will need to gain competitive advantages, through a differentiation strategy based on quality and value for money and careful management of its environment.
Contents

Abstract of Thesis
Acknowledgements
List of figures and charts iv v

Chapter 1 Introduction 1

Chapter 2 Tourism 4

2.1 Introduction 4

2.2 Definition of Tourism 4

2.3 Characteristics of Tourism 6

2.4 Impact of Tourism 7

2.4.1 Economic Impacts of Tourism 8

2.4.2 Socio-Cultural Impacts of Tourism 12

2.4.3 Political Impacts of Tourism 13

2.4.4 Environmental and Ecological Impacts of Tourism 14

2.5 Key Issues and Trends of Tourism 16

2.5.1 Globalisation 17

2.5.2 Price Sensitivity 19

2.5.3 Tax Harmonisation 21

2.5.4 External Factors Affecting Tourists

Decision Making Process 22

2.5.5 Euro 25

2.6 Tourism in Ireland 27

2.6.1 Critical Issues for the Years Ahead 36

2.6.2 Competitive Issues for Irish Tourism 42

2.7 Tourism in the Cork and Kerry Region 50

2.7.1 Tourism in Cork and South Kerry 52

2.7.2 Tourism in Kerry (North and South Kerry) 57

2.7.3 Air Access to Cork and Kerry Region 62

2.7.4 Structure of Tourism Businesses in the

Cork and Kerry Region 63

2.8 Conclusion 66
Acknowledgements

I would like to thank all those authors who have contributed to the field of Tourism research. Also, I would like to thank those in the Cork and Kerry region that participated in the Focus Group interview, the representatives from the organisations involved in the personal interviews, and to all those who filled out the questionnaires.

I would like to take this opportunity to highlight the help, guidance and dedication that my supervisor Gerry Gallagher showed, thank you.

I would like to thank Brian O'Connor, Oliver Murphy and Peter Sharpe, the staff of the I.T.T library and to my fellow lecturers in the Institute for the help and support shown over the past two years. Special mention must be given to Dr. Sean Nagle who contributed both experience and assistance, which helped greatly in the research.

I am indebted to Dr. Sean McBride, director of the Institute of Technology, Tralee and Dr. Henry Lyons, Head of Development, for the use of the Institute’s facilities.

Finally, to my wife Marion, thank you for the understanding, moral support and comic relief.
List of Figures and Charts

FIGURES

Fig. 2.1 International Tourism Receipts (US$ million)
Fig. 2.2 Trends of International Tourist Arrivals by Region 1989-1998
Fig. 2.3 Tourist Arrivals – Regional Trends
Fig. 2.4 How did they Arrive/Depart?
Fig. 2.5 How did they arrange their holiday?
Fig. 2.6 Opinion of Visit Overall
Fig. 2.7 Responses to Visitor Attitudes Survey
Fig. 2.8 Price Comparison Versus Own Country
Fig. 2.9 Hourly Labour Costs (in $)
Fig. 2.10 Comparison of VAT rates applying to Tourism in the Euro zone
Fig. 2.11 Overseas Tourists 1999
Fig. 2.12 Average Length of Stay (1999)
Fig. 2.13 Accommodation Stock in Cork and Kerry (2000)
Fig. 2.14 Number of Tourist Visitors to South West (1995 – 1999)
Fig. 2.15 Tourism Revenue to South West (1995 – 1999)
Fig. 2.16 Employment Generated by Tourism in Cork and Kerry
Fig. 2.17 Regional Tourism Revenues in 1992, 1997 & 1999
Fig. 2.18 Expenditure Per Visitor 1997 - 1999
Fig. 2.19 Most Pleasing Aspect of Visit
Fig. 2.20 Most Displeasing Aspect of Visit
Fig. 2.21 Changes in Overseas Visitor Numbers to Ireland and Kerry
Fig. 2.22 Visitor Dissatisfaction with Traffic/Congestion
Fig. 3.1 Projected Number of Countries in the Euro zone
Fig. 3.2 Euro Conversion Rates
Fig. 3.3 Euro Timetable
Fig. 3.4 EURO ZONE vs. USA
Fig. 3.5 Sectoral Price Differences in Europe and the US
Fig. 3.6 Size of Businesses in Ireland
Fig. 3.7 Advantages and Disadvantages of Strategic Partnerships

CHARTS
Chart 2.1 Overseas Tourist Visitor Nights
Chart 2.2 Foreign Exchange Earnings
Chart 2.3 Visitor Nights by Month of Arrival
Chart 2.4 Overseas Visitor Nights % by Region (1994 and 1999)
Chart 5.1 Level of Knowledge of the Euro
Chart 5.2 When will the Euro be introduced as currency?
Chart 5.3 Are you familiar with how the Euro will be introduced?
Chart 5.4 Degree to which the Euro will or will not benefit Ireland
Chart 5.5 Will the Euro Affect Tourism Business?
Chart 5.6 Effect of Euro on Tourism
Chart 5.7 Are Tourism Businesses Prepared for the Euro?
Chart 5.8 Number of Tourism Businesses
Chart 5.9 % of Tourism Businesses
Chart 5.10 Have you the necessary information to begin preparing for the euro?
Chart 5.11 Organisations sample sought advice or help from in relation to the Euro

Chart 5.12 Degree to which the Euro will or will not benefit tourism in Cork and Kerry

Chart 5.13 Will the Euro affect the number of tourists to the Cork and Kerry region?

Chart 5.14 The Euro will create a more competitive tourism marketplace?

Chart 5.15 The Key issues of a Single Currency for Tourism providers

Chart 5.16 Tourism in Ireland is at a competitive advantage or disadvantage?

Chart 5.17 Key Competitors in Tourism

Chart 5.18 Level of satisfaction or dissatisfaction with Information campaigns

Chart 5.19 Have you seen or received Euro information campaigns?

Chart 5.20 Rating of Information

Chart 5.21 Were you invited to workshops or seminars?
Chapter 1
Introduction

Tourism is one of the most important and dynamic activities at world levels. It is estimated that over the next ten to fifteen years, demand in the sector could double worldwide and increase by some 30% in Europe. As more and more governments recognise the important role tourism can play in generating badly needed foreign exchange earnings, creating jobs and contributing to tax revenues, the competition for tourist spending has become even more intense. Ireland is no exception. In 1999 expenditure by tourists to Ireland amounted to €3.2 billion, overseas tourist visits grew by 7% to 5.9 million and the government earned €2.0 billion through taxes. Following its eight successive year of growth, tourism is now Ireland’s leading industry. However, over dependence on an industry that operates within an environment over which it has little control is a worry. Tourism is a global industry; countries compete on the international stage to entice the would-be tourist to come to their country. Cork and Kerry’s reliance on tourism to generate high levels of revenue and employment, given tourism’s vulnerability to external issues, such as foot and mouth disease, is also a concern.

On the 1st January 2002, a single currency will be introduced to 12 European Union countries as hard currency. Never in the history of currency alliances have 12 countries with 12 different economic cycles come together as a monetary union without political union coming before. “This is an experiment above all experiments before it” (Jonung, 1998). The Euro brings about a single currency that is ultimately the first step towards a federal Europe where Ireland will struggle to maintain its own identity. Ireland is already going through a state of change,
we need to embrace this change without compromising our individuality. Irish tourism cannot afford our nation to be viewed as "*Ireland of the Frosty Welcomes*.

With this single currency comes a new and challenging factor that will result in an increase in the level of competitiveness within the tourism sector. The Euro will increase the transparency of prices, highlighting countries with higher tourism costs e.g. indirect taxes, labour costs and fixed costs like electricity and rates. The Euro will be a catalyst for change, functioning as a mirror reflecting clear images of price to performance ratios. How Irish tourism businesses deal with this change will determine to a large extent how and whether their businesses will evolve and prosper.

The following hypothesis is proposed:

"*Ireland’s participation in the single European currency will have a negative effect on unprepared tourism operations in the Cork and Kerry region, and the long term increased competition through price transparency could change the structure of these unprepared tourism operations, leading to closures or alliances.*"

To investigate the implications of a single currency on tourism in the Cork and Kerry region, Chapter 2 begins with an examination of modern tourism; addressing issues globally, nationally and in the Cork and Kerry region. This will develop an appreciation of the importance of the tourism industry. The
competitiveness of the Irish tourism product and the structure of the tourism industry in the Cork and Kerry region are also examined.

Chapter 3 focuses on Single Currency issues; the history of the Euro is traced along with the history of past Monetary Unions. This will help understand the factors necessary for a successful union to function. Competitive implications, tax harmonisation and the labour mobility factors associated with the single currency are analysed. The Euro’s impact on Tourism is examined and an overview of the information campaigns and the readiness of the tourism sector are set out along with the alternative forms of strategic partnerships available to the tourism provider.

The quantitative and qualitative research methodologies employed to carry out the primary research are described in Chapter 4. The justification of their use and observations of their effectiveness are examined.

Chapter 5 highlights the results of the questionnaire data; the data is divided into four separate categories allowing for better interpretation of results. Chapter 6 explores the primary and secondary findings and examines how the tourism industry has prepared itself for the introduction of the Euro and the ensuing change in the competitive nature of this sector.

The final chapter, Chapter 7, concludes the research with an examination of the conclusions and recommendations that will guide the Cork and Kerry region to cope with the positive and negative implications of the single European currency. The recommendations will help enhance the competitiveness of the regions tourism industry, through structural changes to small tourism operations and by instigating a change in focus again aimed at the small tourism provider. The chapter addresses both organisational and regional recommendations.
Chapter 2
Tourism

2.1 Introduction

In a world of change one constant in the last quarter of the twentieth century has been the sustained growth of tourism both as an activity and as an industry. According to the World Travel and Tourism Council (1998), "tourism is the largest generator of wealth and employment in the world." Tourism is the economic engine for developed and developing economies worldwide. Tourism is a dynamic industry and the pace of change in tourism markets is driven by a certain inevitability as influences from both exogenous and tourism related variables necessitate pro-active management within the tourism sector to guarantee survival in a more competitive environment. The introduction of the Euro is one such variable. Tourism as Ireland’s main service industry will be at the forefront of the impacts associated with the introduction of the single currency. The levels of preparation within this tourism sector will determine whether the effects are positive or negative. In order to understand the importance of the tourism industry on our society, this study examines tourism in general, tourism in Ireland and in particular tourism in the Cork and Kerry region.

2.2 Definition of Tourism

There is no single definition of tourism that can be cited as the definition that everyone adheres to (Tribe 1997). Lickorish et al. (1997) use the definition given by Burkart and Medlik (1981):
"The phenomenon arising from temporary visits (or stays away from home) outside the normal place of residence for any reason other than furthering an occupation remunerated from within the place visited".

One of the most widely accepted definitions of tourism was set out by the World Tourism Organisation (WTO) in 1994 and states:

"Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes".

While this is not a strict technical definition, it does convey the essential nature of tourism. This demand-side definition conceptualises that tourism arises out of a movement of people to, and their stay in, various places or destinations. There are two elements in tourism – the journey to the destination and the stay at the destination, the journey and the stay take place outside the usual environment or normal place of residence and work (Cooper et al., 1998). Leiper (1979) proposes a supply side definition. It states:

"The tourist industry consists of all those firms, organisations and facilities which are intended to serve the specific needs and wants of tourists".

Tourism is a composite of activities, services, and industries that delivers a holiday experience: transportation, accommodations, eating and drinking establishments, shops, entertainment, activity facilities, and other hospitality services available for individual or groups that are travelling away from home. It encompasses all providers of visitor and visitor related services. Tourism is the entire world
industry of travel, hotel, transportation and all other components, that serves the needs and wants of travellers (Lickorish et al. 1997).

Broad categories that are commonly associated with the tourism industry include accommodation, food and beverage, transportation, tour operators, travel agencies, commercial attractions and merchandisers of souvenirs. These segments form the tourism industry in the Cork and Kerry region and as in any other tourism region they vary in terms of their size and distribution within the tourism system. The tourism industry in the Cork and Kerry region incorporates Hotels, Guesthouses, Bed and Breakfasts, Self-Catering Accommodation, Farmhouse Accommodation, Hostels, Caravan and Camping Parks, Restaurants and Bars, Travel Agencies, Transport Companies, Tourist Retail Outlets, Tourist Attractions and Tourist Services.

2.3 Characteristics of Tourism

Tourism is an activity that cuts across conventional sectors in the economy. Tourism can be described as both an industry and a sector. Lickorish et al. (1997) describe tourism as a sector rather than an industry, as it does not have the usual formal production function, nor does it have output which can physically be measured. Mill et al. (1985) chose to describe tourism as firms, organisations and facilities, which are intended to serve the specific needs and wants of tourists.

Tourism has undergone major growth in recent years. Between 1950 and 1998 inbound stay-overs increased by 24 times while international tourism receipts have grown by 200 times during the same period (Weaver et al., 2000). Operationally, the tourism industry is first and foremost a “people business”. To be successful in tourism requires a substantial investment in staff training and development,
particularly in customer care, languages, selling skills and the use of new
technology equipment and systems (Youell, 1998).

Youell (1998) identifies the key characteristics of the tourism industry as being
dominated by private sector enterprises, dynamic and entrepreneurial, existing of
many small and medium sized enterprises, serves domestic and international
markets, thrives on face-to-face communications, rudimentary management
structures, vulnerable to external pressures and has positive and negative impacts.

2.4 Impact of Tourism

Tourism, both international and domestic, brings about an intermingling of people
from diverse social and cultural backgrounds, and also a considerable spatial
redistribution of spending power, which has a significant impact on the economy
of the destination area. Tourism, by its very nature, is attracted to unique and
fragile environments and societies and it has become apparent that in some cases
the economic benefits of tourism may be offset by adverse and previously
unmeasured environmental and social consequences (Archer et al., 1994).

Tourism impacts both directly and indirectly. It is direct, through the facilities,
which are developed for transport, accommodation and entertainment, and also
through the money spent by visitors, and the salaries and income they generate in
the tourist regions. It is also indirect, since the facilities developed for the tourists
often attract permanent residents and may incline the growth of new sectors of
production (Claval, 1995). The general issues central to any discussion of the
positive and negative impacts of tourism must include notions of carrying
capacity. Carrying capacity is a relatively straightforward concept – in simple
terms it refers to a point beyond which further levels of visitation or development
would lead to an unacceptable deterioration in the physical environment and of the visitor’s experience (Archer et al., 1994; Getz, 1994; O’Reilly, 1986). The tendency to use discrete categories, however, should not detract from the fact that impacts are often closely interrelated. For example, negative social reactions to tourism could result from its perceived economic and environmental costs (Weaver et al., 2000). The economic, socio-cultural, political and environmental and ecological effects of Tourism are now explored.

2.4.1 Economic Impacts of Tourism

Business and public organisations are increasingly interested in the economic impacts of tourism at national, state, and local levels. One regularly hears claims that tourism supports “X” jobs in an area or that a festival or special event generated “Y” million pounds in sales or income in a community. “Multiplier effects” are often cited to capture secondary effects of tourism spending and show the wide range of sectors in a community that may benefit from tourism. Tourism’s economic benefits are touted by the industry for a variety of reasons. Claims of tourism’s economic significance give the industry greater respect among the business community, public officials, and the public in general. This often translates into decisions or public policies that are favourable to tourism. Community support is important for tourism, as it is an activity that affects the entire community. Tourism businesses depend extensively on each other as well as on other businesses, government and residents of the local community. Economic benefits and costs of tourism reach virtually everyone in the region in one-way or another. Economic impact analyses provide tangible estimates of
these economic interdependencies and a better understanding of the role and importance of tourism in a region’s economy (Stynes, 1999).

International tourism is an invisible export in that it creates a flow of foreign currency into the economy of a destination country, thereby contributing directly to the current account of the balance of payments. Like other export industries, this inflow of revenue creates business turnover, household income, employment and government revenue. The generation process does not stop at this point however. Some portion of the money received by the business establishments, individuals and government agencies is re-spent within the destination economy thereby creating further rounds of economic activity. This is known as the “multiple” effects of Tourism. These secondary effects can in total considerably exceed in magnitude the initial direct effects (Archer et al., 1994). International tourism receipts are defined by the WTO (1996) as encompassing all consumption expenditure or payments for goods and services, made by international tourists to use themselves or to give away (Weaver et al., 2000).

**Fig. 2.1 International Tourism Receipts (US$ million)**

(Source: WTO “Tourism Highlights”, 2000)

Subsumed under the wider umbrella of tourism receipts are a variety of tourism-related taxes. Governments regard taxes as an attractive form of revenue generation. Due to tourism’s extraordinary ability to generate revenue,
Governments have generated vast sums of reserves that have been pumped back into the destination economy in the form of improved infrastructure and a better standard of living. However, Lickorish et al. (1997) state that the ability to generate revenue by direct taxation on individual and company incomes should not be overstressed. High levels of taxation will act as disincentives to investors and might deter reinvestment.

Tourism is human-resource intensive, creating quality jobs across the full employment spectrum. Globally, 1 in 9 jobs are generated by Travel and Tourism – many of them in small businesses and in urban or rural areas where structural unemployment is highest. According to the Irish Tourist Industry Confederation (ITIC) Report “Strategy for Growth Beyond 2000” (1998), the industry is the world’s largest generator of jobs employing 255million people. Its ability to create job opportunities constitutes one of the most powerful and politically astute rationales for a destination to promote its tourism sector (Roche, 1992).

In the WTTC’s “Millennium Vision” report (1996), it was identified that tourism had the potential to generate more than 100 million new jobs across the world over the next decade, constituting 10.6% of the world’s total workforce. “Tourism seems to be more effective than other industries in generating employment and income in the less developed often outlying regions of a country where alternative opportunities for development are more limited. Indeed, it is in these areas that tourism can make its most significant impact. In such places many of the local people are subsistence farmers or fishermen and if they become involved in the tourism industry their household incomes increase by a relatively large amount” (Archer et al., 1994).
The development of tourism, especially in a previously underdeveloped part of the country, requires the existence of an infrastructure, as well as hotel accommodation and other facilities specific to tourism. In many cases these utilities are economically indivisible in the sense that, in providing them for the tourism industry, they at the same time become available for the use of local people.

"Tourism activity also involves economic costs, including the direct costs incurred by tourism businesses, government costs for infrastructure to better serve tourists, as well as congestion and related costs borne by individuals in the community. Community decisions over tourism often involve debates between industry proponents touting tourism's economic impacts (benefits) and detractors emphasising tourism's costs (drawbacks). Sound decisions rest on a balanced and objective assessment of both benefits and costs and an understanding of who benefits from tourism and who pays for it" (Stynes, 1999).

An analysis of the economic costs of tourism on a host destination highlights interesting results. The production of tourist goods and services requires the commitment of resources that could otherwise be used for alternative purposes (Cooper et al., 1998). The demands it places on these resources drive up land prices, farmers and landowners are encouraged to sell, resulting in short-term gains but leaves them without land and only the prospect of low paid work available (Archer et al., 1994; Williams et al., 1991; Sinclair, 1998). The statistics on tourism employment clearly prove its ability to create employment volume, however, tourism is a seasonal business (Mill et al., 1985). Either employees are laid off during the low season, or additional employees are imported from other regions during the high season. In the former situation, tourism cannot provide a
meaningful job to a resident. In the latter situation, there is an increased need for housing employees who will spend most of their wages outside of the destination region (leakages). Thus, jobs and income are lost to the local area (Mill et al., 1985; Cooper et al., 1998).

2.4.2 Socio-Cultural Impacts of Tourism

The socio-cultural impact of tourism is manifested through an enormous range of aspects, from the arts and crafts through to the fundamental behaviour of individuals and collective groups (Cooper et al., 1998). The impacts can be positive, such as the promotion of cross-cultural understanding. This occurs when people have had very limited or no contact with a particular culture, therefore holding stereotypes about that culture. Advocates of tourism contend that direct contacts between tourists and residents can serve to dispel such stereotypes while fostering a better understanding and good will towards that culture (Weaver et al., 2000; Archer et al., 1994). Tourism has also been sited as developing an incentive for locals to preserve their local culture and heritage, and helps the fostering of social stability through positive economic returns.

Tourism appears to act as a medium for social change (Mill et al., 1985). Wide cultural differences occur between countries and sometimes between different regions within the same country. Indeed the existence of such differences may be one of the principal stimulants of a tourism industry. In some developing countries such traditional cultural behaviour patterns of particular groups of people form one focus of the tourism industry. Sometimes, however, differences in physical appearance and, perhaps more importantly, differences in cultural behaviour between visitor and residences, are so great that mutual understanding is
replaced by antipathy. The problem is exacerbated because tourists are, by
definition, strangers in the destination. Cooper et al. (1998) examine Doxey’s
(1976) Irridex model that measures the level of irritation generated by tourist-host
contact, explicitly when the carrying capacity of an area is surpassed.

2.4.3 Political Impacts of Tourism

"The world is becoming a global village in which people from different continents
are made feel like next-door neighbours. In facilitating more authentic social
relationships between individuals, tourism can help overcome many real
prejudices, and foster new bonds of fraternity. In this sense tourism, has become a
real force for world peace"

(Pope John Paul II).

Tourism is believed to have a positive effect on world peace. As people travel
from place to place with a sincere desire to learn more about their global
neighbours, knowledge and understanding grow. Then at least a start has been
made in improving world communications, which seems so important in building
bridges of mutual appreciation, respect and friendship (McIntosh et al., 1995).
John F Kennedy (1963) called attention to the world significance of tourism and
stated that:

"Travel has become one of the great forces of peace and understanding in our
time. As people move throughout the world and learn to know each other, to
understand each other’s customs and to appreciate the qualities of the individuals
of each nation, we are building a level of international understanding which can
sharply improve the atmosphere for world peace"

(Var et al., 1998)
The virtues of international tourism have been extolled as a major force for peace and understanding between nations, whereas the reality is often far removed from this utopian image. Long-haul travel between developed and developing countries is increasing annually and is bringing into direct contact with each other, people from widely different backgrounds and with very contrasting life styles and levels of income. Where these disparities are very great the political as well as the socio-cultural consequences may be severe.

McIntosh et al. (1995) identify tourism as having the ability to break down political barriers. Also, countries with close tourism ties will generally develop a more stable political arena. Countries who are heavily dependent on tourism will strive to maintain a political stability at home and with other nations thus protecting their tourism industry, which is highly affected by external shocks such as war, political and civil unrest. A succession of seasons compromised by various geopolitical crises: terrorist attacks in 1986, the Gulf War (1990/91) and the Yugoslavian conflict (since 1992/93), have had a negative effect on tourism all over the Mediterranean area (Montanari et al., 1995).

2.4.4 Environmental and Ecological Impacts of Tourism

Besides stimulating economic growth and job creation, tourism also provides incentives to protect the environment. The environment, whether it is natural or artificial, is the most fundamental ingredient of the tourism product (Cooper et al., 1998). However, as soon as tourism activity takes place, the environment is inevitably changed or modified either to facilitate tourism or during the tourism process. A paradox of tourism is that the industry carries within it the seeds of its own destruction. Successful development of a resource or amenity can lead to the
destruction of those very qualities, which attracted visitors in the first place. The development of tourism is occasionally undertaken in such haste and without proper planning that it simply outstrips the local infrastructure and resource base (Murphy 1985).

In many areas the uncontrolled commercial exploitation of tourism has produced unsightly hotels of alien design, which intrude into the surrounding cultural and scenic development. In such cases the architectural design has been planned to meet the supposed wishes of the visitor rather than to blend into the local environment. The effects are not solely scenic, since the waste and sewage from these developments are often discharged in an unprocessed form and pollute the rivers and seas of the holiday areas (Archer et al., 1994). Yes, tourism has the power to destroy. If tourism is not properly planned and implemented, it can destroy vegetation, create overcrowding, litter trekking areas, pollute beaches, result in overbuilding, eliminate open space, create sewage problems, cause housing problems and ignore the needs and structure of the host community (McIntosh et al., 1995), (Cooper et al., 1998), (Mill et al., 1985), (Youell, 1998).

Lest the pictures appear too bleak, it should be remembered that tourism, both domestic and international, is at the same time a positive force in helping to conserve the environment of the holiday regions (Archer et al., 1994). Tourism has the power to enhance the environment, to provide funds for conservation, to preserve culture and heritage, to set sustainable use limits and to protect natural attractions (McIntosh et al., 1995). Cooper et al. (1998) site a number of examples where tourism has impacted positively on the environment: the creation of national
parks and wildlife parks such as Yellowstone Park in the USA and the protection of reefs and beaches at the Coral Barrier Reef in Australia.

No business sector has greater reason to promote and enforce "environmental and business ethics codes" than tourism. The environment is the resource base for tourism, and without protection, the natural attractions that brought the tourist in the first place, will be lost.

2.5 Key Issues and Trends of Tourism

There are many trends emerging that influence the tourism product. Because of, the breaking down of political barriers, it is evident that tourism will thrive where politics permits it. This was the case in South Africa where the annual number of visitors more than trebled from 1990 to 1996 (Roberts, 1998). In Europe and America demography suggests that the number of tourists will show little increase over the next few decades but since many of the travellers will be in retirement, then they will have more time available to them. More and more hotels are coming together to ensure a consistency in standards no matter where they are located, the success of this form of branding has lead to three-quarters of all American hotels being part of a chain. Information technology and the Internet are replacing travel agents, where the travellers are booking directly with the airlines, the Internet was the medium for almost IR£600million in ticket sales in 1997. As a result the airlines are dropping the percentage of commission that they pay to the travel agents. Therefore the agent needs to either sell more tickets or charge consultancy fees for advice on customised trips. The Internet as a source for planning holidays in Ireland has increased from 8% in 1997 to 20% in 1999 (Bord
Fáilte, 2000). Also, tourist destinations are consumer products in competition with each other but also with products such as cars and jewellery. Like most consumer products it has improved in quality, value and choice as the industry has matured and become more efficient.

2.5.1 Globalisation

Globalisation, mature markets, rapid technological change and intense competition are some of the factors affecting today's businesses. Long-term survival has always depended on efficient and effective management responses to internal and external threats (Athiyaman et al., 1995). Driven by economic and political motivations, the major commercial operations in tourism are seeking to grow their enterprises, increase market share and ultimately achieve world dominance in their particular industry sector (Youell, 1998). The erosion of national boundaries has been termed globalisation or internationalisation (Mules, 2000). Globalisation is one of the fastest-growing trends, as competition in tourism has intensified, companies have sought to expand their operations and spheres of influence through mergers, acquisitions and more formal linkages with industry partners (Youell, 1998).

In today's, highly uncertain environment, hoteliers are attempting to achieve growth through, amongst other things, adjustments in the hotel product mix, developing new products and ceasing provision of, or modifying existing hotel products; segmentation; consolidation and internationalisation. Due to a growing number of international companies entering domestic markets, the competition in these markets is anticipated to heat up and cause smaller companies to become more specialised by catering to niche markets (Go et al., 1995). This may also
involve labour market reorganisation, increased capital intensity, product-innovation or – in the case of a failure to adapt and compete – terminal decline (Montanari et al., 1995). This will have direct consequences for tourism in the Cork and Kerry region when tourism in the near future becomes even more competitive.

Brown (1998) cites Young, who purports that the concentration of the tourism industry into a few mega-companies through vertical integration is a way of making it more efficient and coherent. However, Shaw et al. (1994) state that while there are strong concentration tendencies in these industries, many sectors continue to be dominated by small firms. Individuality and personalised services are commodities, which command a premium and which allow small establishments to survive in even the most competitive situations. In addition, there are some market segments, which are too small - serving a small town, or some highly specialised tourist interest group - to be attractive to large companies. Furthermore, small firms may be able to secure some of the scale advantages of the corporate chains by forming voluntary groups for marketing or purchasing purposes. In Sweden, the characteristic company structure of predominantly small and medium sized units made it difficult to obtain economies of scale. In consequence, they established voluntary chains for co-operation in many sectors that have proved to be very successful in securing competitiveness. This modification of company structures is evident across European tourism providers due to the increasingly competitive nature of the industry. In the Massif Central area of France, voluntary hotel chains have developed, grouping a series of small hotels seeking to develop their own identity and offering new types of holiday such as “fishing breaks” or “gastronomic stays” (Montanari et al., 1995). Tourism
operators in the Cork and Kerry region need to explore the outcomes of such
synergies, in order to remain competitively viable.

Sinclair et al. (1998) identify that smaller firms have neither the capacity nor the
market power to exercise significant control over prices so that serving a specific
segment or differentiating their product is the only option open to them. Cooper et
al. (1998) propose that smaller, niche tourism operators can succeed by
concentrating on achieving competitive advantages that include a high level of
personalised service, a high level of product knowledge, quality/price ratio, a
synergistic relationship with the destination and a differentiated product that does
not compete on price.

2.5.2 Price Sensitivity

Price is often used as the most convenient and visible marketing mix tool, since
affordability constitutes an important pull factor in drawing tourists to particular
destinations (Weaver et al., 2000). It is considered that the price elasticity of
demand for travel is relatively elastic, i.e. that a change in price will lead to a
proportionately larger change in demand (Deane, 1980; Mathieson et al., 1984).
Cooper et al. (1998) explore why a small increase in price creates a large fall in
demand. Firstly, the ratio of tourism prices to income is normally high. Secondly,
the tourist can choose a substitute or forgo the purchase if the overall value is
considered to be unacceptable. Finally, it is easy to judge the offer of alternative
brands and products, and therefore easy to switch demand to cheaper alternatives.
This has important consequences for tourism with the introduction of the Euro.

Witt et al. (1992) cite Gray (1966): "for many travellers there is a high elasticity of
substitution among countries, so that higher than expected prices in one country
may result in a change of destination rather than in a decision to forego overseas travel”. Taplin (1980) agrees with Gray’s view. Williams et al. (1991), state that considerable fluctuations in demand are also likely to result, even from small price changes in tourism in particular countries following say, a currency devaluation or revaluation. This is because the products of the mass tourist industry are little differentiated. In Spain, devaluation of the Peseta in 1959 was a key in the development of Spanish Tourism, however occasional price “leaps”, such as in hotel prices in 1984-85, have had a detrimental affect on competitiveness (Williams et al., 1991).

According to Sinclair et al. (1998) an increase in price of the tourism product will result in a decrease in demand, e.g. a resident of Ireland may be contemplating one of two resort holidays in the Mediterranean, one in France and the other in Italy, but should the French Franc appreciate in value against sterling while the Lira remained unchanged, the Italian resort holiday would be chosen. Holloway (1995) claims that choice between destinations is dependant very largely on the relative value for money which each is seen to offer.

Montanari et al. (1995), state that traditionally tourism competition is almost entirely on the basis of prices and therefore on costs. However, Davidson (2000) cites McIntosh (1995) who claims that European tourism is moving towards qualitative rather than quantitative growth – since this is where profitability is increasingly thought to lie. This implication for Ireland’s tourism industry is great. Rather than the emphasis on price and economies of scale typical of the traditional approach to competitiveness, this newer qualitative approach would suggest more attention to quality of service, specialised response in particular segments of the market to particular types and levels of demand, and less economising on staff.
2.5.3 Tax Harmonisation

McMahon (1998) states that governments are always looking for new tax bases and growing industries, such as tourism, offer attractive possibilities for them. The International Hotel Association (IHA) conducted a survey among its members in 1995-96 on the extent of the tax burden on hotels; the findings were published in the “IHA Taxation Survey - a Comparative Survey of Taxation on the Hospitality Industry.” It revealed a great disparity in levels of taxation from almost nil in Kuwait to 39% of room rate in Hungary, where 59 separate taxes are imposed on hotels.

“If the EU and National Governments are serious about tackling Europe's major problems of today, unemployment and loss of competitiveness, then a reduced VAT rate for Hospitality can only be a step in the right direction”, this was the concluding remark by Alain Philippe Feutre's, President of HOTREC, (the Confederation which represents the interests of the hotels, restaurants and cafes at a European level) at the Symposium organised by HOTREC entitled “A reduced VAT rate for Tourism and Hospitality in Europe” held in London on 18 October 1997.

According to the WTO's (1998) “Tourism Taxation - Striking a Fair Deal” assessment of the impact of taxes on the French tourism industry versus rival destinations, taxes have raised the costs of operation in France. The French tourism industry has to fight to be on par in terms of “good value” with competitors elsewhere in Europe and the World. Consumer response has been to shift demand to rival destinations.

Professionals from the hospitality sector proved that hotels, restaurants and cafes could generate even more new jobs if a reduced rate of VAT were applied
throughout the EU. They proposed that a reduced VAT rate was necessary, if European tourism was to compete on a more even footing with extra-Community destinations. They also proved that a downward harmonisation was absolutely necessary in order to ensure the principle of neutrality in the Single Market and thus avoid tax competition between competing EU destinations.

"Even with the removal of trade barriers and obstacles to factor mobility, the extensive range of government interventions will ensure that competitive conditions are not equalised and that competitive distortions will exist between producers in different member states. The contention is that the remedy for this problem lies in measures of positive integration, such as harmonisation of government intervention and the creation of common policies. In other words, positive action must be taken to ensure that competitive conditions are equalised between members" (Foley et al., 1990).

2.5.4 External Factors affecting Tourists Decision Making Process

Although an individual may be motivated to travel, the ability to do so will depend on a number of factors related to both the individual and the supply environment. Cooper et al. (1998) examine discretionary income, paid holiday entitlement, mobility and demographic structure as some of the key determinants of demand for tourism (Robinson, 1976). Weaver et al. (2000) identify the links between an increase in tourism globally and an increase in discretionary household income. McIntosh et al. (1995) examine Ritchie's (1991) "19 major global forces of change" concentrating on the emergence of the knowledge-based society, where
tourists are seeking new and more exciting experiences, they seek interactive, highly involved, quality travel experiences.

Youell (1998) claims that "greater wealth, high educational standards, increased mobility and more leisure time have all contributed to unparalleled demand for holidays ... and developments in transportation, increased competition and global communications technology have reduced the real cost of holidays".

Demographically, the ageing of the population is seen as both a threat and an opportunity for travel and tourism. Some two-thirds of all the people who have ever lived beyond the age of 65 are alive today.

Given that, in many key markets, population growth is also declining - Europe's population will grow by only 1.8% over the next ten years - destinations will have to gain market share from their competitors to increase arrivals.

According to the WTO only about 3.5% of the world's 6 billion population currently travel abroad. In ten years time this will have doubled to around 7% (Travel and Tourism Analyst, 1999). Therefore globally, the potential for travel and tourism is enormous assuming that their infrastructure can cope with this growth in demand.

An analysis of the trends of international tourist arrivals during the decade 1989-1998 highlighted an annual average increase of 4.3%. But this average masks a wide range variation from one region to another.
These averages highlight a shift in tourist demand for tourism destinations. Youell's (1998) examination of European international arrivals between 1994 and 1995, points to growth rates of 2.3%, 1.5% below the world average. Furthermore, Europe's share of both international arrivals and receipts has been declining steadily since the 1960s, from 72.5% in 1960 to 60.1% in 1994. In 1999, it represented 59.3% of World Market Share (WTO, 2000). Youell (1998) links this fall to a change in tourist demand for new and exciting destinations.
Seasonality in tourism refers to the tendency for tourist demand to be concentrated into a relatively short period of time, the result of favourable climatic conditions, institutional factors such as school holidays and work leave, or the staging of events, for example the annual carnival in Rio de Janeiro or the Winter Olympic Games. During these peak season times, demand for tourist facilities and amenities is at its greatest and prices at their highest. It is common, for example, for tourists from northern European countries to pay more for a holiday in a Mediterranean destination during the summer months of July and August than in the "off season" months of January, February and March.

Claval (1995) claims many parts of the European tourism industry are highly seasonal. According to Mill et al. (1985) for destinations or properties that are open part of the year, supply is limited and prices will have to be correspondingly higher than destinations open year round.

### 2.5.5 Euro

The introduction of the Euro poses major issues within the tourism sector. As a large part of tourist travel is foreign travel, the start of the Euro can be assumed to have a greater impact on the tourism industries than any other sector. Some reasons for this include:

1. Tour operators’ currency related costs would disappear. Expenses arising because of interest rate risk, currency conversions and money transfers are estimated to equate up to 5% of the cost of foreign travel. Approximately £2.1bn could therefore be saved annually. Tour Operators will also gain from reduced hedging costs. Currently operators book capacity 12-18
months in advance, thereby opening themselves up to currency conversion risks.

2. Currency conversion fees and the spread between the buying and the selling rates will no longer burden tourists. Travellers could save up to £1bn a year. These savings may eventually be fed back into the industry through longer and more costly holidays, thus reinvigorating the industry.

3. Tourists travelling to one country within the European Union will more likely travel to others in the Euro zone as currency harmonisation benefits cross border travel.

4. The Euro zone will attract foreign investment, so long as the Euro remains a strong currency. No doubt, the tourism sector will gain from these inward investments.

(European Commission, 1998)

A full and in-depth examination into the issues pertaining to the Euro will be discussed in Chapter 3.

There is no doubting that on the surface tourism globally benefits host destination countries. But a more thorough examination highlights issues, such as leakages, social and cultural impacts and environmental impacts. Poor tourism planning and re-active rather than pro-active policies are generally to blame. Tourism is an industry or sector that is open to external forces, its exposure requires nations to partake in extensive research into how it can defend itself against these forces of change.
2.6 Tourism in Ireland

The success of Tourism in the Cork and Kerry region is first dependent on tourists wanting to come to Ireland. Irish Tourism has, over the past decade, enjoyed unprecedented growth, putting Ireland in the forefront of international success stories. Between 1966 and 1988 the Irish tourism sector was at a standstill, but from 1988 to 1999 has increased by 145% in terms of the total number of overseas tourists and 75% in terms of domestic trips (Bord Fáilte, 2000). Overseas tourist visits grew by 7% in 1999 to 5.9 million. This performance is well ahead of European averages of 2.3% growth and world averages of 4.1% growth (WTO, 2000).

"As a destination, Ireland now receives over six million international visitors annually, while £2.5 billion in foreign exchange earnings are generated for the economy by the tourism sector. The further expenditure of almost £900 million by Irish residents on domestic trips leads to Tourism supporting one job in every twelve in the economy".

(Dr. James McDaid, Minister for Tourism, Sport and Recreation, 2000).

The expansion of the Irish tourism product has been made possible by the cooperation of bodies responsible for tourism development:

Department of Tourism, Sport and Recreation

Bord Fáilte Eireann

Regional Tourism Authorities (RTAs)

Irish Tourist Industry Confederation (ITIC)

CERT

Irish Hotels Federation (IHF)

and the unique aspects of Ireland; its people and scenery.
Department of Tourism, Sport and Recreation

The Department is responsible for the formulation of national policies connected with tourism, sport and recreation. Its responsibility in regard to tourism services is related to its policy-making, funding and supervisory roles. Current national strategic targets for tourism in Ireland include:

- To optimise foreign-exchange earnings from tourism
- To optimise tourism's contribution to employment
- To lengthen the tourism season by building the shoulder and low seasons
- To promote a good regional spread of business throughout the country
- To support the development of domestic tourism business
- To improve the marketing and competitive capabilities of smaller enterprises
- To encourage balanced development and sustainable tourism; and
- To improve service, quality and value for money in the Irish tourism product.

(Bord Fáilte, 2000)

Bord Fáilte Eireann

In January 2001, Dr. James McDaid described the new arrangements for the marketing of the island of Ireland as the most important institutional change in the delivery of tourism policy since the establishment of Bord Fáilte in 1952. Tourism Ireland Limited (TIL) was established under the Good Friday Agreement.

Role of Tourism Ireland Limited (TIL)

- TIL will carry out strategic all-Ireland destination marketing in all markets outside the island of Ireland.
- TIL will undertake regional/product marketing and promotional activities for Bord Fáilte Eireann (BFE) and the Northern Ireland Tourist Board (NITB)
outside Ireland, including implementing promotional proposals for products and regions, and ensuring the consistency and complementarity of the Board's promotional content with Tourism Brand Ireland, in co-operation and agreement with BFE and NITB.

- TIL will establish overseas offices, based in the immediate term on the existing office network of BFE and NITB currently operating outside the island of Ireland.

- TIL will own and manage Tourism Brand Ireland (TBI) and its associated communications material.

Eileen O'Meara Walsh, chairwoman of ITIC, claims that the establishment of TIL will "speak volumes to the international community about the new situation in Ireland and bring new confidence and energy to marketing the island of Ireland at a time when some international trends are causing worries about our future competitiveness as a holiday destination" (Link, 2001).

Bord Fáilte's previous focus was to: "support Irish Tourism and market it internationally." To achieve this focus Bord Fáilte concentrates on three core roles:

- Marketing Ireland internationally,

- Helping the Irish industry develop,

- Providing information for Decision-Making.

Following the establishment of TIL, Bord Fáilte's role has been refocused.
Future role of Bord Fáilte

- Bord Fáilte will have primary responsibility for promoting the development of tourism products and regions in all markets.
- Bord Fáilte will have responsibility for marketing on the island of Ireland.
- Bord Fáilte will have responsibility for product development, including the administration of £100 million in funding support under the National Development Plan, in conjunction with the Department of Tourism, Sport and Recreation and the Regional Assemblies.
- Bord Fáilte will continue to analyse and provide consumer, product and market information for decision-making to improve the performance of Irish tourism and to influence the development of market-led product.
- Bord Fáilte will continue to identify environmental and infrastructural constraints on tourism growth, based on market information and will influence policy change at home to address these.

(Link, 2001)

Regional Tourism Authorities (RTAs)

The RTAs work closely with Bord Fáilte, the ITIC, CERT and other agencies in implementing a common policy for Irish Tourism. There are seven tourism regions, six of them administered by RTAs and the seventh, the Mid-West, by the Traffic and Tourism Division of Shannon Development. Their respective regions (currently) are:

Dublin - Dublin City and County

South East - Carlow, Kilkenny, Tipperary (SR), Waterford, Wexford

South West - Cork, South Kerry
Shannon - Clare, North Kerry, Limerick, South Offaly, Tipperary (NR)
West - Galway, Mayo, Roscommon
North West - Cavan, Donegal, Leitrim, Monaghan, Sligo
East Coast & Midlands - Kildare, Laois, Longford, Louth, Meath, North Offaly,
Westmeath, Wicklow

The RTAs and Shannon Development's Traffic and Tourism Division are membership bodies 10,000 affiliates consist of local authorities and individuals association and firms whose combined activities and interests cover the tourism spectrum of their region. The RTAs provide tourism services in three core functional areas: visitor servicing, regional marketing (with the industry) and development, coordination and planning.

**The Irish Tourist Industry Confederation (ITIC)**

The confederation brings together all diverse commercial tourism interests and stimulates co-operation between them to maximise tourism growth. The ITIC has been innovative in carrying out research and publishing reports on behalf of the industry.

**CERT**

There are 180,000 people employed in hotels, restaurants, pubs and businesses serving tourism in Ireland. The success of tourism depends on the quality of the workforce servicing the industry. Since 1963 CERT has had the responsibility for the recruitment, education and training of this workforce. CERT is a state-sponsored agency, governed by a Council, which is appointed by the Minister for Tourism, Sport and Recreation.
Irish Hotels Federation (IHF)

The IHF is the national organisation of the Hotel and Guesthouse industry in Ireland. The Federation's primary functions are to promote and defend the interests of its members, in addition to the achievement of a satisfactory taxation and investment climate for the industry.

Performance of Irish Tourism Product

Expenditure by tourists to Ireland was estimated to be worth almost €3.2 billion in 1999. Overseas tourist visits to Ireland grew by 7% in 1999 to 5.9 million - the eighth successive year of growth. In the same year tourist visits from Britain grew by 7%, with those from North America growing 11% and visits from other long haul destinations increasing by 10%. Mainland Europe grew by 5%. (See Appendix 2.1 for 1999 Tourist Numbers) The performance of Irish Tourism is still ahead of European and world averages.

Economic Benefits

In 1999, out-of-state tourist expenditure, including spending by visitors from Northern Ireland, amounted to €2.5 billion with a further expenditure of €0.7 billion by overseas visitors on fares to Irish carriers. In addition, domestic tourism expenditure amounted to €1.1 billion. In total, tourism is a €4.3 billion industry. (See Appendix 2.2 for 1999 Tourist Revenue)

It is estimated that government earned revenue of €2.0 billion through taxation of tourism expenditure, of which €1.7 billion came from foreign tourism. For every pound spent by out of state tourists 57p eventually ends up with the government (through VAT, excise, PAYE, etc.).
For 1999 the value of exported goods and services is estimated at €76 billion, of which €3.2 billion can be attributed to tourism, accounting for 4.1% of exports and 4.2% of GNP. *(See Appendix 2.3 for Foreign Exchange Earnings)*

Tourism provided 137,739 jobs (or job equivalents) in 1999. In 1999, there was an estimated 1,591,100 people at work in Ireland, therefore tourism supports 8.7% of jobs - or one in 12.

In 1999, almost 6 million overseas tourist trips were made to Ireland, generating 45.6 million bed-nights. While tourist trips have shown an average annual growth rate of 10% since 1994, the average length of a visit has declined from 9.5 nights to 7.7 nights. As a result the average annual growth rate in bed-nights over the six years 1994-1999 has been 6%.

![Chart 2.1 Overseas Tourist Visitor Nights](chart.png)

(Source: Bord Fáilte, 2000)

In the same period, foreign exchange revenue, at constant prices, grew at an average rate of 8.1%, and the 1999 final outcome reached just over €3.1 billion.)
Over the same six-year period domestic tourism revenue at constant prices grew by an average rate of only 3.9% per annum and is estimated to have generated €1.17 billion in 1999, bringing the total value of tourism for the year to nearly €4.3 billion.

Bord Fáilte estimates that Foreign Exchange earnings at constant prices can be increased at an average annual rate of 5% over the seven years 2000-2006. This would bring Foreign Exchange earnings to over €4.4 billion by 2006. In volume terms this may represent up to 65 million bed-nights and 9 million tourist trips.
Tourism Facts and Figures

Fig. 2.4 How did they Arrive/Depart?

<table>
<thead>
<tr>
<th></th>
<th>Total (%)</th>
<th>Britain (%)</th>
<th>Main. Europe (%)</th>
<th>North America (%)</th>
<th>Rest of World (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From Britain</td>
<td>44</td>
<td>57</td>
<td>15</td>
<td>35</td>
<td>66</td>
</tr>
<tr>
<td>From Main.</td>
<td>17</td>
<td>*</td>
<td>68</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Europe Transatlantic</td>
<td>8</td>
<td>*</td>
<td>*</td>
<td>50</td>
<td>1</td>
</tr>
<tr>
<td><strong>Sea</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>From Britain</td>
<td>26</td>
<td>38</td>
<td>10</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>From Main.</td>
<td>1</td>
<td>0</td>
<td>5</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Europe Via N. Ireland</td>
<td>4</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>5</td>
</tr>
</tbody>
</table>

(Source: Bord Failte/CSO, 2000)

On examination of these figures 18% of international visitors to Ireland from Mainland Europe, came direct to Ireland. Assuming this 18% represents the total number of tourists travelling from within the Euro-zone, the benefits associated with currency fluctuations are only accrued by less than 20% of tourists travelling to Ireland because for 82% of tourists travelling to Ireland currency fluctuations will continue. This figure is excessively high due to the fact that the UK is a non-participating member of monetary union. Also, two thirds of American tourists visit the UK as well as Ireland and in doing so avail of two separate currencies (Kelly, 1996).

Fig. 2.5 How did they arrange their holiday?

<table>
<thead>
<tr>
<th></th>
<th>Total (%)</th>
<th>Britain (%)</th>
<th>Main. Europe (%)</th>
<th>North America (%)</th>
<th>Rest of World (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Package</strong></td>
<td>32</td>
<td>25</td>
<td>38</td>
<td>40</td>
<td>28</td>
</tr>
<tr>
<td><strong>Independent</strong></td>
<td>68</td>
<td>75</td>
<td>62</td>
<td>60</td>
<td>72</td>
</tr>
</tbody>
</table>

*Prepaid an inclusive price for two or more elements of their holiday

(Source: Bord Failte/CSO, 2000)
The more the Irish market depends on package holidays, the less important the money brought along as a percentage of the total holiday cost will be and thus foreign exchange costs will be less important. On examination of the same figures in 1995, the 1999 figures show an upward trend of 4% of package holidays in Ireland. The 1999 British figure rose by 6%.

2.6.1 Critical Issues for the Years Ahead

The fast growth of Irish tourism which has been achieved since 1987, and which has seen overseas tourist trips grow from 2.1 million to 6 million, has already started to put serious pressure on our resources, particularly in the peak season. The time has now come to focus more energy on making sure that this growth is sustainable. This will require attention to a number of key issues:

Seasonality

The chart below shows the seasonality pattern of overseas tourism to Ireland.

Chart 2.3 Visitor Nights by Month of Arrival

(Source: Bord Fáilte/CSO, 2000)

While the peak has been significantly flattened in recent years, there is still plenty of scope to build up the "Shoulder" (May, June, September, October) and "Low" (November to April) seasons.
Regional Spread of Tourism

The chart below shows how the share of overseas bed-nights between regions changed between 1994 and 1999.

**Chart 2.4** Overseas Visitor Nights % by Region (1994 and 1999)

<table>
<thead>
<tr>
<th>Region</th>
<th>1994</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dublin</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>Midlands East</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>South East</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>South West</td>
<td>10</td>
<td>18</td>
</tr>
<tr>
<td>Mid West</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>West</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>North West</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

(Source: Bord Fáilte/CSO, 2000)

In an environment of rapid overall growth, even those regions that have lost relative market share have actually seen at least a minimum volume growth. The increase in volume in regions such as Dublin and the South West has been especially impressive. This reflects the fast growth in short breaks and the availability of easy and economical access to Dublin, and, to a lesser extent, Cork.

**Infrastructure**

The growth targets in the Tourism Development Strategy imply that by 2006 there could be over one-quarter of a million tourists in this country on any average peak-season day. This is a significant addition to the resident population and puts and inevitable strain on an infrastructure that is already over-stretched.
Sustainable Development

In accordance with the National Sustainable Development Strategy, environment must be brought to the heart of the sectoral performance in agriculture, forestry, marine resources, energy, industry, transport, spatial planning, and, of course, tourism itself. There is a need for constant vigilance to protect the key issues of tourism, and in particular our scenic landscapes.

Congestion at Tourism Destinations

There are already plenty of instances of peak-season congestion at popular sights, attractive urban tourist centres, and major touring routes. It must be accepted that such locations can have a finite carrying capacity and when this is exceeded, the destination is diminished and so is the pleasure of the visitor and of the resident community.

Customer Service and Quality Management

Industry observers are expressing increasing concerns about quality of service. A number of factors are combining to cause this, - a tight labour market, high staff-turnover levels, sustained high growth levels, large numbers of new entrants to the industry and some of the legacy of a past low level of commitment to training and staff development. There is a case for moving beyond the traditional approach of policing product standards to a policy of Total Quality Management.

Competitive Forces

It is only too easy to become complacent after more than a decade of sustained growth. A high percentage of our tourists are first-time visitors, and they have to
be won anew every year in a fiercely competitive global market. Newly emerging destinations, larger promotion budgets and massive product development investment, are par for the course. Allied to this, customer tastes and fashions are changing apace (Bord Fáilte, 2000).

**Visitor Attitudes Survey**

Bord Fáilte has been conducting the Visitor Attitudes Survey on a biennial basis for many years. The objectives of the research are to examine what motivates consumers in choosing Ireland for a holiday, to identify the extent to which the pre-visit expectations were matched by their experiences and to measure their satisfaction with the Irish Tourism Product.

- **Reasons for Choosing Ireland**

  The main reasons for choosing to holiday in Ireland have changed very little over the past six years. The main motivation is the anticipated quality of sightseeing and scenery. Second is the desire to discover a new destination.

- **Opinion of the holiday**

  In 1999 almost one in three visitors said that the holiday in Ireland exceeded their expectations, the same as in 1997.
The main reasons why expectations were exceeded (i.e. scenery and the Irish people) have remained consistent with previous years, but contrary to 1995 and 1997 when the Irish people figure was on top, scenery takes precedence, with the number mentioning Irish people in this context down a full ten percentage points (from 55% to 45%). Amongst the 6% whom the experience did not match expectation, the main reasons were bad weather, poor roads, over commercialism, litter and expensive prices.

Jean Christophe Poncin, Managing Director of AIRCOM (2000), believes the Irish welcome is a very strong selling point but adds that it isn't the same since the economic boom (Link, 2000). He also states, "Ireland should try to remain cost competitive. Due to the economic boom prices tend to be inflated. The quality of the product is not consistent when compared, for example, with the Scandinavian countries". Herbert Weber, General Manager of Falcon Travel, backs this opinion; he purports that if prices continue to rise in Ireland, we are in danger of becoming uncompetitive compared with other destinations (Link, 2000).
According to the 1999 Visitor Attitudes Survey, price remains the least well-rated aspect, although expensiveness is a little less crucial in 1999 than in 1997, with the impact of British and US visitors contributing substantially to this favourable outcome.

Fig. 2.7 **Responses to Visitor Attitude Survey**

<table>
<thead>
<tr>
<th>Quote</th>
<th>Visitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>“You have to have enough money to buy food. It’s expensive.”</td>
<td>(French visitor)</td>
</tr>
<tr>
<td>“There is no transport which is very important if you want to enjoy the area.”</td>
<td>(English visitor)</td>
</tr>
<tr>
<td>“If you want a cheap holiday, it’s not really the place to come.”</td>
<td>(English visitor)</td>
</tr>
</tbody>
</table>

**Future**

Bord Fáilte's 2006 vision for Irish tourism is of a high quality tourism destination characterised by the warm welcome extended to visitors and the ease of interaction with the vibrancy and spontaneity of Irish life.

An effective strategy is needed which will harmonise the relationships between tourists, their destinations and the communities that host them. Key elements of the recommended tourism development strategy includes the application of high standards of visitor management in the established tourism centres, the fostering of the highest practical standards in every aspect of the environment on which tourism depends, a rational set of structures through which the communities, local authorities and especially the tourism industry in the important tourism centres can come together to plan all aspects of how they will cater for visitors' needs (Bord Fáilte, 2000).
A closer examination of how our Euro-zone members perceive our prices versus prices in their country, will give an indication of how competitive we will be when prices are transparent with the introduction of the single currency.

2.6.2 Competitive Issues for Irish Tourism

In order to sustain competitiveness within Ireland’s tourism industry, Irish tourism must effectively manage its core competencies. This will maximise its ability to maintain a competitive advantage over other Euro zone and third countries. Successful tourism destinations are characterised by three principal assets, namely, good and competitively priced transport networks, price competitiveness, and quality of product (Deegan et al., 1997). The issues most vulnerable include: level of costs and prices; quality of service; accessibility; level of amenities for tourists; and state of care for our environment.

Prices

An examination of the results of the Visitor Attitudes Survey conducted in 1999 revealed some interesting findings.

Perceptions of expensiveness figures for 1999 in the main European markets are similar to 1997 figures. German and Italian visitors are the most likely to see Irish prices as unacceptably high relative to their own country. The German market saw the cost of living in Ireland as its main disadvantage as a destination, above the weather or bad roads. This may highlight a reason why the German numbers visiting Ireland has shown a downward trend since 1996 of 10% or 35,000 visitors. In 1999, around half of all holidaymakers surveyed (48%) perceived Ireland to be more expensive than their homeland.
Compared with other destinations offering a similar type of holiday, 40% of holidaymakers saw Ireland as pricier. Half of Mainland Europeans regard Irish prices as higher.

Fig. 2.8 Price Comparison of Irish Tourist Product Versus Own Country

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Britain</th>
<th>USA</th>
<th>Germany</th>
<th>France</th>
<th>Italy</th>
<th>Netherlands</th>
<th>Scandanavia</th>
<th>Australia/New Zealand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Unacceptably high</td>
<td>8</td>
<td>3</td>
<td>6</td>
<td>18</td>
<td>6</td>
<td>23</td>
<td>6</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Higher, but acceptable</td>
<td>40</td>
<td>25</td>
<td>50</td>
<td>56</td>
<td>44</td>
<td>43</td>
<td>68</td>
<td>13</td>
<td>57</td>
</tr>
<tr>
<td>About the same</td>
<td>34</td>
<td>44</td>
<td>30</td>
<td>24</td>
<td>39</td>
<td>26</td>
<td>20</td>
<td>53</td>
<td>13</td>
</tr>
<tr>
<td>Somewhat lower</td>
<td>13</td>
<td>23</td>
<td>9</td>
<td>1</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>28</td>
<td>3</td>
</tr>
<tr>
<td>A lot lower</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Don't know</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>7</td>
</tr>
</tbody>
</table>

(Source: Irish Marketing Surveys, 2000)

The perception of Ireland as being a costly destination needs to be redressed given that 49% of the survey when asked, which of the range of information sources had been important in their choosing Ireland for their 1999 holiday, claimed advice from friends/relative or business associate to be the most important.

Costs

The costs of holidaying in Ireland are driven by the price levels that are in turn driven by costs associated with servicing tourists needs e.g. electricity. Overall electricity costs exceed those in Britain and are above the EU average for smaller users. The OECD recommended that Ireland reduce its electricity costs so as to remain competitive in the future (Irish Times, 2001). Inflation in Ireland is likely to continue to exceed the Euro area average for some time, consumer price inflation reached a 16-year high of 7 percent in November 2000. Consumer prices
continue to rise at rates well in excess of those in the Euro area reflecting high inflation in services, driven by estimated wage increases of some 9 percent outpacing productivity growth in this sector (Irish Times, 2001).

In 1996, IBEC’s Vice President, Mr. Tony Kilduff, highlighted that Ireland needed to monitor labour costs vis-à-vis our competitors to keep our labour intensive industry competitive. Ireland’s labour costs are below those countries like Germany, Netherlands and France but higher, for all sectors, than Spain, Portugal, Greece and Eastern Europe.

However, Irish wage rates are not particularly high by international levels. Recent data from the US Department of Labour show that hourly labour costs in Ireland are among the most competitive in the world.

Fig. 2.9 Hourly Labour Costs (in $)

<table>
<thead>
<tr>
<th>Country</th>
<th>Cost (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>13.33</td>
</tr>
<tr>
<td>UK</td>
<td>16.43</td>
</tr>
<tr>
<td>France</td>
<td>18.26</td>
</tr>
<tr>
<td>Germany</td>
<td>27.20</td>
</tr>
<tr>
<td>Netherlands</td>
<td>20.57</td>
</tr>
<tr>
<td>Spain</td>
<td>12.14</td>
</tr>
<tr>
<td>US</td>
<td>18.56</td>
</tr>
<tr>
<td>Japan</td>
<td>18.05</td>
</tr>
</tbody>
</table>

(Source: US Department of Labour, 2000)

In the last quarter of 1999, Irish hourly labour costs rose by 7%, this must be regarded as a major concern as this figure was well above the Euro-zone average of 2.5% (EU Business, 2001).

In tourism the average labour costs are well below these figures. The industry is dominated by an image of poor labour conditions, including low pay. Increased
competition, combined with the service characteristics (seasonality), often make it difficult to offer more attractive wages (OECD, 2000). The knock on effect is that signs of labour shortages are becoming more widespread in the tourism sector.

Irish tourism prices must remain competitive. Direct and indirect costs such as VAT must be on par with participating Euro zone countries in order to maintain positive price to value and price to quality ratios. Kilduff (1996) highlighted that indirect taxation was a major issue given that our standard rate of VAT is too high. (See Appendix 2.4 for European VAT Rates) Following the 2001 budget our standard VAT rate stands at 20% but how does that compare with our competitors? Those countries with lower taxes, smaller social security costs and freer markets will attract business away from countries with more burdensome tax and regulatory structures (Bernaldo de Quino's, 1999). The 1992 Culliton report on Industrial promotion and development stressed the importance of tax reform to improve Ireland’s competitiveness (Deegan et al., 1997).

Today, within the EU, significant price differences exist on consumer goods. To some extent they are due to different VAT rates or production costs. The increased transparency associated with the single currency will highlight the differences and allow some countries to gain a comparative advantage. A special Harris survey of 130 European main board sales and marketing directors, commissioned by Price Waterhouse, found that prices charged by companies vary on average by a massive 80 percent between their highest and lowest points (Eurofile, 1998).

VAT as an indirect tax is one variable that can affect competitiveness of regions and within the Euro-zone many regions experience variances in VAT rates that
can lead to regions being reviewed as being more expensive due to price transparency. When prices are shown in Euros, the disparity between a VAT of 21% on meals in Belgium and 3% in Luxemburg will be much easier to spot (Ball, 1998). Governments must ensure that the diversity of indirect taxes within the Euro-zone does not generate destructive distortions in the tourism sector (WTO, 1998).

Fig. 2.10  
Comparison of VAT rates applying to Tourism in the Euro zone

<table>
<thead>
<tr>
<th>Euro zone Country</th>
<th>Standard VAT rate (%)</th>
<th>Hotel accommodation (%)</th>
<th>Eating Out (%)</th>
<th>Car rental (%)</th>
<th>Excursion (%)</th>
<th>Fun park (%)</th>
<th>Museum (%)</th>
<th>Theatre (%)</th>
<th>Night club (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>20</td>
<td>10</td>
<td>10</td>
<td>20</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Belgium</td>
<td>21</td>
<td>6</td>
<td>21</td>
<td>21</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Finland</td>
<td>22</td>
<td>6</td>
<td>22</td>
<td>22</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>France</td>
<td>19.6</td>
<td>5.5</td>
<td>19.6</td>
<td>19.6</td>
<td>5.5</td>
<td>5.5</td>
<td>5.5</td>
<td>19.6</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>7</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>18</td>
<td>8</td>
<td>8</td>
<td>18</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td><strong>Ireland</strong></td>
<td><strong>20</strong></td>
<td><strong>12.5</strong></td>
<td><strong>12.5</strong></td>
<td><strong>12.5</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
<td><strong>20</strong></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>20</td>
<td>10</td>
<td>10</td>
<td>20</td>
<td>0</td>
<td>20</td>
<td>10</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>15</td>
<td>3</td>
<td>3</td>
<td>15</td>
<td>12</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Netherlands</td>
<td>19</td>
<td>6</td>
<td>6</td>
<td>19</td>
<td>19</td>
<td>19</td>
<td>6</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>17</td>
<td>5</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>5</td>
<td>0</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Spain</td>
<td>16</td>
<td>7</td>
<td>7</td>
<td>16</td>
<td>7</td>
<td>16</td>
<td>7</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>US: Orlando, Florida</td>
<td>6</td>
<td>11</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>


Fig. 2.10 shows how seven of the eleven Euro zone countries have a lower standard VAT rate than Ireland, ten of the eleven countries have a lower hotel accommodation rate and six of the eleven have a lower eating out VAT rate. However, Ireland has the lowest car hire VAT rate. The Irish drinks industry submitted their 2001 pre-budget recommendations to the Government, advocating a reduction in alcohol taxation VAT rates. In comparison to 15 EU economies,
Ireland in 1999 had the second highest tax on wine and on beer. They argue that a tourist’s sense of good value is substantially influenced by the price of alcohol, and a high alcohol tax policy is counter to the nation’s tourist’s aspiration and the competitiveness of the product. They recommended a reduction in VAT rates to lower European levels, which would result in a revenue decline before allowing for increased revenue from higher demand and a positive Exchequer impact as a result of a more competitive tourism product.

A 1997 British Study supports their arguments. The purpose of the British Economic Effects of Changing VAT Rates (1997) was to examine what might occur if the rate of VAT levied on tourism and leisure services in the United Kingdom (UK) were to be reduced. The study put forward a compelling argument showing that, if the rate of VAT on visitor accommodation was reduced from 17.5 per cent to 8 per cent, Britain’s negative tourism balance of approximately £4 billion would be wiped out in four years.

Since the study, Britain has continued to have a substantial tourism account deficit (that is, that the spending of British residents travelling overseas, or tourism “imports”, is higher than the spending of overseas visitors to Britain, or “exports”). Between the mid 1980s and the mid 1990s, the UK tourism balance has weakened more than that of all other EU countries.

The UK has the second highest rate of VAT on visitor accommodation and other tourism services in the EU. At 17.5 per cent, the rate on visitor accommodation is more than twice the average of the other 14 countries and Norway (8.5 per cent).

For the report, surveys were undertaken amongst tourism industry operators and UK, Dutch and US holidaymakers, in order to test their perception of price
sensitivity. Some 70 per cent of UK and overseas holidaymakers said that they were more likely to holiday in the UK if prices were 10 per cent lower.

In the report, case studies of the experience in Ireland and Denmark were reported. Ireland halved its rate of VAT on visitor accommodation and restaurant meals in the mid 1980s. Overseas visitors to Ireland increased from 1.9 million in 1986 following this measure, to 3.1 million in 1990, with a consequent increase in foreign exchange earnings of over 50 per cent in real terms. The number of Irish residents taking domestic holidays also increased during this period, so that Ireland’s tourism balance has showed a substantial improvement, that is, moving in exactly the opposite direction to that of the UK. Some 30,000 jobs were created in the tourism sector between 1986 and 1990. From 1984 to 1993, Ireland’s tax revenues from accommodation, restaurant meals and entertainment doubled; in addition, significant other tax revenues were generated.

Denmark has the highest rate of VAT on hotel accommodation and meals in the EU. International tourism receipts have declined during the 1990s, and Denmark’s share of European tourism declined from 2.42 per cent in 1991 to 1.83 per cent in 1994.

**Quality Service**

In addition to the above arguments, the focus on employment in the tourism industry is reinforced by the fact that the tourism industry has matured into a consumer market through increasing global and national competition, market turbulence and changes in consumer demand. Tourism is about people. Visitors are people, subject to changes in their behaviour, demands and decision-making. Changes are difficult to predict and anticipate. The tourism industry is heavily
dependent on the human factor (in addition to other factors such as natural resources, infrastructure and capital) to ensure delivery and quality of its products and services. Furthermore, many tourism products include people as an integral part of the expertise offered, whether as performers or as members of the cultural environment (Baum, 1993). People are clearly central to the effective operation and further development of the industry. The Irish tourism sector needs to attract and retain a quality workforce that is best practice in terms of service skills, customer care and knowledge of Ireland. The ability to succeed, and the future performance of the tourism sector depends on education and training, to enhance the skills, knowledge and qualities of tourism managers and employees alike. The benefits of both education and training for tourism according to Cooper et al. (1998) are:

- They ensure a high quality of service is provided to the customer.
- They add value, raise the quality of personnel and infuse a sense of professionalism and ownership.
- They help to retain staff, and provide a career path for employees
- They ensure that a destination’s tourism product is delivered by local people and not by imported labour.

**Accessibility**

Ease of access is fundamental for the development of a tourist destination. In order to foster regional distribution of tourist numbers the access networks to all regions must be of a high quality, offering timely and quality routes. We must continue to open new direct routes to Ireland in order to attract new growth
markets to Ireland. Over reliance on our main markets could leaves Irish tourism vulnerable to worldwide external shocks.

**Environment**

Our tourism industry is dependent on the state of our environment; in the 1999 Visitor Attitudes survey our scenery received the highest rating. But given our ongoing disregard for our environment, where we rank 17th out of 25 European countries in emission levels and 18th out of 18 European countries in recycling activity (Annual Competitiveness Report, 2000), the need for greater awareness and management of our natural resources is extremely urgent.

**2.7 Tourism in the Cork and Kerry Region**

The Cork and Kerry region is made up of a majority of small tourism providers, traditionally associated with poor strategic focus and a poor direct marketing capability. This differs considerably to the larger tourism providers that possess the resource base to adapt to and make the necessary strategic and operational adjustments to cope with change.

The region’s tourism sector is a vital industry bringing in huge levels of money to the area, providing both direct and indirect benefits. Therefore to guarantee the continued level of success in this sector it is necessary to understand where the tourist comes from, how the tourist accesses the area, what they like or dislike about their experience, how can we improve on their tourist experience and how can we improve on the quality to price ratio? The examination of tourism in the Cork and Kerry region highlights the need to prepare and protect the sectors of the industry that will be most affected by the increase in the competitive nature of the
industry, stemming from the introduction of a common European currency. Tourism is about people and if we cannot continue to attract tourists to the area, or if we fail to offer direct routes into it, then we as a tourist region will lose out to other regions in Ireland and abroad.

The difficulty in ascertaining a clear picture of Tourism in Cork and Kerry stems from the fact that: Cork and Kerry Tourism manage tourism in the Cork and South Kerry region, while Shannon Development manage North Kerry. This has been the situation since 1988.

Kerry and Cork are the number two and three tourism counties in Ireland after Dublin.

Fig. 2.11 Overseas Tourists 1999

<table>
<thead>
<tr>
<th></th>
<th>Total (000's)</th>
<th>Britain</th>
<th>Main. Europe</th>
<th>North. America</th>
<th>Other Areas</th>
<th>Total Revenue (£M)</th>
<th>Expenditure per Tourist (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kerry</td>
<td>1129</td>
<td>316</td>
<td>362</td>
<td>377</td>
<td>75</td>
<td>184</td>
<td>163</td>
</tr>
<tr>
<td>Cork</td>
<td>1062</td>
<td>452</td>
<td>295</td>
<td>245</td>
<td>70</td>
<td>245</td>
<td>230</td>
</tr>
<tr>
<td>Dublin</td>
<td>3149</td>
<td>1638</td>
<td>775</td>
<td>566</td>
<td>170</td>
<td>577</td>
<td>183</td>
</tr>
</tbody>
</table>

(Source: Bord Fáilte, 2000)

The striking difference in the Expenditure per Tourist figure between Kerry and Cork may culminate from a reduced length of stay figure, 1997 figures for Kerry are 3.3 nights. An examination of national average figures shows how this figure is very low.

Fig. 2.12 Average Length of Stay (1999)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>9.8 nights</td>
</tr>
<tr>
<td>Southwest</td>
<td>4.7 nights</td>
</tr>
<tr>
<td>Shannon</td>
<td>4.8 nights</td>
</tr>
</tbody>
</table>
Using WTO forecasts for tourism growth in Europe in the medium term of 4% per annum visitor, numbers to Cork and Kerry will increase from 1.798 million in 1999 to 2.37 million in 2006, an increase of 572,000 or 32%.

2.7.1 Tourism in Cork and South Kerry

Between 1997 and 1999, the number of overseas tourists visiting Cork and Kerry increased by 4.5% from 1.499 million to 1.566 million. This was well below the national growth rate in overseas tourist arrivals of 18.7% during the same period. However, a large proportion of this growth was concentrated in Dublin.
The Cork and Kerry region has achieved growth in all major overseas markets since 1995, however the British market has fallen by 5% over the past 2 years.

The fastest growing markets for the Region have been the Rest of the World (mainly Australia and New Zealand) and North America, which recorded growth rates of 55% and 58% respectively – the North American growth of 20% from 1998 was well above the national average of 8%.

The British Market continues to be the largest source of demand for the region.

**Fig. 2.15 Tourism Revenue to South West (1995 – 1999)**

<table>
<thead>
<tr>
<th>Market</th>
<th>1995 (IR£m)</th>
<th>1996 (IR£m)</th>
<th>1997 (IR£m)</th>
<th>1998 (IR£m)</th>
<th>1999 (IR£m)</th>
<th>Growth % 1997-1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Britain</td>
<td>97.1</td>
<td>111.4</td>
<td>139.5</td>
<td>146.0</td>
<td>152.9</td>
<td>6.6%</td>
</tr>
<tr>
<td>Mainland Europe</td>
<td>72.0</td>
<td>103.4</td>
<td>84.0</td>
<td>94.2</td>
<td>104.4</td>
<td>24.3%</td>
</tr>
<tr>
<td>North America</td>
<td>52.7</td>
<td>56.8</td>
<td>72.7</td>
<td>74.0</td>
<td>97.3</td>
<td>33.8%</td>
</tr>
<tr>
<td>Other Areas</td>
<td>10.5</td>
<td>13.8</td>
<td>12.1</td>
<td>23.4</td>
<td>35.0</td>
<td>189.3%</td>
</tr>
<tr>
<td><strong>Total Overseas Revenue</strong></td>
<td><strong>232.3</strong></td>
<td><strong>285.4</strong></td>
<td><strong>308.3</strong></td>
<td><strong>337.6</strong></td>
<td><strong>389.6</strong></td>
<td><strong>26.4%</strong></td>
</tr>
<tr>
<td>Domestic</td>
<td><strong>110.8</strong></td>
<td><strong>122.1</strong></td>
<td><strong>149.6</strong></td>
<td><strong>159.8</strong></td>
<td><strong>187.3</strong></td>
<td><strong>25.2%</strong></td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>15.2</td>
<td>5.9</td>
<td>8.8</td>
<td>12.3</td>
<td>11.2</td>
<td>27.3%</td>
</tr>
<tr>
<td><strong>Total Tourism Revenue</strong></td>
<td><strong>358.3</strong></td>
<td><strong>413.4</strong></td>
<td><strong>466.7</strong></td>
<td><strong>509.7</strong></td>
<td><strong>588.1</strong></td>
<td><strong>26.0%</strong></td>
</tr>
</tbody>
</table>

(Source: Bord Fáilte, 2000)

During the period 1995-1999, revenue earned from overseas tourists visiting the Cork and Kerry region increased by 68% from £232.3m in 1995 to £389.6m in 1999. The regional growth in overseas tourism revenues since 1997 is satisfactory since it represents an increase in the Regional revenue yield per tourist of 21% (from £206 to £249). In comparison, the per tourist yield at national level, rose by 24%. The British market remains the South West regions biggest international contributor of revenue. The 189.3% increase in the “Other Areas” revenue contributions shows the greatest level of growth, with a £353 spend per person compared to the £139 Irish spend per person figure.
Employment

The estimates in the employment generated by tourist expenditure in Cork and Kerry are based on the employment multipliers for tourism calculated in Deane and Henry's study in 1993, which was updated in 1997.

The overall employment impact of tourism comprises four main components:

- The direct employment, which is the number of jobs created in tourism enterprises.
- The indirect employment, created in the enterprises that supply the tourism sector (including the public sector services).
- The induced employment created as a result of the increased consumption arising from the increased incomes generated by the expenditure of the tourism enterprises and their employees.
- The employment created by Government recycling of monies received through taxation on tourism enterprises, their employees, their suppliers and the goods and services which they buy and supply (Cork Kerry Tourism, 1999).

**Fig. 2.16 Employment Generated by Tourism in Cork and Kerry (Full-Time Job equivalents – FTE)**

<table>
<thead>
<tr>
<th></th>
<th>1992</th>
<th>1997</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct</strong></td>
<td>8,432</td>
<td>11,825</td>
</tr>
<tr>
<td><strong>Indirect</strong></td>
<td>4,277</td>
<td>6,210</td>
</tr>
<tr>
<td><strong>Induced</strong></td>
<td>1,908</td>
<td>2,353</td>
</tr>
<tr>
<td><strong>30% Government Recycling</strong></td>
<td>1,121</td>
<td>1,293</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15,738</td>
<td>21,681</td>
</tr>
</tbody>
</table>

(Source: Cork Kerry Tourism, 1999)
Revenue and Visitor Spend

Fig. 2.17 Regional Tourism Revenues in 1992, 1997 and 1999

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IR£m</td>
<td>%</td>
<td>IR£m</td>
<td>%</td>
<td>IR£m</td>
</tr>
<tr>
<td>Dublin</td>
<td>342.0</td>
<td>21.4</td>
<td>565.6</td>
<td>24.0</td>
<td>707.5</td>
</tr>
<tr>
<td>South-West</td>
<td>316.1</td>
<td>19.7</td>
<td>466.4</td>
<td>19.7</td>
<td>588.1</td>
</tr>
<tr>
<td>West</td>
<td>256.0</td>
<td>16.0</td>
<td>343.3</td>
<td>14.5</td>
<td>408.9</td>
</tr>
<tr>
<td>Mid-West</td>
<td>188.6</td>
<td>11.8</td>
<td>282.9</td>
<td>12.0</td>
<td>321.3</td>
</tr>
<tr>
<td>South-East</td>
<td>188.1</td>
<td>11.7</td>
<td>242.8</td>
<td>10.3</td>
<td>276.9</td>
</tr>
<tr>
<td>North-West</td>
<td>146.7</td>
<td>9.2</td>
<td>231.9</td>
<td>9.8</td>
<td>226.6</td>
</tr>
<tr>
<td>Midlands-East</td>
<td>163.5</td>
<td>10.2</td>
<td>228.4</td>
<td>9.7</td>
<td>284.4</td>
</tr>
<tr>
<td>Total</td>
<td>1,601.0</td>
<td>100.0</td>
<td>2,361.3</td>
<td>100.0</td>
<td>2,813.7</td>
</tr>
</tbody>
</table>

(Source: Bord Fáilte, 2000 Note: Includes tourism revenues from overseas, Northern Ireland and Domestic markets, but excludes carrier receipts and day-trip revenues)

The reduction in market share in the South West region during the early 1990s was mostly attributable to the high rate of growth of tourism in Dublin and the consequent large increase in Dublin’s market share. However, in the later half of the ‘90s the region has performed very well, thanks to the revenue growths in the North American and Other Areas markets. The average growth percentage for the 1997-1999 period is the highest in Ireland and 9% above the national average.

Due to variations in visitor mix and length of stay, regional expenditure per visitor varies year to year – fig. 2.18. In 1999, the South West’s figure was £39.60 above the average, this represented a dramatic increase.
The Cork and Kerry region’s figures for expenditure per visitor continues to exceed both the National Average and all regions, 24% above its nearest challenger, Dublin.
2.7.2 Tourism in Kerry (North and South Kerry)

Tourism is of major importance in County Kerry. It is recognised as Ireland’s premier tourist destination.

Fig. 2.19 Most Pleasing Aspect of Visit

![Pie chart showing the most pleasing aspect of visit to Kerry. The pie chart indicates that Scenery is the most pleasing aspect with 46%, followed by Friendliness with 20%, and BIC with 6%.]

(Source: Kerry County Council Visitor Survey, 1999)

Tourism makes a major contribution to the local economy and local community. In 1997, it was estimated that around 1.8 million visitors visited the Kerry region and there were around 8,000 people employed in the tourism industry. In 1999, 1.129 million overseas visitors visited Kerry (Bord Fáilte, 2000).

Tourism Growth

European tourism numbers are set to grow over the next 20 years to 717 million visitors according to the World Tourism Organisation (WTO, 2000). While the WTO acknowledge the potential jobs boom that will result from this, they note that “tourism sites and infrastructure are under great pressure”. They called for an urgent need to respect the principles of sustainable development by the tourist industry. This growing European problem is also manifesting itself in Ireland.
Various reports and visitor surveys have been undertaken in recent years with respect to the tourism industry in Kerry and its potential environmental impact (Kerry County Council, 1992, 1995; Kerry Tourism Strategy Group, 1997). The findings of these studies and surveys suggest that increased growth in tourism numbers in Kerry has produced conflicts with the environment. This is especially evident in peak season traffic problems in towns such as Dingle, Tralee, Killorglin, and Killarney, and also at key attractions such as the Ring of Kerry and Killarney National Park. This latter aspect is commonly cited in tourist dissatisfaction surveys. Of course visitors themselves are contributing to these problems, due to the fact that the principle mode of transport and access to the County is by car and road (KITE, 1999).

**Fig. 2.20 Most Displeasing Aspect of Visit**

![Pie chart showing the most displeasing aspect of visit](image)

(Source: Kerry County Council Visitor Survey, 1999)
Increasing Visitor Pressure

The number of tourist visits is increasing. Recent surveys (Bord Fáilte, 1997, 1998; Kerry County Strategy Group, 1997) all indicate progressive increases in tourism numbers in the County. Fig. 2.24 shows recent trends in overseas tourism numbers in Kerry since 1993.

Fig. 2.21 Changes in Overseas Visitor Numbers to Ireland and Kerry

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ireland</td>
<td>3.3</td>
<td>4.7</td>
<td>5.0</td>
<td>5.5</td>
<td>5.9</td>
</tr>
<tr>
<td>Kerry</td>
<td>0.8</td>
<td>1.0</td>
<td>1.1</td>
<td>1.07</td>
<td>1.13</td>
</tr>
</tbody>
</table>

(Source: Bord Fáilte/Shannon Development)

Overseas tourist visits to Ireland grew by 6% in 1999 to 5.94 million. The number of visitors to Kerry as a percentage of this National total was 19% with 1.13 million tourist visits, up about 60,000 on the previous year. These figures suggest that Kerry has received around 100,000 extra overseas visitors since 1996 and over 300,000 extra since 1993.

In addition, domestic visitors are also increasing, in response to improved economic conditions, increased mobility and changing lifestyle patterns. Domestic tourist numbers to the South West Region (includes both Cork and Kerry) in 1999 for example, were up to 1.350 million visitors.

In terms of revenues generated from overseas visitors, figures for 1999 indicate that a total of £184 million pounds was generated. This averages out at approximately £164 per head, some 30% below the Cork per head figure.
The Impact of Tourism Growth

The impact of Kerry's tourism growth over the past number of years has manifested itself in a number of ways, which has both environmental and economic consequences for its future development. In environmental terms, the addition of an extra 500,000 overseas visitors per annum into Kerry with a similar or larger number of domestic visitors over the past ten years has led to major congestion problems in the key tourist towns of County. The problem is compounded by the fact that many of these tourists are arriving or taking their holidays in Kerry during the months of July and August. This puts further pressure on the local infrastructure in terms of extra traffic, litter management and pressure for water supplies (KITE, 1999).

This "congested atmosphere" does not go unnoticed by visitors and inhabitants alike. During a recent visitor survey (Kerry County Council, 1999), of those visitors who expressed an opinion, most indicated their dissatisfaction at traffic/congestion issues and the conditions of the roads.

Fig. 2.22 Visitor Dissatisfaction with Traffic/Congestion

(Source: Kerry County Council Visitor Survey, 1999)
In economic terms, there are both positive and negative consequences arising from the growth in tourism numbers. Certainly there has been a growth in tourism related employment that has benefited the local economy. However in terms of the operation of tourism infrastructure (hotels, guesthouses, etc) there appears to be evidence of under-utilisation of accommodation capacity and a reduction in the average length of stay of visitors, particularly in Killarney. Two factors contribute to this, namely an over-reliance on tour based visitors and the compressed tourist season itself. The focus on high turnover of visitors adds to environmental pressures by increasing demand for room cleaning, laundry and waste.

To combat the pressure tourism places on the environment, the Kerry Initiative on Tourism and the Environment (KITE) was set up. Its strategy for tourism in Kerry balances the needs of both elements in a pro-active and insightful manner. (See Appendix 2.5 for The Structure for Implementation of Kerry’s Tourism and Environment Initiative)

**Addressing Tourism Growth in Kerry in the Period 2000-2006**

International tourism expenditure is expected to grow at close to 6% per annum in real terms over the next decade according to the National Plan (2000-2006). According to the Kerry County Enterprise Boards Enterprise Action Plan 1997-1999, Tourism Seasonality and Loss of Market Share, are seen as weaknesses for Kerry Tourism: “Outside of the major centres, the high tourism period extends from late May to early September. Lack of solid “shoulder” business in many areas results in the under utilisation of facilities and little income for operators outside the peak season. Also, the acknowledged loss of tourism market share in Kerry and the West Coast generally, to Dublin, is a cause for concern”.
Given the current pressures on Kerry arising from increases in visitor numbers in recent years in terms of congestion (both traffic and people), pressure on environmental resources and infrastructure, the following questions need to be asked: how many more tourists can Kerry cope with? Does it need growth in numbers or growth in revenues (spend per head)? How can existing and future numbers be managed in a way which optimises existing tourism infrastructure, thus reducing the pressure on the environment and reducing congestion?

2.7.3 Air Access to Cork and Kerry Region

Deegan et al. (1997) claim that ease of access and points of access on the East and Southeast coasts of Ireland have enabled the adjoining regions more opportunity to "capture" the passing tourist trade. This may be due to better access or a complacency and failure to recognise changing market trends, and to effectively respond to them, might also explain the regional differences.

According to the visitor attitudes survey 1999, 43% choose to visit Dublin because of its proximity to an access route, second came the South East region with 18% whereas for the Cork and Kerry region the figure was a mere 8%. The report of the Forfás Air Services Group concluded that relative to the needs of regional competitiveness, the level of services of both Cork and Shannon airports are inadequate. The report also identified that the scope of eastward air services into and out of Cork and Shannon airport need improving (Competitiveness Report, 2000).

In 2000, 6,631,628 passengers arrived at Dublin airport, an increase of 8% on 1999 figures. There has been 25 new international routes added since 1998 and today 61 international routes operate from Dublin. While Cork airport has shown an
increase of 12% on 1999 figures, 826,001 international arrivals represents just 12% of the Dublin total. Shannon airport experienced a 16.8% increase in arriving numbers, with a 2000 figure of 876,029, representing 13% of the Dublin total. Shannon airport has gained the Ryanair route, increasing the region’s accessibility. This has had a number of consequences; a positive is that it brings tourists direct to the region. Ryanair’s service from Hahn in Germany direct to Shannon could help drive down the costs incurred by the German market coming to Ireland. This service will also fly the German tourist direct to the West coast of Ireland, which will benefit the Kerry area in particular. However, the negative aspect is that flights arriving must also depart, bringing passengers out of the region thus taking Irish holidaymakers to international competitors. Kerry Airport has shown a fall in numbers of 7%, from 84,000 inbound in 1999 to 78,500 in 2000. International inbound figures are 35,000 from London – Stansted. Therefore of the 8,368,658 total international arrivals to Ireland in 2000 approximately 2 in 10 international passengers came through Cork, Kerry and Shannon Airports combined.

2.7.4 Structure of Tourism Businesses in the Cork and Kerry Region

To identify which tourism businesses will be affected most by the introduction of the Euro on 1st January 2002, it is necessary to examine the business structure of the tourism sector in the Cork and Kerry region. This examination of the business structure will help build a picture of the different ways tourism operators will be impacted by the single currency and this in turn will highlight the need to prepare for its introduction.
Business profiles of the Hotel, Bed and Breakfast, Self-Catering and Travel Agent sectors are constructed covering the following areas:

- Customers
- Marketing
- Competition
- Suppliers
- Management Structure
- Strategic Focus
- Human Resource and Information Technology.

Hotel

The hotel sector tends to target a wide spectrum of customers, ranging from families and tourists to business clients. Marketing is a major function in the hotel sector. Separate marketing departments are used to attract potential business from home and abroad. Competition exists at a local and international level, especially for the business client. The management structure of hotels varies according to the size of the hotel. Small hotels tend to be family owned and run, with the family holding the management positions without department heads. Larger hotels have a more structured management set-up where department managers deal with operational issues, allowing the general and deputy managers to concentrate on steering the hotel forward in a strategic direction. Due to the nature of the service industry, a large workforce is required to operate the business effectively. Interaction between staff and customer is vital for the hotels success. Information technology in the hotel sector is extensive, from property management systems, to cash registers, accounting and payroll systems.
Bed and Breakfast

The typical bed and breakfast’s customer base consists of domestic and international visitors that travel to the area. The bed and breakfast sector is dependent on external agencies to attract the business to their doorstep. Marketing is limited and done on an ad-hoc basis. Competition exists locally but the bed and breakfast sector’s flexibility allows them to easily adapt to competition changes. Supplies are sourced exclusively from local suppliers. Management and staff are usually family members, allowing for a form of labour exploitation to keep labour costs to a minimum. The bed and breakfast sector, like most SMEs, lack strategic focus and tends to concentrate on the issues of the day. Information technology plays a very small role in the operation of this business.

Self-Catering Operator

The regions self-catering’s customer profile is both domestic and international. A high percentage of their customer base is made up of families and adventure market. Competition is high from other accommodation providers, both from full and self-catering operators. Supplies are sourced locally. The management structure is linear with an owner/manager set-up. Like many small business operations, strategic focus is minimal. Staff involvement with the customer is high. With usually only payroll and accounting software systems, information technology has only a minor role in the daily business.

Travel Agent

The local travel agent sector deals exclusively with local travel requirements, generally to destinations outside of Ireland. Marketing for the travel agent is
confined to price displays using local advertising mediums. Competition has become intense from the influence of Internet companies like lastminute.com, together with a change in air operator's policies. Supplies are sourced locally with the exception of information technology, which plays an essential role in this sector. Global distribution systems (GDSs) like Galileo are vital for booking airline tickets for passengers. The management structure of the local travel agent is usually linear with an owner/manager set-up. Staff are highly trained to deal with people and technology.

The Cork and Kerry tourism industry is a collection of smaller sectors that deliver products and services to a spectrum of domestic and international customers, each sector and constituent business will have unique considerations which will determine the level of impact from the introduction of the single currency. Each business must plan for the positive opportunities and the negative outcomes, each strategy must enable them to cope with the changes incurred on their businesses. Following the examination of the Euro in chapter three, the impact of the Euro on the business structure of the tourism sector in the Cork and Kerry region will be explored.

2.8 Conclusion
Tourism is a global industry and is fiercely competitive given the heralded benefits to economies. Ireland and especially the Cork and Kerry region is dependent on tourism for economic well-being and growth. Therefore any threat to its continued success needs to be tackled head on. The Euro as a single currency will highlight the cost structures associated with holidaying in Ireland. The perception of Ireland as a costly destination is high among many of our key markets. The costs of doing
business in Ireland must be continuously monitored and action taken to ensure that we remain competitive with other tourism competitors. There is a need to analyse our relative competitiveness vis-à-vis these competitors in tourism, in such areas as trading costs, indirect taxes, access costs, quality of service etc. The tourism operators in the Cork and Kerry region need to minimise operational costs and maximise output, while at the same time creating a competitive advantage through differentiation. This is achieved by efficiency and productivity that deliver cost advantage, or differentiation and positioning which deliver value advantage. The Euro and its implications for Tourism in Ireland will be addressed in the next chapter.
Chapter 3
EURO Issues

3.1 Introduction

"A single currency is the cement that binds our economies together".


On 1st January 1999, the Euro became the official currency of the Economic and Monetary Union (EMU). An initial group of countries, in accordance with the Maastricht criteria including Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain and the Netherlands, have agreed to change to a Single Currency, the Euro. Notes and coins (hard currency) will be introduced on 1st January 2002 and the countries national sovereignty will be phased out over a period of 6 months, in Ireland it will be a six-week period. The background to the Euro will be examined, the history of single currencies and the competitive implications associated with a single currency. The effectiveness of the Euro information campaigns will be explored and how are small tourism businesses addressing the issues related to the introduction of the Single European Currency.

3.2 Euro Terminology

3.2.1 Economic and Monetary Union

Economic and Monetary Union (EMU), as conceived by the Maastricht Treaty, is a monetary union, an economic union to a limited extent, but not a political union. It is a monetary union because national monetary competencies are polled within a
European Central Bank (ECB) (*See Appendix 3.1 for information on the institutions in EMU*), which defines and implements a single monetary policy, in a single currency - the Euro - for the whole of the EMU area.

Technically, it is not a genuine economic union since national authorities remain in charge of economic and budgetary policies. The transfer of competencies for national economic and budgetary policies to a Community body would actually have created a political union, as decisions on these matters are, in all countries, an essential prerogative of government and parliament. This was not the intention of the Treaty. Nevertheless, these policies are directly affected by EMU, as governments and the ECB, continue to push for economic convergence (Charlton, 1999).

European Monetary Union includes the irrevocable fixing of exchange rates leading to the progressive introduction of a single currency. Theoretically, there could be a monetary union without a single currency, just by fixing exchange rates permanently. But if national currencies remained, there would always be the danger of a currency suddenly withdrawing from the system. The Euro would have to stand the burden of a permanent risk which would result either in higher interest rates with negative consequences on growth or in a depreciation of its value. In addition, people and businesses would still have to exchange currencies within the boundaries of EMU with all the expense and inconvenience associated.

European Monetary Union is part of Economic and Monetary Union - the next step toward further integration in Europe, laid down as an objective along with a schedule for its achievement in the Maastricht Treaty, signed in 1992. It is the first time that the goal of European Monetary Union has been established in Treaty form. Monetary union came on to the political agenda with the Delors report in
summer 1989 (*See Appendix 3.2 for 3 stages of EMU*). The Irish tourism industry will be at the forefront in dealing with the opportunities and challenges which EMU will bring to Ireland (Lenihan, 1998).

### 3.2.2 Participating Member States

The countries which comply with the four "conversion criteria" established in the Maastricht Treaty (*See Appendix 3.3 for information on the conversion criteria*), according to the legal framework for the use of the Euro, adopt the single currency in accordance with the EC treaty; these include Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Portugal, Spain and the Netherlands. In 2002 there will be 12 participating member states, however with the increasing enlargement of Europe this number will clearly rise in the future.

**Fig. 3.1**  
**Projected Number of Countries in the Euro zone**

(Source: Amarach Consulting, 2000)
3.2.3 Conversion Rates

The irrevocable conversion rates of the participating currencies have been fixed through a unanimous vote of the European Council. The external value of the Euro corresponds to the external values of the ECU (The ECU is a basket of all the Member States' currencies. It is revised from time to time in line with underlying economic criteria upon the consent of all the members), which means that the conversion rate between them is one to one (1 [official] ECU = 1 Euro).

In order to avoid speculation, the bilateral market rates (i.e. cross rates) were taken as the basis for the conversion. Thus the conversion rates protect the external value of the participating currencies. Furthermore, to avoid misuse of rounding in carrying out conversions, conversion rates have six significant digits (Antweiler, 2000).

Fig. 3.2 Euro Conversion Rates

<table>
<thead>
<tr>
<th>Country</th>
<th>Currency</th>
<th>1 Euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>ATS</td>
<td>13.7603</td>
</tr>
<tr>
<td>Belgium</td>
<td>BEF</td>
<td>40.3399</td>
</tr>
<tr>
<td>Finland</td>
<td>FIM</td>
<td>5.94573</td>
</tr>
<tr>
<td>France</td>
<td>FRF</td>
<td>6.55957</td>
</tr>
<tr>
<td>Germany</td>
<td>DEM</td>
<td>1.95583</td>
</tr>
<tr>
<td>Greece</td>
<td>GRD</td>
<td>340.750</td>
</tr>
<tr>
<td>Ireland</td>
<td>IEP</td>
<td>0.787564</td>
</tr>
<tr>
<td>Italy</td>
<td>ITL</td>
<td>1936.27</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>LUF</td>
<td>40.3399</td>
</tr>
</tbody>
</table>
3.3 **Euro Timetable**

The Madrid European Council in December 1995 laid down the timetable and scenario for the changeover to the single currency (*See Appendix 3.4 for more details*).

**Fig. 3.3 Euro Timetable**

<table>
<thead>
<tr>
<th>Economic and Monetary Union (EMU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion rates of participating countries permanently fixed on 1 January 1999</td>
</tr>
<tr>
<td>The Euro is established as the currency of EMU on 1 January 1999</td>
</tr>
<tr>
<td>National currencies continue to exist as expressions of the Euro Monetary, capital, foreign exchange and inter-bank markets converted to Euros</td>
</tr>
<tr>
<td>Economic agents may choose to operate either in the Euro or in national currency</td>
</tr>
<tr>
<td>A number of multinational companies start operating in Euros and encourage customers to transact in Euros</td>
</tr>
<tr>
<td>Increased use of the Euro as book money</td>
</tr>
<tr>
<td>Most consumers continue to deal in national currencies</td>
</tr>
</tbody>
</table>

**PHASE B**

1 January 1999 to 31 December 2001
3.4 History of the Euro

On the 1st January 1999 the Euro was launched and with it the boldest move to integrate Europe's nations since the Common market began in 1957 (Rashish, 2000).

As adventures go, this one will be historic. The idea of creating a single European Currency in Europe is not a new one. The desire for currency stability in Europe has deep roots. Some go back to the 19th century - the Latin Monetary Union, German currency union, and the gold standard (Pleet, 1998). Under a Gold Standard, currencies are valued in terms of a gold equivalent (an ounce of gold was worth $20.67 in terms of the U.S. dollar over the period of the gold standard period) (Melvin, 1998). All participating currencies were linked together in a system of fixed exchange rates. Gold was used as the monetary standard because it was a homogeneous commodity worldwide (Melvin, 1998). Currency instability in the 1920s and 1930s reinforced the desire for closer economic ties. Yet when the common market was established in the late 1950s, monetary union was not explicitly on the agenda, although exchange rates were identified as matters of common interest. At that time, however, the Bretton Woods system of fixed
exchange rates seemed in good shape. (The Bretton Woods agreement signed in 1944 at Bretton Woods, New Hampshire required that each country fix the value of its currency in terms of gold. The U.S. dollar was the key currency in the system, and one dollar was defined as being equal in value to 1/35 ounce of gold. Since every currency had a defined gold value, all currencies were linked in a system of fixed exchange rates. Nations were committed to maintaining the parity value of the currency within +/- 1 percent of parity (Melvin, 1998)). Even so, by 1962 the European Commission had got around to proposing a single currency. By the end of that decade, Bretton Woods was dying; in 1960 there was a dollar crises because the United States had run large balance-of-payments deficits in the late 1950’s. The failure to realign currency values in the face of fundamental economic change spelled the beginning of the end for the gold exchange standard of the Bretton Woods agreement. By the late 1960’s the foreign dollar liabilities of the United States were much larger than the U.S. gold stock. The pressures of the “dollar glut” finally culminated in August 1971, when President Nixon declared the dollar to be unconvertible (Melvin, 1998). President Nixon’s abandonment in 1971 of the link between gold and the dollar was the final nail in the coffin (Pleet, 1998).

Meanwhile, the revaluation of the Deutschmark against the French franc in 1969 had caused so much anger across Europe that Willy Brandt, Germany’s then Chancellor, revived plans for European Union. Brandt’s plan was taken up in the Werner report, which proposed moving to a single currency in 1980. This report was approved by Europe’s heads of state in 1971, but immediately knocked out by the collapse of Bretton Woods. Undeterred, Europe soon introduced a system to tie currencies to the Deutschmark, dubbed the “snake in the tunnel”. However, the
snake was destined to lead a fitful and unsatisfactory life: Britain joined in May 1972, only to leave six weeks later, and both France and Italy joined and left twice. On the 6th and 7th of July 1978, at the Bremen European Council, the Heads of State decided to establish the European Monetary System (EMS), which came into force on 13th March 1979. "Its parents were Germany's Helmut Schmidt and France's Valery Gisard d'Estaing". All member countries except Britain joined the system's exchange rate mechanism (ERM), which limited fluctuations to 2.25% either side of a central rate (6% for those with wide bands).

But the ERM, too, proved unsatisfactory. France and Italy repeatedly devalued, and France, under a new Socialist president, Francois Mitterrand, between 1982 and 1983 toyed with leaving. In the end it decided to stay, thanks not least to Mitterrand's finance minister, Jacques Delors. And when, a few years later, Mr Delors arrived in Brussels as commission president, the idea of a single currency was reintroduced (Pleet, 1998).

In order to remove the non-tariff barriers to the free movement of goods, capital, services and persons and complete the single market, the single currency quickly seemed to be a necessity (Fontaine, 1998). The result was the Cecchini report, commissioned in 1986 to examine and quantify the benefits that would accrue from the establishment of a genuine single internal market (Noble, 1996) and the Delors report, commissioned in June 1988, which advocated a staged move towards monetary union. This formed the basis for the Maastricht Treaty, signed on the 7th February 1992, which made progress towards a single currency irreversible, by splitting the timetable of achievements into three stages. Stage one, required that all national currencies join the EMS. Within the system, currencies are allowed to fluctuate in exchange rates relative to the value of the
ECU. During this stage, all currencies of the European Union (EU) join the Exchange Rate Mechanism (ERM). The central theme of this stage is the convergence of economic performance of the Member States by providing greater co-ordination of monetary policy between nations and to remove obstacles to financial integration. Capital movements are restricted to provide a free flow of currency within the EU. In stage two, as defined by the Maastricht Treaty, the structure of EMU is to be established. This is very much a transitional stage with macroeconomic policy decisions remaining with national governments. In the monetary field, the most significant feature of this stage is the establishment of the European System of Central Banks (ESCB). The ESCB would start the transition by beginning to co-ordinate the independent monetary policies through a committee of Central Bank Governors. The final stage of the treaty would begin with the irrevocable fixing of Member States' exchange rates. Central Community institutions would take over the control of monetary instruments. National currencies would be replaced by a single EU currency.

The Benefits of a Single Currency

The Euro represents the most ambitious regional monetary union ever attempted (Golino, 1998). If European Monetary Union is sustained effectively over time, it will likely provide considerable stimulus to economic growth and competitiveness within those EU states that enter it, and enhance Europe's overall global economic position.

Official studies show that the single currency will have a beneficial impact on the growth potential of European tourism by reducing costs. This will come about from two main benefits of monetary union, namely the elimination of exchange
rate risk and costs for intra-Euro zone transactions and the achievement of price transparency across the Euro zone. The impact of monetary union will be both to increase competition within Europe and to improve the competitiveness of Europe relative to the world economy. Efficient businesses will prosper and grow, while inefficient businesses will have to adapt or face possible closure.

Overall the improvement in competitiveness will be a positive for the European Economy. The principal expected benefit of the Euro is the lowering and simplification of transaction costs associated with currency conversion. According to the European Commissions report on progress towards convergence, "Euro 1999" (1998); "The Euro is an essential complement of the single market. It will bring to an end the exchange-rate fluctuations between the participating member states, which, in the past, have managed in one fell swoop to wipe out the productivity gains achieved by businesses and their workers with considerable effort. The Euro will make firms more competitive and will - if they put preparations swiftly in hand - give them the springboard from which to withstand competition in the global economy."

The benefits of the Euro for Tourism according to Raffling (1998) include, an end of exchange rate variability/uncertainty, lower transaction costs, price stability, an elimination of competition restraints due to devaluation in competing markets, better transparency of prices for cheaper purchases, an elimination of exchange fees for tourists and lower interest rates.

The tourist will also benefit from the disappearance of foreign exchange commissions in the case of journeys to one of the partner countries in the Euro zone (the classical example of a person travelling with 1000 francs in his wallet to the 14 other Member States and changing his money in each will currently return
with less than 500 francs without even making any purchases). Also with the advent of price transparency, it will be possible to compare prices in different member countries directly. This will strengthen competition and cause prices to fall (The Euro: Explanatory Notes, European Commission, 1998).

**Drawbacks to a Single European Currency**

Lars Jonung (1998) believes there are reasons to be cautious concerning the future of the Euro. Never before in history has a group of independent nations been given the power of framing monetary policy to an independent entity like the European Central Bank (ECB), while still maintaining control over all major aspects of economic policy making; like taxation, government expenditures and fiscal policies. The Euro is thus a giant full-scale experiment with no clear-cut forerunner. Experience tells us that experiments involve risks as well as rewards. First, Europe is not an optimal currency area - that is, a geographic area well suited to have only one currency (See Appendix 3.5 for information on Optimal Currency Area). There is no common European business cycle - at least not yet. The Irish economy may be booming while the German economy is in a slump. The absence of a common European cycle creates a major dilemma for the ECB. How should monetary policy be set on a European scale? Should the ECB steer a middle course or decide to help primarily countries in depressions rather than in booms? Whichever route is taken, the problem will not be solved. Second, the members of the single European currency will still maintain control over their fiscal policies. And the European fiscal house is not in order. In spite of the stability pact aimed at limiting the size of budget deficits among the member countries, an economic depression within the Euro zone in the future may cause problems. Such a decline
in economic activity would make the budget deficit grow as tax revenues fall and
government expenditures rise. If governments feel obliged to restrict the size of
budget deficits by tightening their fiscal policies, this will deepen the depression,
increasing unemployment. So here a major policy dilemma will arise between
domestic goals of full employment and the stability pact of the EMU.

3.5 Europe after the Euro

The journey of the single currency would not have survived without the support of
high ranking officiates; Helmut Kohl was one. The German Chancellor said
monetary union was a matter of peace and war. In his mind, the only way in
which other Europeans could be persuaded to trust the Germans, was if Germans
willingly cede sovereignty to pan-European institutions; and the only way the
Germans could be compelled to bury their worst natures was if they think of
themselves as Europeans as much as Germans. The negotiations leading up to
Maastricht embraced two separate inter-governmental conferences: one on
monetary union, one on political union. This was because the Germans, in
particular, insisted that they would accept monetary union only if greater progress
towards political union was in prospect. Even today the Bundesbank makes no
secret of its view that monetary union necessitates political union (Pleet, 1998).
The German chancellor and his heir apparent both concluded, “Economic and
Monetary Union is a huge step on the way to political union”. Wolfgang Schauble
goes on to state that “the next advances must come in the fields of internal
security, common foreign and security policy, and institutional reform” (Elliot,
1997). The British objections to adopting the Euro are mainly, if not wholly,
political (Pleet, 1998). They view monetary union as the vision Germans have for
Europe and Malcolm Rifkind, Britain's foreign secretary posed the question to Chancellor Kohl and his colleagues, "In what way does their vision of Europe falls short of federalism?" (Elliot, 1997)

Elliot, (1997) examines the EU with monetary union but without political ties. The picture is not very pretty, "without strong political institutions, it is hard to see how the discipline implied by a single monetary and economic policy can be made to stick." Elliot quotes James Lister-Cheese of the London investment consultancy, Independent Strategy, who claims that this scenario "is a recipe for volatility, for social unrest, for more radical politics." Even with the removal of trade barriers and obstacles to factor mobility, the extensive range of government interventions will ensure that competitive conditions are not equalised and that competitive distortions will exist between producers in different member states. The contention is that the remedy for this problem lies in measures of positive integration and the creation of common policies (Foley et al., 1990). First comes monetary union, but is political union far behind?

3.6 Single Currencies

Tourism like any other industry is dependent on the success of the single currency. Therefore it is necessary to examine the success and failure of past single currencies and ask the question, how does the European model compare to the strongest monetary union, the US Dollar?

The emergence of regional currencies can be regarded as a logical corollary of the intense competitive contest among monies - a Darwinian struggle where, ultimately, only the fittest may survive (Cohen, 2000). Not all local monies, will disappear, since other strategies are also available for states determined to preserve
some semblance of their traditional monetary sovereignty. On 1st January 1999, the Euro was launched with eleven members and it instantly became the second most important currency in the world, after the dollar.

3.6.1 History of Single Currencies

For most of history currency arrangements have coincided with political units, the larger the political unit, the larger the currency area. The existence of multi-nation empires had the side benefit of reducing the number of currencies. Twenty centuries before the Euro, in the age of Caesar Augustus, Roman Europe had a common money. If a single power or a world government today ruled the world, a world currency would be all but inevitable. If the currency were managed properly it would be an ideal situation. The next best thing to a properly managed world currency might be a well-managed system of state currencies firmly locked by fixed exchange rates (Mundell, 1999).

Bordo et al.'s (1999) paper "The Future of EMU: What does the history of Monetary Unions Tell Us?" examined past monetary unions that have failed. These experiments failed because of a lack of a central monetary authority or monetary policy.

Historians are right to warn that monetary union requires political union. The 13 American colonies had first to craft a constitution in 1787 then, 126 years later, came true monetary union in the guise of the Federal Reserve System established in 1913. Bismark had first to batter 25 German States into submission in 1871, and then the Reich could proceed toward a unified market and currency (Joffe, 1998).
Bordo et al. (1999) examined the necessary elements for a successful Monetary Union. They proposed that a dominant country is required for a Union to succeed. It must have a strong geopolitical drive and maintain political solidarity with some of the other members. It must be big, influential and its economy must be intermeshed with the economies of the others. Secondly, central institutions must be set up to monitor and enforce fiscal and other policies, to coordinate activities of the member states, to implement political and technical decisions, to control the money aggregates and seniorage (money printing), to determine the legal tender and the rules governing the issuance of money. Thirdly, it is better if a political union precedes a monetary union. Even so, it might prove tricky (regard the examples of the USA and of Germany). Finally, wage and price flexibility are sine qua non. Their presence is a threat to the continuous existence of any union. Fiscal policy (in the form of money transfers from rich areas to poor) is a partial remedy. They can mitigate and ameliorate - but not solve. Transfers also call for a clear and consistent fiscal policy regarding taxation and expenditures. Problems like unemployment will plague a rigid regimented union. The work of Mundell and McKinnon (optimal currency areas) prove it decisively.

3.6.2 European Monetary Union versus US Monetary Union

Judging by Bordo et al.'s requirements, the latest monetary union has not learnt sufficiently from the mistakes of its ill begotten predecessors. It is set in a Europe more rigid in its labour and pricing practices than 150 years ago, it was not preceded by any political amalgamation, it relies too heavily on transfers without having in place either a monetary or a fiscal policy to talk about.
The paper "What is Wrong with the Euro?" suggests that the Euro-zone lacks the characteristics necessary for a successful single currency area. It fails to meet the requirements widely recognised by economists as being essential for a single currency area to succeed, these include:

The differences in competitiveness and living standards between the different regions of the currency zone need to be reasonably small:

This is definitely not the case as there are widely differing levels of economic competitiveness and living standards across the Euro-zone: from Germany, the world's third largest economy, with a world financial centre in Frankfurt, down through to countries like Greece and Portugal that are still relatively underdeveloped industrial economies.

It needs to be reasonably easy for those without jobs in depressed regions to travel to more prosperous regions to seek work:

Some regions will invariably do better economically than others and unemployed workers in depressed areas need to be able to move reasonably easily to find work in the more prosperous areas. While it may be relatively easy for the young, highly qualified and multi-lingual to move about Europe, it is not going to be a realistic option for most of those who find themselves unemployed in their particular region of the Euro-zone.

There needs to be sufficient taxation and spending power in the hands of the government of the single currency area to even out disparities to an acceptable extent:
Successful single currency areas, such as the USA, find it necessary to make large budgetary transfers of tax revenues between the regions as subsidies and investments to uncompetitive or disadvantaged regions. The EU simply does not have a sufficient budget to use in an attempt to even out the disparities in economic performance of its member states.

(Taken from *What is Wrong with the Euro?*, www.europeansinglecurrency.com., January, 2001)

Armstrong (1997), suggests that every currency collapse in the past 200 years has taken place not due to speculators, but due to politicians attempting to fix currencies based upon their personal careers rather than underlying economic considerations ... It is absolutely impossible for Europe to impose a single interest rate upon the whole membership of states. As long as some sovereign rights reside with the individual nations of Europe there will be differences in credit risk as there is today between all 50 states within the US ... Only a federalised Europe with dictatorial power over domestic policy in each nation can succeed.

Armstrong's (1997) examination of the United States economy revealed that its success is due to a standard uniform code of law throughout the 50 states. Federal taxes are the same in Texas as they are in Hawaii or New York. The issue of inheritance taxes, retirement customs, pensions and the general rule of law are uniform. In order for the Euro-zone to succeed all states must be subservient to Brussels as every state is to Washington D.C. in the US. Armstrong (1996) claimed that it is of vital importance that we understand the benefits as well as the nasty side-effects of a single currency for Europe as a whole and in that context the US and Canada do serve as excellent models to explore for answers ... Europe does not quite understand the United States model of a single currency. Europe looks at
the US and sees one single currency as being extremely efficient with a by-product of consistently lower employment as one goal. However, it is in fact a single currency policy that is actually part of the internal problems that are causing much concern with both Canada and United States. The United States - a monetary union that has existed for more than two hundred years and still exhibits sharp regional variations in business-cycle activity (Cohen, 2000).

The central banking system in the US was established in 1913 with 12 independent branches. Each branch maintained its own separate discount rate. This is very important to understand. It was not uncommon to find rates at 7% in California and 3% in New York. This is far too often a point totally lost in history, but it is paramount in trying to define whether or not the single European currency will succeed or fail for Europe.

The central banking system known as the Federal Reserve emerged as a solution out of the disaster of the “Financial Panic” of 1907. The Federal Reserve was formed in 1913 because the evidence revealed in the investigations by Congress discovered that even though a single currency had existed in the US since 1792, the regional capital flows within the US were often to blame for numerous financial panics - 1907 being the primary panic that drew the attention of the government to this problem.

The differences on a regional basis within the US economy as a whole were the source of panics due to cash flow problems on a nationwide scale. Even today, the differences between the local economies in Texas and New York are staggering. This is called the Texas/New York arbitrage. When Texas is booming, New York is in the depths of a recession and vice versa. The New York economy is more financial and business related, while Texas is more commodity oriented with
farming and oil production. Therefore, when inflation is running high, Texas booms at the expense of New York.

Canada has experienced this same regional capital flow problem. When real estate was booming in 1987 in the Eastern regions of Canada, interest rates continued to rise in an attempt to stop the speculation. However, while there might have been a real estate boom in the East, the rising interest rates policies were driving farmers into bankruptcy in Alberta.

The post-1927 economy shifted to an international regional focus rather than on the original intent of domestic regional capital flow management. This is where the US's modern problems of regional disparities emerged. The one-size-fits-all approach to interest rate policy has lead to harmful competitive forces that has contributed to increased tensions amongst regions in the US and Canadian models. A single currency does not necessarily make things great. In fact, there is more to the issue of a stable economy than merely a single currency.

This theory proves that a single currency for Europe is not the panacea. It will not solve the vast disparities between the economies of Europe. A single currency will ease some risk problems for businesses associated with currency, but it poses significant dangers that could breed resentment between member states. A single monetary policy that would impose a one-size-fits-all approach is not the answer. The basic sovereignty over establishing local interest rates must reside with each state. Allowing this vital power to be usurp into a single rate will undermine the entire framework of Europe much in the same manner as is taking place in Canada or even the United States (Armstrong, 1997).

The WTO's 1998 Seminar on "The Euro and Tourism", looked at the US for comparison, given that it is a powerful economic area that employs a single
currency, the US dollar. However, this economic strength conceals an internal market, where there are significant economic differences. In 1985, the state of Connecticut possessed an average income per person of $18,089, twice as much as Mississippi where the figure was $9,187.

Differences are also found in the price of tourist services in the USA. While $200 may be a minimum price for a hotel room in Manhattan, in many rural parts of the USA, acceptable accommodations can be found for $25. This reflects a situation that exists in Europe. While the Northern capital cities and business centres have tended to be expensive, Southern Europe has traditionally offered better value for money based on a generally lower cost of living.

Brenner (1999) states that the European Monetary Union is an unprecedented experiment. Cohen (2000) sees it as a test case. Brenner (1999) examines the issues in Canada, as the Canadian Federation is a "Monetary Union". The Canadian provinces have more power relative to Ottawa than do the states in the US relative to Washington. There are more conflicts concerning the reallocation of powers between the Canadian provinces and Ottawa than there are between the American states and Washington.

Inflation, interest rates and federal and provincial deficits have all fallen in Canada. But so has the Canadian dollar. Thirty years ago the Canadian dollar was at par with the US dollar; today it is worth only 65 US cents. Measured in US dollars, Canada's standard of living has hardly budged for the last ten years, and the Canadian Stock Market has performed dismally relative to the Dow Jones.

Lower budget deficits, lower interest rates and no inflation failed to bring about either a stable currency or prosperity - monetary union backed by an evolving
political union notwithstanding. Newfoundland was poor when it joined the
Canadian Federation 50 years ago, and has stayed poor despite (or because of)
large transfer payments from Ottawa. Across Canada there are significant and
long-lasting differences in unemployment rates - between provinces and between
the province's credit ratings as reflected in interest rate differentials among
provincial bonds.

The European Community can learn from Canada's mistakes. Canada added new,
national bureaucracies to provincial ones, bringing about an almost uninterrupted
increase in tax rates over the last 30 years. One of the outcomes has been that the
Canadian dollar moves in almost perfect tandem with the commodity price index,
dropping significantly in value with every international crisis. At first sight, this is
surprising, because Canada is among the world's top spenders on education. One
would expect that critical masses of educated population would add value,
improve the pricing power of their exports or attract financial capital flows to
Canada mainly for its natural resources.

The implications for Europe are clear. If Europe's national governments do not
pursue policies that enhance entrepreneurship, the best and brightest Europeans
will move to Britain, or the US or stay in continental Europe without fully
exploiting their talents.

3.7 Labour Mobility

According to the Association for the Monetary Union of Europe (AMUE)
adjustment of wage levels and labour migration may be necessary to absorb
regional economic disturbances that can no longer be countered by exchange rate
instrument. Labour has been free to move in Europe for quite some time, but little movement has occurred (Sweeney, 1998). In the United States, the currency union is supported by a remarkable degree of labour mobility even among distant parts of the country, which is a very important part of their internal adjustment mechanism (Obstfeld, 2000). In the early 1990's, the Californian economy lagged the rest of the US falling into recession, so there was a noticeable regional shock. Many people left the area and moved to Nevada, Oregon or further east. Thus proving within the US economy idiosyncratic regional shocks occur (Obstfeld, 2000). Monetary union works in the United States because the labour market is mobile, helped by the common language and portability of pensions across a large geographical area. In contrast, 12 separate countries with widely differing economic performances, different languages and complicated transfer of qualifications, have never attempted such a project before. Experts warn that monetary union can only be successful if the whole area covered by the single currency has the same legal framework (taxation, labour laws, etc) and a labour force, which is highly mobile. Language in Europe is a huge barrier to labour force mobility (Sweeney, 1998). This may lead to pockets of deeply depressed areas in which people cannot find work, while other areas have a flourishing, high wage economy. Mundell (1961) suggests that three conditions should be met for an "optimum currency area": Factor mobility and openness of markets; Relative price flexibility; and Fiscal transfers.

It would be desirable for a single currency to be used in an economic area within which there is openness of goods markets and mobility of factors of production (labour, capital) and where members shared similar inflationary tendencies. Mobility of labour within the EU remains low and that is unlikely to change
radically. Relative price flexibility is absent and the differences in labour market institutions, notably over wage determination, mean that there are differing inflationary tendencies and different responses to shocks (Arestis et al., 1999).

The "optimum currency area" literature suggests that there should not be substantial differences in underlying economic conditions in a common currency area (See Appendix 3.6 for further information on cyclical divergence). Yet, in terms of the structural rates of unemployment and the cyclical levels of economic activity within the Euro-zone, the differences are significant. The disparities in the underlying rates of unemployment are striking, from 4.4% in the case of Austria to 21.9% in the case of Spain. The cyclical behaviour of economic activity shows a similar story (Arestis et al., 1999).

The US exhibits coordinated taxing and spending policies, also other potential adjustment mechanisms exist, such as more flexible wage levels, greater mobility of labour between industries and regions, and the freedom to hire and fire workers in response to the demand for products and services (Rashih, 2000). But for Europe as a whole, susceptibility to shocks is still likely to be less than, for example, in the US. The states of the USA tend to be much more specialised in production than do the states of the EU. Europe may become more specialised over time, particularly with the further development of the single market. But in the meantime, the Euro-zone may be less susceptible to asymmetric shocks than its critics often suppose.

If one Single Currency member experiences shocks that are different from those in the rest of the monetary union, how can their economy adjust? (See Appendix 3.7 for further information on the Euro and Asymmetric Shocks) The exchange-rate
weapon will be ruled out, so adjustment will be forced through other channels. There are two primary ones: workers can move or wages can change. The first adjustment mechanism is labour mobility. If one country in the Eurozone suffers a sustained recession, then the resulting unemployment may well encourage workers to move to seek jobs. This helps to rebalance the labour market and the rest of the economy more quickly. Language and loyalty to nation and the national way of life mean that few people move around Europe in search of a job in the way that they move within the USA. This may change, but until then, the main burden of adjustment in any country with above-average unemployment will be downward pressure on wages.

In Ireland the social consensus that has served so well over the last decade must be maintained. In the past, any factor, which ate into competitiveness, such as a jump in wages, was at least partially offset by favourable exchange rate movement. However, this safety valve will no longer be available to Ireland due to the Single Currency (Doyle, 1999).

3.8 The Euro and Tourism

On 1 January 2002, 12 countries of the European Union - Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain - will start using the Euro note as their official currency, thus creating a monetary zone of 300 million inhabitants. The European Union represents the leading tourism destination in the world with 1.8 billion nights spent in tourist accommodation, and a positive balance of payments of €8 billion. The tourism sector is expecting to benefit strongly from the Euro, as it will increase travel, reduce operating costs and foster investment.
Over 1 European in 5 travels within the Union each year. Expenditure by tourists amounts to €146 billion per year. The tourist industry accounts for 5.5% of the Gross Domestic Product of the European Union, and for one third of service exports. Tourism directly employs over 9 million people across the European Union - 6% of total employment - and a much higher percentage in some regions. It also indirectly creates millions of jobs in connected services. The single currency will stimulate intra-European trade and cross-border investment, which will boost business travel; it will facilitate travel within the European Union for tourists. The elimination of foreign exchange risk, cheaper cross-border transaction costs and the transparency of prices within the Euro zone, all contribute to reduce the cost of travelling and hence provide a positive impact on the industry. Tourists will no longer be burdened with exchange commissions and/or spreads between buying and selling rates. The major part of these savings is likely to be reinvested in the form of longer or more expensive travel, thus generating additional sales for the tourism industry. It could also contribute to increased short-haul travel.

The large Euro area will render Europe more attractive to visitors from countries outside the European Union and, in particular, those who visit several countries during the same trip. They will no longer have to handle several currencies and will be able to immediately compare prices between countries.

The Euro will likely attract additional investment in the European tourism industry as it confirms its position as the leading tourist destination in the world. Economic and Monetary Union has already had a positive impact on economic fundamentals, particularly by lowering inflation and interest rates.
"The Euro zone will be the number one force in the world tourism, outperforming its nearest competition - the USA - in terms of tourist arrivals, tourism receipts and outbound trips" claims Francesco Frangialli (WTO's secretary General) (1998).

Fig. 3.4 **EURO ZONE vs. USA**

<table>
<thead>
<tr>
<th></th>
<th>Euro Zone</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>288 million</td>
<td>255 million</td>
</tr>
<tr>
<td>GNP</td>
<td>US$6.8 trillion</td>
<td>US$7.5 trillion</td>
</tr>
<tr>
<td>Tourism Receipts</td>
<td>US$72 billion</td>
<td>US$64 billion</td>
</tr>
<tr>
<td>% World Total</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>Tourism Arrivals</td>
<td>85 million</td>
<td>46 million</td>
</tr>
<tr>
<td>% World Total</td>
<td>14%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Outbound Trips</td>
<td>72 million</td>
<td>66 million</td>
</tr>
</tbody>
</table>

Monetary union will create a single currency tourism space that was hitherto unimaginable: 40% of cross-frontier or international tourism will take place in the future in this Euro zone. In a fiercely competitive world tourism market, "Euroland" will become a persuasive argument for promotion and sales (Keller, 1998).

The Changeover to the Euro represents a particularly important challenge for the tourism industry - in fact more so than any other sector of business. According to Peter Shackleford, WTO Regional Representative for Europe (1998), there is a widespread conviction that the "Euro will be good for Tourism". He identified two consumer benefits of the Euro. Firstly, the tourist will be familiar with the purchasing power of the Euro and will be able to compare prices easily from country to country. Secondly, the tourist will economise all those costs entailed in changing money, not only commission and general exchange rates but also the time spent finding a bank to change his/her money.
Euro Transitions LTD. believe that savings made by the tourist will lead to higher travel budgets which will hopefully be spent in the tourism sector. John Stefanidis, President of the Greek National Tourist Organisation claims "There can be no doubt that the use of a common currency, the Euro, will favour European tourists and will provide a new incentive for tourists coming from outside the European Union" (WTO, 1998). Intra-European travel is set to benefit from the Euro introduction, it was found from field work and interviews in the selected case-study regions of Alsace and Baden along the French/German borders in March and April 1998, that a significant increase in cross border tourism appears to be the most important effect of the introduction of the Euro for citizens in border regions. More than twenty per cent of the respondents said they would visit their neighbouring region more often if the Euro was already in place.

However, it is important to remember that the introduction of a single currency is a long-term project. Most of the benefits of the single currency, such as increased price transparency, efficiency gains, reduced transaction costs, improved cross-border competition, the elimination of the need for companies to cover exchange risks for trade and investment within the Euro area, are of structural and gradual nature. These effects will only become evident after the introduction of the Euro banknotes and coins in 2002 and their precise magnitude are difficult to measure (Hamalainen, 2000).

The WTO's 1998 report "The Euro Impact on Tourism" states that as far as intra-European tourism is concerned, the existence of a single currency will increase tourists awareness of domestic prices ... For tourists coming from third countries, the cost of a European destination will be linked to the probably high rate of the
The Euro. The advantages in terms of lower prices generated by the disappearance of inflation in a country in the Euro area, risks being obviated by the high rate of the Euro for tourists from third countries. A widespread recession in Europe is liable to take a toll on intra-European tourism in the sense that it will penalise the outbound tourism of the European countries that are mainly oriented towards European destinations (WTO, 1998). In 1996, France welcomed 62 million international tourists, 39% of which came from countries outside the Euro zone. Among third countries, France's main generating markets were the UK (40.6%), Switzerland (15.3%) and the USA (10.6%). Although the changeover to the Euro is unlikely to lower the number of British tourist arrivals in France, it will reduce both the length of their stays and the amount of money they spend insofar as they will be put at a disadvantage by the UK's failure to participate in the single currency. Outbound tourism from Switzerland and the USA is far more dependent on the economic buoyancy of these countries than the rate of exchange between their currencies and that of the host country. The stability of the Euro / Dollar rate can only strengthen American tourism in France (WTO, 1998). However, it is wise to remember that American tourists vary the length of their stays abroad depending on the purchasing power of the dollar.

The Euro will create a broader tourism marketplace, where, self-employed and small family firms dominate many tourism-related industries. This concerns mainly industries with low entry levels such as accommodation, food and beverages, travel agencies, retail (e.g. souvenir shops) and recreation. These firms often compete with low prices and personalised service or work in niche markets, implying weakly developed management skills, use of family labour, ad hoc
human resource planning and little or no access to new technologies. Because there are low levels of investment and little market stability, this group of businesses is rather unstable, with many births and deaths of firms. On the other hand, tourism-related industries also include large, often still traditionally public-owned, enterprises (e.g. transport, hotel and restaurant chains, amusement parks and tour operators). This group is characterised by the use of non-family labour, high levels of capital investment, division and specialisation of labour, a formal system of management and the separation of control and ownership. In general, there is a strong underlying trend in all (tourism-related) industries towards concentration into bigger businesses, either horizontally, vertically or both (OECD, 2000). These bigger enterprises have the advantage of economies of scale and "will profit by developing in the wider market" (WTO, 1998).

Within the European tourism sector, the hospitality sector generates from 5 to 8 million jobs in Europe; it is composed of small, family-owned enterprises, consisting of approx. 1.5 million independent enterprises. Over 90 per cent employ less than 10 employees. The hospitality sector is the main economic actor of the tourism sector if one considers that it contributes to half of global tourism revenue. The structural characteristics associated with the hospitality sector makes it highly sensitive to the economic environment and therefore a change to a single currency will mean dramatic consequences both positive and negative for this sector of the tourism industry. The hospitality sector will become a winning sector in the process of fiscal harmonisation; while at present it suffers the most from taxes and charges (WTO, 1998). Fiscal harmonisation must mean a modernisation and also a reduction of taxes. In a report commissioned by the World Tourism Organisation Business Council (WTOBC), of 50 destinations surveyed, 73 per
cent have increased taxes on tourism and only 13 percent have lowered taxes over the past three years. As taxes remain a major cost factor, a realistic and comprehensive comparison of prices throughout the EU will not be possible until taxes have been harmonised within the European Union (ERPS Study, 1999).

In the WTO 1998 report, "Tourism Taxation - Striking a Fair Deal", it was recommended that tourism taxes are harmonised between countries and regions, in order to minimise competitive distortions (WTO, 1998). The introduction of the single currency will induce greater competitiveness within the tourism sector that will lead to an increase in the quality of services but will also oblige enterprises to reduce their costs. This will lead to a negative impact on employment and threaten a certain number of independent establishments. Institutional bodies have a role to play in terms of expediting the strategic rationalisation process: it is important to assist enterprises in strengthening the quality of their hospitality services and appraising all the elements which form part of the intrinsic appeal of a destination.

In the EU countries, the Euro means deregulation and accelerated restructuring, leading to stronger vertical integration within the tourist industry as an answer to integration processes within the framework of the global market (WIFO, 1999). Industries selling into most European markets are all cutting costs and seeking partners in preparation for the pressure the Euro may put on their margins (Charlton, 1999). According to Peter Shackleford (1998) the new single currency should induce some mergers or voluntary association and co-operation between tourism enterprises. He observed that Europe's tourism is typified by many small enterprises, a situation, that weakens the region's competitive edge. He believes the Euro brings about a chance to overcome this shortcoming (WTO, 1998).
The switch to a single currency in many EU member states will have a positive impact on tourism by making prices more transparent. That increased price transparency will lead to more market-driven prices and to increased price stability. One possible strategy pursued by the industry to reduce transparency could lead to a trend of artificial intransparency by stepping up the offer of packages.

WTO research has predicted that some domestic tourism offers would appear rather expensive to the consumer who might prefer to travel abroad. In this case, the domestic suppliers might need to look abroad for business, possibly by niche marketing (Shackleford, 1998).

By means of econometric tests, applied to recent variations between the parties of different European currencies, the WTO were able to reach the following conclusion. While the exchange rate influences consumer choice, it is not so much a determining factor as it may have been in the past. Increasingly, the real comparative advantages of the tourist product weigh more heavily in determining consumer choice. It may be noted that this conclusion is consistent with what the WTO has been observing in the market: concern for quality, personal service, the environment, and an increasingly sophisticated consumer. Of course, this does not mean that price no longer counts. The reaction of the consumer to exchange-rate-induced higher costs tends not to be a simple rejection of the product. Rather, the consumer adapts to the new situation, reducing stay or trading down in accommodation or services. Thus, France found that the strong franc induced British tourists to reduce their length of stay while Italian numbers fell. On the other hand, German tourists to France prolonged their stay as a result of the strong mark while Japanese numbers increased under the strong yen (WTO, 1998). This
may justify why Ireland's overseas tourist numbers arriving to Ireland has shown an average annual growth of 10% since 1994, while the average length of visit has fallen from 9.5 nights to 7.7 nights.

The increasing role of distances instead of national borders is another fact that will gain in importance due to the formulation of the Single European Currency, especially for overseas guests, as the single currency boosts their rather homogenous view of Europe. Only differences in languages will in the long run remain as key national distinction marks. Therefore, Europe will be increasingly viewed as a single product. Because of that, tourism marketing will need to reallocate means and budgets: for efficiency reasons and to guarantee a critical mass, there will need to be a shift from local to destination level marketing.

Furthermore, since countries will lose their importance as a differentiation quality for tourism products, a shift from the national to destination and European level will become necessary. The positioning of (well-known) regional destinations will become easier, mainly because they do not necessarily have to refer to their national classification (example: the Balearic Islands belong to Europe rather than to Spain) (WIFO, 1999).

It is difficult to predict the future success of the European Single Currency. But from past monetary unions it is clear that political unity is necessary to prevent this monetary union from joining its forefathers as a failure. If the Euro remains a weak currency then Ireland's tourism industry will benefit as the pound sterling and the US dollar will benefit from greater spending power. These two nations combine to generate 74% of our overseas tourist figure. However, if the Euro strengthens its position the reverse will occur and given the price sensitive nature
of tourists and the advent of more holiday choice worldwide (e.g. Asia and Africa) then the 74% figure would be under threat. Therefore, it is important to examine past experiences of single currencies to brace us for a rocky road ahead. The question remains for the Cork and Kerry region, if single currency causes greater regional specialisation, with greater efficiencies through economies of scale and concentration of specific industries in specific areas, does this not also increase vulnerability to region-specific shocks?

3.9.1 Impact of the Euro on Tourism Businesses in the Cork and Kerry Region

The tourism industry in the Cork and Kerry region is made up of a business structure that ranges from accommodation providers to transport services, they vary in size, function, visitor profile and location. Thus the areas mix in tourist business profile guarantees a non-universal or blanket affect imposed from the introduction of the single currency. The small village pub serving the local community will find that little will change other than the currency passed over the counter.

The Euro will have many consequences for businesses in the Cork and Kerry tourism industry, but how the tourism sector prepares its businesses for both the positive and negative outcomes will be the key to firstly, a successful currency changeover and secondly a successful future. Price transparency will have a major impact on the marketing function of tourism businesses; businesses will have to adopt new pricing policies, as they will find it more difficult to maintain high price differentials between regions and countries. The impact could be higher for businesses dealing with a customer base made up of both the domestic and
international market, if Ireland is perceived a poor value for money destination or visa versa.

According to Lenehan (1998), European Monetary Union will affect marketing, strategic activities, information technology, human resource aspects, and to some extent all business functions within the Irish tourism sector. In chapter 2, the business structure of some of the sectors making up the tourism industry in the Cork and Kerry region were examined, the impact on their business structures following the introduction of the Euro can now be explored.

Hotel

The hotel sector is at the front end of the changeover and therefore operationally the sector needs to be capable of managing a successful changeover. Given the management structure evident within this sector, the resources are available to implement the necessary stages to complete the changeover project. Their customer base will expect a professional well-trained staff to competently answer any queries on the Euro. Therefore an extensive training programme is required to equip the staff with the knowledge and skills to deal with two currencies on the 1st January 2002, a very busy day in the hotel industry. Information technology plays an essential role in today's hotel business; all aspects must be updated to cope with the dual currency period and beyond. This will require expense, time and training. The marketing department will need to change prices on information leaflets and brochures. Also a review of their pricing policy will need to be undertaken, as price transparency will result in easier price comparisons to be made with foreign hotels. Supplies can now be easily sourced abroad; this may help recoup some of the costs associated with the changeover.
Bed and Breakfast

The bed and breakfast sector will have to handle dual currency for the first six weeks of 2002. They will need to equip themselves with the information and knowledge to be able to reassure their customers, especially the elderly. Currency converters will be needed. As a registered bed and breakfast, price displays will be changed in the relevant guidebooks, but any individual's advertising must be altered to represent the new price in Euros. Bed and breakfasts tend not to advertise abroad, with the exception of those that have their own website, therefore their reliance on people coming to the areas will affect them if the region is seen as being inaccessible or more expensive from the increased transparency of prices. The personal touch of family management and staff will not suffice when the tourist requires specific Euro information, therefore the bed and breakfast owner and staff must be trained to deal with any query proposed by the confused guest. This can be achieved by attending seminars or reading some of the information issued by banks and tourism authorities. Bed and breakfasts source their supplies locally but with increased price transparency opportunities for sourcing supplies abroad should mount a downward pressure on local suppliers prices, this should benefit the bed and breakfast sector. This sector will have less changeover costs due to their lack of information technologies. The bed and breakfast sector should cope with the operational changes associated with the currency change however the historical lack of strategic focus, attributed with most small businesses, may deter them from planning for future changes necessary to prepare for increased competition.
Self-Catering Operator

The self-catering sector will have to train their staff to handle the Euro, as special rules apply to the dual currency period. Their information technology will need to be upgraded to Euro compliance. Like the bed and breakfast sector, their dependence on tourists actually coming to the region, leaves them in a vulnerable position to prepare sufficiently to cope with an upturn or a downturn in business. Their lack of forward planning is confounded by the fact that the management structure is linear and therefore the resource and time has not been allocated to preparing the sector for the impacts of a single European currency.

Travel Agent

The Euro will impose costs to travel agents; updating their information technology, training staff to deal with the new currency and changing the pricing on marketing materials. Given the linear management structure a heavy burden of responsibility will fall to the owner/manager to handle the changeover. However, the Global Distribution System (GDS) companies, like Galileo, should prove a useful aid to information technology upgrading. Local suppliers supply the travel agent, therefore pan-European pricing should not accrue benefits for this sector. The travel agent can limit the effects associated with price transparency by producing more holiday packages that make direct comparisons more difficult.

The operational challenges in preparing any business for the changeover to the Euro are considerable and the time left to prepare is rapidly diminishing. The major danger for tourism businesses in considering preparations for the
changeover is that many tourism businesses, not just SMEs, may see the introduction of the Euro in purely shorter operational terms not in longer strategic terms, and therefore concentrate solely on functional changes that are required. However, thinking strategically about the Euro can help determine the potential opportunities and prepare the business for any potential competitive challenges.

To prepare for the changeover all tourism businesses, large and small, must plan for its introduction. The EMU business awareness campaign suggests a five-step process:

1. Assign responsibility and gather information
2. Perform business impact analysis
3. Identify functional implications
   - Marketing, sales and distribution
   - Production, product development and purchasing
   - Accounting and finance
   - Information technology
   - Human resources
   - Legal
4. Prepare functional work plans
5. Design, test and implement changes.
3.10 Competitive Implications

The tourism market will become, in this Euroland, more transparent and more attractive with the introduction of the Euro, with a consequent overall improvement in price to performance ratio. This will, however, have a major impact on competition in the sector, calling for a significant effort on the part of tourism businesses to adapt to the new commercial framework (Torres Marques, 1998). Although the branches dependent on tourism rely for their production on local conditions, they are obliged in an era of globalisation to develop products and sell them on a worldwide market. The tourism sector is one of the most internationalised. A new era has emerged; it is now a numbers game where national tourist operations are in competition with other countries (Pompl et al., 1993). As a result of increasing internationalisation of demand, the prospect of a strong currency in the Euro zone will give cause for thought to regions that depend on tourism. They will benefit from the induced growth resulting from the introduction of the Euro, but must be ready to face up to new competitors whose strength will be their weak currencies. Faced with increased competition tourism service providers will be obliged to optimise the price-service relationship of their products. This means producing at lower costs, rationalising tourism services for increased flexibility at the level of prices and pricing. This effort must be made without disregarding the quality of the service provided. Higher productivity will require a profound change in the fragmented structure of the tourism industry. According to Keller (1998) small and medium-sized tourism enterprises will have to enhance their horizontal and vertical cooperation at destination level so as to reduce their costs and achieve successful synergy. Tourism must become an industry that controls its costs, its quality and its price. The industry must
coordinate at destination level. With these new structures, it will be possible to win the competitive battle, remain in business and truly benefit from the introduction of the Euro (Keller, 1998).

Fig. 3.5 Sectoral Price Differences in Europe and the US

![Sectoral Price Differences in Europe and the US](image)

(Source: Strategies for Competing in the Euro Zone, Forfás, 2000)

Fig. 3.5 highlights the variations in pricing that exist on a sectoral basis within Europe and contrasts these variations (after tax) to those that exist within the US. The introduction of the Euro in conjunction with the growth in e-Business and other trends such as globalisation are likely to increase competition and erode price differentials over time.

"Price Convergence is not an end in itself, and even less so for the purpose of competition. Quite to the contrary, I would view perfectly even prices throughout the community with considerable scepticism. In this area, our concern is to remove the barriers which prevent prices from reflecting economic realities, whilst ensuring that efficient competitors and consumers are not harmed by abusive pricing practices".

Manuel, Martinez, Competition Directorate, European Commission.
Given the importance of prices to margins, the prospect of downward price movements could represent a significant threat, especially to an area where indirect taxes are high.

Instant price comparisons will highlight efficient producers and expose those that are inefficient. Efficient producers will be able to take advantage of opportunities in price sensitive markets such as tourism. Price transparency will expose tourism operators to comparisons with international competitors, such as Spain, Portugal etc. Inefficient or highly priced businesses supplying the domestic market will come under threat from new entrants. Dr. Jim McDaid, Minister for Tourism, Sport and Recreation, cautioned that, "in a highly competitive international environment, value for money is becoming a critical determinant in holiday choices. We (the tourist sector) cannot afford a price drift upward ... We have to remain competitive" (Thornton, 1998).

All tourism providers need to carry out an assessment of their competitiveness to benchmark against competitors in the Euro-zone. Once they have an overview of how competitive their prices are relative to the Euro-zone countries / regions, they must review their pricing strategy.

Tourism providers can make it more difficult for customers to compare prices through discounts, loyalty schemes, altering service features or the stepping up of packages (by tour operators and / or incoming agencies) (Smeral, 1999).

The globalisation of tourism demand contrasts with the local production of tourism services which depend on the prevailing economic conditions of each country. However, it is evident that mature tourism destination countries, like Ireland, have difficulty in remaining competitive due to their strong currencies and their high
cost structures and prices. Keller (1997) of the WTO believes that the mature destinations degree of development offers a competitive advantage. They are winning the challenge of qualitative growth. Their degree of specialisation and their many years of experience help them to adapt to the new requirements of the global marketplace. However, the process of globalisation, driven by the introduction of the single currency, and information technological developments, has accelerated structural change in the tourism economies of Europe. Small and medium-sized enterprises (SME's), which form the core of branches dependent on tourism, have not yet succeeded in adapting to the new requirements of the global market, which necessitate integrated products and attractive price-service ratio's. Vertical integration and horizontal integration have been widespread within the tourism industry and acquisitions, mergers and takeovers have increased the degree of industrial concentration so that a smaller number of firms control a larger percentage of total supply (Sinclair et al., 1998).

Economies of scale, brand names benefits through standardisation and quality control, implementation of advanced marketing techniques and market prominence and stronger branding have been cited by Cooper et al. (1998) as the benefits accrued from greater integration.

In the context of global competition, it is essential to stand out from competitors through a strategy of differentiation. According to Lenehan (1998), Irish tourist operators must be able to operate in a more competitive market place. The aim of tourism policy in the context of competition is to favour structural change and to create a competitive advantage be encouraging horizontal and vertical co-operation in the production and distribution of the various services forming part of a given
tourism product. Tourism in a country or region should function as an enterprise or industry (Keller, 1997).

3.11 Choosing the Right Partnership Vehicle

"SMEs can be competitive if they can realise collectively the advantages of economies of specialisation that they do not have individually because of their small size". - Annual Competitiveness Report 1999, produced by the National Competitiveness Council (2000).

To date, Irish SMEs have been relatively slow to enter into strategic partnerships both national and cross-border. However, there are various forms of business cooperation that represent a range of possibilities for SMEs seeking to overcome obstacles such as size and cost factors which may be impeding their survival. In particular, strategic partnerships as a means of easing internationalisation can be an attractive option for SMEs seeking to gain from economies of scale and diminished risk.

Fig. 3.6 Size of Businesses in Ireland (determined by no. of employees)

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Size</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>89.8%</td>
<td>very small</td>
<td>&lt;10</td>
</tr>
<tr>
<td>8%</td>
<td>small</td>
<td>10 – 50</td>
</tr>
<tr>
<td>1.6%</td>
<td>medium</td>
<td>50 – 249</td>
</tr>
<tr>
<td>.6%</td>
<td>large</td>
<td>&gt;249</td>
</tr>
</tbody>
</table>

(Source: Annual Competitiveness Report, 2000)

The single currency will increase the propensity of Irish tourism SMEs to engage in strategic partnerships with each other for a number of reasons. The increase in competition anticipated from price transparency arising from the Euro may
encourage SMEs, to consider strategic partnerships as a means of competing with larger players and new market entrants, and ultimately as a means of remaining competitive vis-à-vis foreign competitors.

The decision to enter into strategic partnership cannot be taken lightly.

**Fig. 3.7 Advantages and Disadvantages of Strategic Partnerships**

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to distribution</td>
<td>Long-term agreements could be restrictive</td>
</tr>
<tr>
<td>Greater economies of scale</td>
<td>Loss of identity and autonomy</td>
</tr>
<tr>
<td>Wider product range</td>
<td>Loss of control</td>
</tr>
<tr>
<td>Reduced Risk</td>
<td>Cultural and operational differences</td>
</tr>
<tr>
<td>Cheaper finance</td>
<td>Increased administration</td>
</tr>
<tr>
<td>New markets</td>
<td>Location</td>
</tr>
<tr>
<td>Shared market knowledge</td>
<td>Resources</td>
</tr>
</tbody>
</table>

The most successful partnerships are those built on the competitive strengths of the partners and characterised by factors such as top level commitment, good communications, cultural fit, trust, flexibility and team work.

### 3.11.1 Forms of Strategic Partnership

Strategic partnerships can take a variety of forms and these typically represent different levels of commitment in terms of resources and investment to the partnership. The G-8 view (group consisting of the worlds largest economies) states that SMEs can be competitive if they operate in a cooperative network.

1. **Local Partnerships**

Perhaps the most basic form of strategic partnership available to tourism providers concerns fostering initiatives at local level. Local partnerships can be of tremendous benefit to SMEs, particularly when they involve larger and smaller
firms from a particular area. These partnerships allow SMEs access to "strategic" resources such as information, expertise and infrastructure to which they would otherwise have restricted access, or can access only at very high costs.

2. Associations

Businesses often have to reach a critical mass before they can buy and sell on optimum terms. The creation of associations between similar or complementary entities is a relatively low risk, low commitment, form of partnership agreement that can prove extremely beneficial to participants. This form of partnership is particularly suitable for tourism businesses operating within specific regions or communities. Associations can be of particular use to SMEs as a means of profile raising and sector representation in negotiations. The creation of associations between SMEs is a particularly suitable vehicle for joint purchasing.

3. Joint Purchasing

It is likely that the currency stability and price transparency impact of the Euro will increase the incidence of large scale, cross border purchasing. In order to remain competitive, SMEs should consider forming buying groups. Price transparency within the Euro-zone may highlight cheaper sourcing opportunities and encourage SMEs to renegotiate or change existing arrangements. The ongoing developments in information technology should also facilitate SMEs to form buying and selling networks.

4. Clusters

A common form of association agreement between SMEs regionally, nationally and internationally promoted by Business Innovation Centres (BICs) amongst others, is "clustering". This process involves identifying companies with a
common interest and encouraging them to create a competitive advantage by exchanging knowledge, pooling resources, sharing overheads, etc. (Forfás, 2000).

3.12 Innovation in Tourism

Innovation is a way of achieving competitive advantage (Porter, 1985) and according to Porter competitive advantage describes the way a firm can choose and implement a generic strategy to achieve and sustain competitive advantage, it addresses the interplay between costs and differentiation.

Drucker (1994) claims that businesses have only two basic functions - marketing and innovation. Today, innovation and marketing are the most important building blocks of competitive advantage (Butler, 2000). Marketing has achieved a lot of attention in Tourism over the past decade, however innovation gets less recognition and even less application. The European Single Currency will enhance the competitive environment in which tourism operates. If tourism businesses are to survive in an increasingly competitive tourism marketplace business owners require creative thinking and innovation. So what part can innovation play in achieving national, regional and organisational objectives for tourism? Innovation is concerned with the willingness and preparedness to change, to accommodate emerging opportunities (proactive innovation) or to defend against significant threats (reactive innovation). A prime role for innovation is to enable an organisation to renew itself in critical competitive areas to ensure continued success or survival. The competitive advantage gained by such innovation may be transient, yet a failure to change can, of course, lead to short-term disadvantage. However, at a national or regional level, a failure to upgrade and add new products may result in a loss of competitive strength for that
area compared with other markets competing for the overseas or domestic tourist. Another important innovative opportunity lies in process innovation, aimed at reducing operating costs or improving marketing and service delivery effectiveness. Therefore, it is argued, in situations of equal competitive pressure, the organisation with the determination to innovate is more likely to achieve success over an organisation with the potential and resources, but no desire.

In Ireland the majority, at least in volume terms, of tourism operators, are small, indigenous and highly varied. Such variability may be a critical component of a differentiated, interesting tourism product. The conclusions drawn by Pettitte's study into Innovativeness of Irish Tourism point to a lack of innovation especially among small tourism operators: "many small operations are unlikely to generate the level of investment in innovation necessary to substantially alter the overall tourist product ... preferring to slowly adopt new ideas for product development within a time frame that failed to reflect the emergent opportunities, but was compatible with the expertise and resources available to the business ... Generally operations are too small, too fragmented and too bound by personal rather than business motives" (Pettitte, 1990). (See Appendix 3.8 for the profiles of Tourism Operations that are High or Low Innovators)

3.13 Lessons from the Past

When we changed the Irish currency some 30 years ago, the main coins were interchangeable with the new decimal coins. They were the same size, same shape and the same weight - completely interchangeable. However, there were still a lot of complaints about the change. There was 17% inflation and many people believed the change led to unjustified price increases (Temperton, 1998). (See
Appendix 3.9 - (Bar prices in Kerry)). When the pound was decimalised, the principal decimal coins were introduced 3 years before Decimal Day (D-Day) and the old formal coins were withdrawn 17 years after Decimal Day. When one compares that to the introduction of Euro cash on 1st January 2002 consumer confusion will be evident, as the planned changeover time for the Euro currency is 2 months, in Ireland it is 6 weeks; Feb 9th 2002. No Euro coin, or Euro note is the exact equivalent of any note or coin currently circulating in the Euro zone. The new currency will be completely new for everyone. Anthony Day, of Cyber Associates Ltd., believes that consumer awareness is crucial to the successful implementation of the Euro (FEE Conference, 2000). In a Eurobarometre survey carried out for the European Commission, 8000 people in 15 countries were questioned in March 2000 (Before the 12th country – Greece, joined):

- Will Euro notes and coins be acceptable in all 11 countries?
  
  One in four say NO

- "The conversion rate is not yet fixed"

  Euro zone average: 37% say True
  UK: 57% say True
  Germany: 52% say True

- How long do people think the old and new currencies will circulate together?

  Euro zone average: 8 months

Following an examination of Moore's 1994 study of Britain's Decimal Changeover Board, the comparison to the approach taken by Britain for decimalisation and Ireland's Euro changeover approach are remarkably similar.
In order to foster the flow of information the Euro Changeover Board of Ireland was established by Mr. Charlie McCreevy TD, Minister for Finance, on 5th May 1998. It has two basic tasks: to oversee the detailed implementation of the changeover to the Euro and to provide public and consumer information. On 19th April 2000 the Board launched "Ireland's cash Changeover Plan for 2002", which set out how the changeover to Euro notes and coins from 1st January 2002 will be implemented. It recommends that at midnight on Saturday 9th February 2002, legal tender status should be withdrawn from Irish notes and coins, while dual pricing will remain for one month after this date. On examination of the Board's second annual report 1st May 1999 - 30th April 2000, they have been at the forefront of Ireland's changeover to the Euro where they have shown innovative and creative ways to help Ireland prepare e.g. The Loughrea Euro Town Project. The clear message emerging from the project is that businesses need to start their planning well in advance of 2002 (Euro Changeover Board of Ireland, 2000).

3.14 The Forfás EMU Business Awareness Campaign

The Forfás EMU Business Awareness Campaign is managed by Forfás in consultation with the Department of Enterprise, Trade and Employment and the Euro Changeover Board of Ireland. The overall objective of the campaign is to raise awareness in the enterprise sector of the implications for their businesses of the changeover to the Euro. However, the information is broad based because of the wide range of requirements needed by individual firms.

Its publications include:

Eurochange - A newsletter on Euro matters

Euro Information Pack
Tourism Specific Information

The joint publication between Bord Fáilte, ITIC, CERT and AIB, titled "EMU - A Simple Guide for Tourism Businesses" gives a detailed account of how the Euro will affect tourism but avoids examining the deeper issues of competitiveness and the strategies needed by tourism providers to maximise the advantages or minimise the disadvantages of a single currency. The publication does not attempt to guide the tourism sector through the operational and strategic changes that will be necessary for Euro changeover, as this is the function of the Forfás EMU pack. As an introduction to how the sector will be affected by the introduction of the Euro, it succeeds, but the failure is that the follow-up sector specific information has not materialised. This failure to co-ordinate at institutional level, along with the laze-faire attitude of the tourism community, has culminated in the unpreparedness of
the majority of the tourism sector, in particular the SME sector of the industry. The 11-page publication ends by stating:

"In this short publication, it is intended to provide an outline of a small number of the issues and challenges facing business owners and managers operating in the travel and tourism sector. It is in no way to be considered a comprehensive guide for preparing a business for the wide ranging impacts of EMU and the introduction of the Euro".

The 1999 publication by the Association for the Monetary Union of Europe entitled "Euro: Preparation guide for the Tourism Industry" is too technical to be of use to the smaller tourism operators and also fails to address how organisations need to change their strategic focus.

The use of workshops and seminars have proven to reach the more specific sectors of the tourism industry and aids significantly in the spatial distribution of Euro information. CERT (the State training agency) has run workshops throughout Ireland since 1998; these workshops have a strong practical focus and aim to address the operational requirements of tourism businesses (Lenehan, 1998).

The Euro will force tourism industries to improve efficiency and the effectiveness of their business processes. However, research has found that SMEs need not only Euro changeover information but also professional and orientated indications. Their lack of usable tools to face dynamically the changes is compounded by to their need to develop new partnership networks and to improve flexibility (Palmirani, 2000). SMEs need direction and guidance to become winners in a global marketplace that is very competitive, where the introduction of the single currency will accelerate both competitiveness and market expectations. Tourism
businesses need to re-focus their business strategy to become more forward-looking and to concentrate on their structural constraints such as innovation and flexibility.

3.14.2 Are Tourism Businesses Ready for the Euro?

Despite a seemingly endless stream of information campaigns, most small businesses in the single currency zone are not prepared for the arrival of the Euro, the European Commission (2001) has warned. In a detailed report, the Commission stated, “SMEs are still lagging behind. Just under half of them, for example, still do not have an action plan for the changeover to the Euro”.

European Union Economics Commissioner Pedro Solbes believes that the situation must change rapidly to avoid major problems at the beginning of 2002, “urgent efforts must be made to encourage SMEs to prepare for the Euro” (BusinessEurope.com, 2001). According to a recent survey in France, 42% of French SMEs have made no preparations for the end of the franc. The study highlighted that nearly half of all French businesses (49%) say they will not be ready for the Euro by the January 2002 deadline. Separate studies show that France’s big businesses are already well prepared for the changeover; it is assumed that the majority of the laggards are SMEs. To continue to remain in business, organisations need to take active steps to prepare. Many large businesses have already done so, however, evidence shows that the preparations by SMEs are not so well advanced.

The February 2001 Eurobarometre poll taken by the European Commission revealed that:

- Only 26% of SMEs claim to be ready for the Euro;
• Nearly one company in four think that it is possible to wait before acting. Businesses that have not fully prepared both internally and externally for the change to the Euro by the end of the transition period, 31st December 2001, will find themselves in considerable trading difficulty. Cap Gemini and Ernst and Young (2001) warn businesses that a late change over to the Euro will be both risky and costly. Early planning is vital but given the relatively slow pace of preparation amongst SMEs, the likely consequence is that towards the end of the transition period those who have not planned for the changeover will find obtaining advice extremely difficult and expensive, because of an excess demand on limited resources (FEE, 2000). Various studies carried out by professional organisations and chambers of commerce and industry reflect that the later SMEs start preparations, the higher will be the costs they incur in adopting the Euro (BusinessEurope.com, 2001).

The report by the European Commission’s expert working group on “Small Businesses and the Euro” (1998) stated that, it is time to change over from general information to more technical information geared to practicalities. They claim that, small businesses like to have information, which enables them to schedule the measures they need to take, in the light of their individual situations – sector specific information.

Two obstacles may in fact make the changeover more difficult for tourist businesses. Firstly, the small size of the major part of tourist businesses makes their adaptation to the Euro more difficult given their limited human and financial resources. Secondly, the hybrid, disparate nature of the sector, which comprises a wide variety of activities and also includes many activities linked directly or indirectly to tourism, e.g. the retail trade, local craft industries, cultural enterprises,
etc. (Annual Competitiveness Report, 2000), makes the administration of specific information campaigns more difficult.

Coordination between all players in the tourist industry therefore appears more than necessary in order to overcome these structural handicaps and enable the sector to cope with the challenges of the Euro.

**Possible Changeover strategies for Tourism Operators**

Tourism businesses must start considering the implications of the Euro immediately. They should establish a timetable for the changeover plan and plan the date for beginning of keeping accounts in Euros. It is evident that businesses are likely to move at different speeds towards using the Euro. It is possible to group them into three broad groups based on the changeover scenario being developed. These are:

**Complete and immediate changeover.** Some large companies have converted to an internal Euro environment as of January 1999.

**Delayed changeover in January 2002.** This is the likely strategy for most tourism operators. Such businesses have little incentive to use the Euro during the transitional period given that most of their interlocutors will continue to use national denominations.

**Partial Euro users.** There is an intermediate group of businesses who may use the Euro for some activities, but who wish to maintain their accounts and retail transactions in the national denomination. They will make a complete conversion to the Euro on 1st January 2002 (European Commission, 1997).
Changeover costs are inevitable and will occur mainly in the short term, although they are expected to be inferior to the potential mid to long-term benefits. Estimates as to the cost of the changeover have been put at between 0.1% - 0.2% of turnover, these transition costs are of significance because of the frequently minimal margins of small and medium-sized tourism businesses – average margins between 0.5 and 1 per cent for small travel agencies and 0.9 per cent for hotels (Keller, 1998).

To understand why small tourism operators are so ill prepared for the introduction of the single currency and their apathy towards the ensuing E-day (Euro-day) one has to understand the mindset of the SME owner. According to Schollhammer et al. (1979), one of the most serious operational problems for small firms is lack of effective formal planning. Small business management tends to focus on day-to-day survival. They are seemingly always fighting “brush fires”. They seldom seem to have time to reflect on the long-range prospects of the organisation and to formalise them into specific action plans. Strategic Planning in the small organisation tends to be introspective, intuitive and informal, with little recognition of the general business environment (Mason, 1979). Given their inability to relinquish their span of control, the direction of diversification must depend to a great extent on the various constraints affecting the firm. For the great majority of smaller companies, heterogeneous and vertical diversification programmes are, in normal circumstances, unrealistic. Horizontal diversification is most appropriate to their market situation and, when implemented, offers the best opportunity for small business to adjust to changing market conditions (Mason, 1979). Mason (1979) claims that the larger operation
has considerable advantages over their smaller counterparts because of their openness to diversification and innovation.

3.15 Conclusion

The overall economic and political benefits of the single currency leading to deeper European integration are accepted by the tourism sector, but, as in all challenges, there are not only opportunities, negative impacts and problems for the sector are also to be expected. The transparency of quality to price ratios will highlight deficiencies in the Irish tourism service. The Irish tourism industry will have to go through a stage of restructuring to survive. The single currency will create a fiercely competitive tourism market place and for the Cork and Kerry tourism sector to compete, the region and individual operators must concentrate on innovative service, high quality and value for money pricing. The Euro will impact the region’s Tourism industry in different ways, but the exact impacts have not been previously examined therefore leaving a certain level of ambiguity, the following chapters aim to rectify this.
Chapter 4
Research Methodology

4.1 Introduction

The examination of "the impact of the single currency on Tourism in the Cork and Kerry region," required the use of a combination of quantitative and qualitative data collection procedures. Triangulation according to Denzin (1978) is based on the assumption that any bias in data sources, investigator or method used, would be neutralised when used in conjunction with other sources, investigators and methods. It aided the development of the overall research, when one preceded the other, the first helping to inform the second. Fidel (1993) suggests that subjective research uses multiple methods to measure the same qualities, one verifying the other. The research began with an in-depth assessment of secondary data related to Tourism and the Euro. Following a review of this data it was determined that primary research was required to develop the themes addressed through secondary channels. The primary research study involved survey research of tourism operators in the Cork and Kerry region. After the analysis of this data, interviews were conducted and a focus group interview was set up from a cross section of the survey sample. Tull and Hawkins (1984) state that, "no one approach is best; in fact, several different assessment approaches should generally be used."

4.2 Research Objective

Scientific research is the "systematic, controlled, empirical and critical investigation of natural phenomena guided by theory and hypotheses about the presumed relations among such phenomena" (Cooper et al., 1995). All research
should provide an answer to some question and the classical concept of research calls for a hypothesis. The research questioned the following hypothesis: "Ireland’s participation in the single European currency will have a negative effect on unprepared tourism operations in the Cork and Kerry region, and the long term increased competition through price transparency could change the structure of these unprepared tourism operations, leading to closures or alliances."

The research questions included:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Will the Euro impact tourism in the Cork and Kerry region?</td>
</tr>
<tr>
<td>2.</td>
<td>Are tourism businesses in the region prepared for the Euro introduction?</td>
</tr>
<tr>
<td>3.</td>
<td>Have the information campaigns prepared the tourism sector for the changes ahead?</td>
</tr>
<tr>
<td>4.</td>
<td>What will the consequences of not preparing for a more competitive tourism marketplace be?</td>
</tr>
</tbody>
</table>

### 4.3 The Research Design

The design of the study was the blueprint for fulfilling objectives and answering questions. Selecting a design was complicated by the availability of a large variety of methods and techniques. The methods chosen must be able to answer the research questions in an accurate, empirical and reliable way.

An examination of the research methodologies was conducted because according to the accepted literature on this subject, the researcher needs to be well equipped with an understanding of scientific methods and the ability to discriminate among knowledge sources to identify those that produce the best results for a given situation (Cooper et al., 1995). By comparing the research objectives with the
strengths and weaknesses of each research method it was possible to choose the process that was optimally suited to the study's needs. However, if none of the choices provide a particularly good fit in their own right, the combination of two alternatives into a mixed mode, is acceptable to maximise response validity and reliability.

In order to answer the research objectives an exploratory study was conducted, this helped provide new variables for further exploration. As exploration requires both qualitative and quantitative research techniques, an examination of the benefits and drawbacks to each was undertaken. Qualitative research is concerned with collecting and analysing information in non-numeric forms, while quantitative research collects and analyses numeric data. Exploratory research relies more heavily on qualitative techniques, such as, interviewing, observation, psychological testing, case studies and street ethnography. On examination of the usefulness of these methods for extracting the information to answer the research questions, the survey mode was chosen as the research method best suited to the study. The use of the others was ruled out due to their poor application in answering the research questions. The observation technique is limited to learning what is going on in the present, where the research needed a method that could find outcomes to a future scenario. Experimentation was also ruled out due to the level of costs and time associated with setting up an intervention that would measure the affect the Euro would have on an unprepared tourism provider in the Cork and Kerry region. Also literature rules that experimental research methods are difficult research tools for measuring intentions or predictions (Cooper et al., 1995).
The study design used diverse research methodologies in order to achieve greater insight. The first step in the exploratory study was the search of secondary literature. Most research work involves substantial use of published literature. An extensive literary review on the research topic was conducted.

It was determined that hard data gathered from the first and second research questions would be used as interview topics to answer research questions three and four. The questionnaire survey method was chosen as the most effective and reliable way of answering research questions one and two. The target population was the tourism providers of the Cork and Kerry region. In order to develop a clear picture of the results of the various tourism sectors, they were sub-divided into four categories, which also allowed for cross-tabulation of the categories results.

The formal study began at the second stage of the research design. To answer research questions three and four, extracted data from the survey method was used to structure personal interviews and a focus group interview. According to literature, the researcher who employs experimental and quasi-experimental designs attempts to control the playing field of the study as much as possible, restrict the focus of attention to a relatively narrow band of behaviour, and get out of harm's way as a detached and objective observer of the action (Rudestam et al., 1992).

The quantitative and qualitative data extracted by the different research methods will be brought together in chapter six to examine the research questions.
4.4 Research Sample

Sampling is an essential aspect of surveying, as it is seldom possible to survey the complete population. Two populations were needed for the research. The first target population was the tourism providers in the Cork and Kerry region. The second was those individuals that the first target population would rely on for information on the Euro, the “expert” on the subject.

Sample 1

To research the total population (all tourism providers in the Cork and Kerry region) would be time consuming and costly therefore an accurate and precise sample of the population was selected.

In order to achieve a representative sample that had no systematic variance or sampling error, probability sampling (based on the concept of random selection – a controlled procedure that assures that each population element is given a known nonzero chance of selection) was used. In order to increase the sample’s statistical efficiency, the overall population was divided geographically between Cork and Kerry. Area sampling allowed for greater validity and reliability. Reliability is a measure of accuracy and response consistency. The two area samples were then stratified into types of tourism sectors, as stratification is usually more efficient statistically than simple random sampling (Cooper et al., 1995). Systematic sampling was then used to determine the final research sample. Within each sector a random selection was chosen to represent a cross section of Cork and Kerry subjects. The sample was taken from compiled lists, where the subjects were randomly selected – every fifth name was sent a questionnaire until the quota was reached.
The survey number of 350 consisted of 270 accommodation providers and 80 others, to include nine categories. The 270 represent 11% of the total accommodation sectors in Cork and Kerry. To draw out the sample quota for each accommodation sector, the total number in each category was taken, their sector percentage was calculated and this percentage was used to determine the sector population. Due to the variance in accommodation stock levels between the two counties, a 40:60 split was used (Cork is to Kerry). This formula was repeated to set sample accommodation numbers for all, with the exception of Hotels, as their numbers were virtually equal in both counties.

<table>
<thead>
<tr>
<th>No. of Properties in:</th>
<th>Cork</th>
<th>Kerry</th>
<th>% of 2232</th>
<th>Survey No.</th>
<th>SENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>82</td>
<td>89</td>
<td>171</td>
<td>8%</td>
<td>270</td>
</tr>
<tr>
<td>Guesthouse</td>
<td>57</td>
<td>92</td>
<td>149</td>
<td>7%</td>
<td>270</td>
</tr>
<tr>
<td>Self Catering Accommodation</td>
<td>289</td>
<td>436</td>
<td>725</td>
<td>32%</td>
<td>270</td>
</tr>
<tr>
<td>Town and Country Homes</td>
<td>348</td>
<td>559</td>
<td>907</td>
<td>41%</td>
<td>270</td>
</tr>
<tr>
<td>Farmhouse Accommodation</td>
<td>71</td>
<td>102</td>
<td>173</td>
<td>8%</td>
<td>270</td>
</tr>
<tr>
<td>Hostel Accommodation</td>
<td>29</td>
<td>41</td>
<td>70</td>
<td>3%</td>
<td>270</td>
</tr>
<tr>
<td>Caravan and Camping</td>
<td>16</td>
<td>21</td>
<td>37</td>
<td>2%</td>
<td>270</td>
</tr>
<tr>
<td>Excursions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Food</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Entertainment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Shopping</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Travel Trade</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Transport</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Heritage, Culture and Visitor Attractions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>2232</td>
<td></td>
<td>350</td>
</tr>
</tbody>
</table>

This stratified random sampling method allows for greater representation and therefore a more balanced analysis of the research questions can be identified. Ellis (1994) suggests this use of Probability Sampling methods should be used over non-probability sampling methods like Grab Sampling, Quota Sampling,
Sample 2

Nonprobability sampling was used to gather the sample of four people for personal interviews. The population included, "experts" in the area of the Euro with a clear link to tourism providers in the Cork and Kerry region. Structured interviews were conducted the with four representatives from the public domain, these included:

North Cork Enterprise Board
AIB Bank
Shannon Development
Cork and Kerry Tourism

4.5 Methods of Data Collection

The debate within the behavioural sciences between "qualitative" and "quantitative" approaches to research is ongoing. Both quantitative and qualitative research methods were used in this research to gather the information needed to examine the hypothesis. Silverman (1998) claims it is a mistake to argue in favour or against either quantitative or qualitative research approaches, as objectivity should be the aim of all researchers and that there is no reason why the two research approaches can not be used together. The research includes the approach or combination of approaches best suited to validate the findings. O'Grady (2001) believes that even in the most rigorous experimental research using a quantitative approach, some degree of subjectivity remains, but through the process of replication and cross-checking, confidence in the research findings can be built up. The combination of different methods of data collection in this research strengthened any shortcomings of each method and allowed the findings to be
double-checked by examining them from different vantage points (Fitzpatrick et al., 1998). The quantitative, qualitative and secondary research results formed the basis for triangulation and the integration between the findings are explored in chapter 6.

4.5.1 Literary Review

The literary review gave the researcher an insight into the research topic; it highlighted weaknesses that needed to be addressed through primary research questions.

4.5.2 Questionnaire Survey

The questionnaire survey is a means of eliciting data of a quantitative or numeric nature from a representative sample of the population, through asking questions of people. The data enables the researcher to generalise the findings from the sample to the overall populations (Creswell, 1994). According to Gardner (1978) surveys can be used to predict future changes. The advantages of using questionnaire surveys, such as their flexibility and their ability to diminish researcher bias (Moser et al., 1983) were explored. Also, in order to guarantee the effectiveness of the research tool, the disadvantages were examined so as to design the questionnaire to maximise the response reliability and validity. (See Appendix 4.2 for the Advantages and Disadvantages of Questionnaire Surveys) To investigate the readiness of the tourism providers in the region, the questionnaire research tool was selected as the appropriate form of data collection method. (See Appendix 4.3 for Comparison of Survey methods) This research tool would explore research question one and two. (See Appendix 4.4 for Copy of Questionnaire)
Rationale for Choosing Questionnaire

The postal questionnaire was chosen as the main source of collecting quantitative data. The rational for deciding to post the questionnaires was that the geographic area under investigation was spatially distributed. The postal questionnaire survey represents a data collection method that historically produced low yields. To reduce attrition levels a review of the literature on how to improve response levels was conducted. Many studies have been conducted on attrition rates in mail surveys (Dickinson, 1990). Return rates for mailed out questionnaires have varied from lows of about 10% to highs of more than 90% (Heberlein et al., 1978). Studies that people consider interesting, important and relevant to their lives are more likely to be completed and returned (Henerlein et al., 1978). Monette et al. (1986) suggest that the cover letter can help increase the response rate. A stamp-addressed envelope was provided, as higher returns are achieved if the subjects do not have to pay their own postage (Yammarino et al., 1991). James et al. (1990) claim that studies have found that following-up the survey will usually increase response rates by 10% to 20%. In order to maximise the return rate, the questionnaire survey was followed-up by telephone calls one week prior to deadline date. People's decisions about taking part in a mail questionnaire survey often hinge on whether they have confidence in the competence of those who are conducting the study (See Appendix 4.5 for Copy of Cover Letter).

Of the 350 questionnaires that were sent, 141 were returned, resulting in a 40.03% return rate. This high response rate can be directly attributed to the examination of literature and applying their techniques for increasing response levels.
A mix of factual and opinion questions was used throughout the questionnaire to gather both raw data and opinions for further analysis. Every effort was made to ensure that the closed ended questions were both mutually exclusive and exhaustive.

To limit ambiguity in the layout and style of questioning a pilot test was conducted, this was carried out on three Guesthouses in the Killarney area. The purpose of a pilot study was to test the effectiveness of the questionnaire on a limited number of people from the population of interest before the costs of a full-scale survey were incurred. As a result of this process, flaws in the questionnaire were found and these were eliminated before it was administered to the chosen sample. The test highlighted ambiguity in three questions that were adjusted accordingly. In question 7 “others” box was added, in question 11 “please tick one box” (underlined) was added to clarify the instruction, and the survey was shortened from 20 questions to 16 questions divided into four sections.

Of the 141 returned questionnaire 9.9% were declared invalid, reducing the valid response level to 36.28%, were it not for the pilot test the level of invalid questionnaires would have been significantly higher.

4.5.3 Focus Group Interviews

The focus group or group interview is an exploratory research method used as a means of gathering in-depth, qualitative information such as opinion and attitudes. Focus groups bring six to twelve participants for an informal discussion lasting from one to two hours. The interviewees generally are of similar demographic or other predefined characteristics. The interviewer moderates the discussion based
on an outline provided or approved by the client. Focus group sessions are usually recorded by videotape or audiotape for further analysis.

Marton and his colleagues developed focused interviews with individuals and groups in the 1940's. In the focus group, group interaction is employed to generate data for analysis (Morgan, 1988). Group forces or dynamics become an integral part of the procedure with participants engaged in discussion with each other rather than directing their comments solely to the moderator.

Asbury (1995) is one of many researchers to argue that focus groups produce data rich in detail that are difficult to achieve with other research methods. The main purpose of focus group research is to draw upon respondents' attitudes, feelings, beliefs, experiences and reactions in a way in which would not be feasible using other methods, for example observation, one-to-one interviewing, or questionnaire surveys. These attitudes, feelings and beliefs may be partially independent of a group or its social setting, but are more likely to be revealed via the social gathering and the interaction which being in a focus group entails. Compared to individual interviews, which aim to obtain individual attitudes, beliefs and feelings, focus groups elicit a multiplicity of views and emotional processes within a group context. They can be used either as a method in their own right or as a complement to other methods, especially for triangulation (Morgan, 1988) and validity checking. Focus groups can help to explore or generate hypotheses questions or concepts for questionnaires and interview guides (Hoppe et al., 1995).

**Rational for using Focus Group Interviews**

The focus group interview was used to expand on and overcome limitations of the questionnaire data collecting technique. The focus group interview was used to
foster discussion and beliefs on the topics because the questionnaire method tends to be weak at determining attitudes. The focus group interview was structured to gather data that would reinforce the quantitative data collected in the questionnaire. This second method of primary research can only benefit the investigation of the hypothesis.

**Structure of Focus Group Interview**

Burke's (1997) protocol on focus group was utilised to conduct the interview. The questionnaire results were analysed and specific objectives were formulated for the focus group to concentrate on. Eight topics were chosen to deliver the required information and to facilitate interest for the group. *(See Appendix 4.6 for Topic Areas)* The interview was moderated by the Shannon Development representative for North Kerry, a representative known to all in tourism in the South West of Ireland. The participants were chosen from the sectors of the tourism industry used in the questionnaire, one representative from each sector. Because of the busy schedule associated with running a tourism operation the sample was restricted to Killarney and Tralee tourism providers. This would give representatives from both the Regional Tourism Authorities (RTA's) Cork and Kerry Tourism and Shannon Development. The participants were not part of the questionnaire sample; they constituted nine representatives from the questionnaire sample, to include:

- Hotel
- Guesthouse
- Bed and Breakfast
- Farmhouse Accommodation
- Self-Catering Accommodation
- Hostel
- Tourist Amenity/ Site
- Travel Agency
- Tourism Retail Outlet
Observations of Focus Group Interview

The focus group filled out the questionnaire on the day, designed to develop their opinions on Euro issues with regard to their industry. This was done to improve the level of input for the focus group interview. The interview was recorded to guarantee validity of responses; notes were also taken to observe group interactions and non-verbal communications.

The group dynamics influenced the direction of part of the interview, foot and mouth disease was topical and the group showed tendencies to steer the direction on a number of occasions. The moderator allowed a certain amount of leverage but always refocused the session back to its original terms of reference.

4.5.4 Personal Interview

Emory (1991) defined personal interviewing as a "two way purposeful conversation initiated by an interviewer to obtain information that is relevant to some research purpose". Personal interviewing was the second qualitative data-collection method used to ascertain the views of the second sample. The objectives were the same as the focus group interview, to answer research questions three and four. The interviews sought to clarify issues that arose from the data analysed from the original questionnaire, to find out the “why” behind the raw data. The value of using this method of research was twofold, first they helped clarify some of the ambiguous areas of the questionnaire responses and secondly they highlighted key issues that had been addressed in the secondary research. The advantages and disadvantages associated with personal interviews were explored in order to improve the response quality. (See Appendix 4.7 for the Advantages and Disadvantages of Personal Interviews)
All interviewees had interactions with tourism businesses and would be seen as representatives of organisations, where tourism operators would seek information and advice on the implications of the Euro for their businesses. Due to over-representation of tourism providers in both the questionnaire and the focus group interview, the decision to omit them from the personal interview was taken.

**Interview Process**

A focused in-depth interview was administered, providing additional guidance by using a set of questions to promote discussion and elaboration by the respondents. The interview questions were constructed from information ascertained from the questionnaire data, e.g. “68% believe that the single currency will create a more competitive tourism marketplace, 62% believe that tourism in Ireland has a competitive advantage over the other Euro zone members. What is your view on this?” *(See Appendix 4.8 for List of Questions Asked)* It was also an objective of the interview to confirm or reject some of the conclusions of past secondary research on the area. The questions allowed the subjects to air their own views on the topic of the “Euro and Tourism”. The success of the interviews came from a well-organised agenda of what needed to be achieved. At no stage was bias introduced into the interview process; the subjects were allowed to give their own opinions on questions without interjections.

**4.6 Ethics in Research**

The quantitative and qualitative findings are explored with a professional integrity that is fundamental in research ethics. Voluntary participation was sought and all participants consented to be included as research subjects. This was also the case
for interview purposes and an agreement between the researcher and the personal interviewee was arranged prior to consent being ascertained; this included a full transcript of the interview being sent to the interviewee prior to publication of the data. The material from the focus and personal interviews is presented as was spoken by the interviewee. Any research project will raise ethical questions, and as this research involved third parties, the researcher had a duty to document the findings in a responsible and truthful way.

4.7 Conclusion

The interview and the questionnaire are the most commonly used forms of data collection in research. They represent the qualitative and quantitative approaches respectively and as such are often viewed as alternatives (Riley et al., 2000). The interview is used when the researcher is uncertain as to how the target population actually thinks about the topic under examination – it is not known how they conceptualised the area, how sure they are of it, or how much they actually know about it (Riley et al., 2000). The questionnaire survey data is analysed in the next chapter, and together with the data from both the primary and secondary research will help formulate conclusions and recommendations.
5.1 Introduction

This chapter contains the results of the 350 survey questionnaires that were sent out to the tourism providers in the Cork and Kerry area, to give their views on the impacts the single currency will have on their businesses and the readiness of their business for the changeover to the Single currency. The questions remain; are tourism businesses ready for the introduction of the Euro on 1st January 2002, are they aware of the impacts a single currency will have on tourism in the Cork and Kerry region, has the information campaigns equipped the tourism sector with the information necessary to survive in the new Euro zone and what is the likely future structure of the region’s tourism sector? The survey was designed to encompass all sectors of the tourism industry in the Cork and Kerry region – Hotels; Guesthouses; Town and Country Homes; Farmhouses; Self-Catering; Hostels; Caravan and Camping; Excursions; Food; Entertainment; Retail; Travel Trade; Transport; Heritage, Culture and Visitor Attractions; and Activities. Such a broad spread ensured that the results were not skewed by any one section of the industry. For comparison purposes the sectors were divided into four groups, to allow for cross tabulation of results. The sampling selection process guaranteed that the results represented a scientific and an unbiased view of the regions tourism industry. These results, together with the literature review in chapter two and three, and the findings from the focus group and the personal interviews ensure that the conclusions drawn are both valid and logical.
5.2 Questionnaire Results

Of the 350 questionnaires that were sent, 141 were returned. This represented a response rate of 40.03%. However, fourteen questionnaires were declared invalid, this left a valid response of 127 questionnaires, or 36.28% of the survey.

The questionnaire was divided into four sections with 16 questions in total. (See Appendix 4.4 for copy of Questionnaire)

The survey questioned all sectors of the tourism sector in the Cork and Kerry region – Hotels; Guesthouses; Town and Country Homes; Farmhouses; Self-Catering; Hostels; Caravan and Camping; Excursions; Food; Entertainment; Retail; Travel Trade; Transport; Heritage, Culture and Visitor Attractions; and Activities. To draw comparisons these sectors were grouped into four categories:

<table>
<thead>
<tr>
<th>Category 1</th>
<th>Hotels and Guesthouses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 2</td>
<td>Town and Country Homes and Farmhouses</td>
</tr>
<tr>
<td>Category 3</td>
<td>Non-Services Accommodation to include Self-Catering, Hostels, and Caravan and Camping</td>
</tr>
<tr>
<td>Category 4</td>
<td>Others to include: Excursions; Food; Entertainment; Retail; Travel Trade; Transport; Heritage, Culture and Visitor Attractions, and Activities</td>
</tr>
</tbody>
</table>
Question one, asked the subjects to rate their level of knowledge of the Euro, 5 represented a high level and 1 representing a low level of knowledge.

Chart 5.1  Level of Knowledge of the Euro

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Category 2</td>
<td>27%</td>
<td>16%</td>
</tr>
<tr>
<td>Category 3</td>
<td>36%</td>
<td>45%</td>
</tr>
<tr>
<td>Category 4</td>
<td>10%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Category 1 rates their knowledge of the Euro as the highest while Category 3 has the lowest rating.

Question two, sought to find out if the respondents knew when the Euro would be introduced as a hard currency.

Chart 5.2  When will the Euro be introduced as currency?

<table>
<thead>
<tr>
<th></th>
<th>C1</th>
<th>C2</th>
<th>C3</th>
<th>C4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-01</td>
<td>9%</td>
<td>5%</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Jun-01</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Jan-02</td>
<td>82%</td>
<td>89%</td>
<td>88%</td>
<td>75%</td>
</tr>
<tr>
<td>Jun-02</td>
<td>9%</td>
<td>3%</td>
<td>4%</td>
<td>12%</td>
</tr>
</tbody>
</table>

A very high percentage of those surveyed were correct in choosing January 2002 as the date the Euro will be introduced to Ireland.
Question three asked the respondents whether they were familiar with how the Euro will be introduced.

Chart 5.3  Are you familiar with how the Euro will be introduced?

The results show that Category 1 and 2 claim to have a better understanding of the procedure for Euro introduction, when compared to Category 3 and 4.
Question four, sought to find out the degree to which the respondent believed the Euro would benefit Ireland. 5 represented a high benefit while 1 represented a low benefit.

<table>
<thead>
<tr>
<th>Chart 5.4</th>
<th>Degree to which the Euro will or will not benefit Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>C1</td>
</tr>
<tr>
<td>High</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
</tr>
</tbody>
</table>

Category 1 is most positive about the benefits the Euro will bring to Ireland, while Category 3 has expressed the most negative response to the question.
Question five asked whether the respondent thought the Euro would affect their business.

Chart 5.5  Will the Euro Affect Tourism Business?

The results show that Category 3 believes the Euro will have little impact on their business, whereas Category 1 views the Euro as having a significant effect on their business.

Chart 5.6  Effect of Euro on Tourism

The average of the total sample show 48% believe the Euro will affect their businesses positively, while 52% see the Euro having a negative effect on their business.
Question six sought to find out if tourism businesses have started preparing for the Euro introduction and if they have started – when did they start? If they had not started – had they the necessary information to begin preparing? 67% of those surveyed had not started preparing for the introduction of the Euro and of this 53% stated they did not have the necessary information to begin. This 72% figure masks the true situation, because tourism businesses with ten or more employees show a 35% unprepared figure.

Chart 5.7 Are Tourism Businesses Prepared for the Euro?

As of the 1st January 2001, an average of 33% of tourism operators in the Cork and Kerry region were prepared for the introduction of the Euro. Category 2, 3 and 4 all claim an unprepared figure of over 70%.

Following further examination of those businesses with ten or more employees, the results show that a much greater percentage of this group are prepared when compared to smaller businesses with less than ten employees. Chart 5.8 highlights the number of those prepared and unprepared in both groups and chart 5.9 shows the results in percentage terms.
Chart 5.8  Number of Tourism Businesses

Chart 5.9  % of Tourism Businesses

Chart 5.10  Do you have the necessary information to begin preparing for the Euro?

<table>
<thead>
<tr>
<th></th>
<th>C1</th>
<th>C2</th>
<th>C3</th>
<th>C4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>55%</td>
<td>46%</td>
<td>56%</td>
<td>41%</td>
</tr>
<tr>
<td>No</td>
<td>45%</td>
<td>54%</td>
<td>44%</td>
<td>59%</td>
</tr>
</tbody>
</table>
Question seven asked the respondents to indicate what organisations they have sought advice or help from in relation to the Euro and their business.

Chart 5.11 Organisations sample sought advice or help from in relation to the Euro

![Chart showing the percentage of organisations sought advice or help from in relation to the Euro across different categories.](chart)

<table>
<thead>
<tr>
<th>Category</th>
<th>Others</th>
<th>EU Commission</th>
<th>Forfias</th>
<th>Banks</th>
<th>IBEC</th>
<th>CERT</th>
<th>Bord Failte</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>18%</td>
<td>5%</td>
<td>0%</td>
<td>59%</td>
<td>14%</td>
<td>9%</td>
<td>36%</td>
</tr>
<tr>
<td>C2</td>
<td>8%</td>
<td>0%</td>
<td>0%</td>
<td>29%</td>
<td>0%</td>
<td>0%</td>
<td>16%</td>
</tr>
<tr>
<td>C3</td>
<td>4%</td>
<td>0%</td>
<td>4%</td>
<td>24%</td>
<td>4%</td>
<td>0%</td>
<td>20%</td>
</tr>
<tr>
<td>C4</td>
<td>21%</td>
<td>0%</td>
<td>4%</td>
<td>38%</td>
<td>13%</td>
<td>0%</td>
<td>8%</td>
</tr>
</tbody>
</table>

All four Categories selected the banks as the most used source for information and advice on the Euro, with Bord Failte the second most popular choice. Category 2 shows a clear lack of information and advice gathering when compared to Category 1, 3 and 4.
**Question eight** asked the respondents to what degree the introduction of the Euro will benefit tourism in their region. 35% believe the Euro will benefit the tourism sector in the Cork and Kerry region. 26% believe it will not benefit tourism in the region.

**Chart 5.12  Degree to which the Euro will or will not benefit tourism in Cork and Kerry**

<table>
<thead>
<tr>
<th></th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The findings show that Category 3 is the most sceptical of Categories where 16% of those surveyed believe that the Euro introduction will benefit tourism in the region and 44% believe the opposite. These figures prove even more sceptical when compared to Category 1 figures of 50% and 14% respectively.
Question nine was concerned with the introduction of the Euro and would it have an impact on visitor numbers to the region.

Chart 5.13 Will the Euro affect the number of tourists to the Cork and Kerry region?

<table>
<thead>
<tr>
<th></th>
<th>C1</th>
<th>C2</th>
<th>C3</th>
<th>C4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>50%</td>
<td>34%</td>
<td>38%</td>
<td>46%</td>
</tr>
<tr>
<td>No</td>
<td>50%</td>
<td>66%</td>
<td>72%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Category 2 and 3 see the Euro as having little impact on the numbers of tourists to the region.

Question ten asks the respondents if they believe the Euro will create a more competitive market place.

Chart 5.14 The Euro will create a more competitive tourism marketplace?

Both Category 1 and 4 conclusively believe that the introduction of the Euro will create a more competitive tourism marketplace. However Category 2 is less convinced and within Category 3 the majority believe the Euro will not create a more competitive tourism marketplace.
**Question eleven** asked the respondents to pick the issue of greatest importance to tourism as a result of operating with the single currency.

**Chart 5.15  The Key issues of a Single Currency for Tourism providers**

<table>
<thead>
<tr>
<th>Issue</th>
<th>C1</th>
<th>C2</th>
<th>C3</th>
<th>C4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences in Tax Rates in the Euro zone</td>
<td>14%</td>
<td>0%</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Ability to compare holiday prices</td>
<td>77%</td>
<td>58%</td>
<td>56%</td>
<td>39%</td>
</tr>
<tr>
<td>Business costs involved in changeover</td>
<td>5%</td>
<td>11%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Confusion of staff/customer during initial dual currency period</td>
<td>5%</td>
<td>29%</td>
<td>28%</td>
<td>38%</td>
</tr>
</tbody>
</table>

"The ability to compare prices" was selected by all four Categories as the key issue for tourism providers in the region stemming from the introduction of the single European currency. "Staff confusion" was the second choice for all but Category 1, which selected "differences in tax rates".
**Question twelve**, sought to find out whether the respondents saw Irish tourism as having a competitive advantage or disadvantage over other countries in the Euro zone. 62% of the total sample saw Ireland as having a competitive advantage.

**Chart 5.16  Tourism in Ireland is at a competitive advantage or disadvantage?**

<table>
<thead>
<tr>
<th>Category</th>
<th>Competitive Advantage</th>
<th>Competitive Disadvantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>C2</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>C3</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>C4</td>
<td>79%</td>
<td>21%</td>
</tr>
</tbody>
</table>

The results of the survey question show Category 4 as viewing Ireland as having a significant competitive advantage over other countries in the Euro zone.
Question thirteen asks the respondents to pick the three Euro zone countries that they believe to be our key competitors in tourism.

Chart 5.17   Key Competitors in Tourism

<table>
<thead>
<tr>
<th></th>
<th>C1</th>
<th>C2</th>
<th>C3</th>
<th>C4</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>88%</td>
<td>82%</td>
<td>68%</td>
<td>69%</td>
</tr>
<tr>
<td>Spain</td>
<td>68%</td>
<td>84%</td>
<td>44%</td>
<td>78%</td>
</tr>
<tr>
<td>Italy</td>
<td>37%</td>
<td>42%</td>
<td>32%</td>
<td>29%</td>
</tr>
<tr>
<td>Finland</td>
<td>5%</td>
<td>0%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Austria</td>
<td>18%</td>
<td>3%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Portugal</td>
<td>32%</td>
<td>48%</td>
<td>32%</td>
<td>54%</td>
</tr>
<tr>
<td>Germany</td>
<td>10%</td>
<td>10%</td>
<td>44%</td>
<td>29%</td>
</tr>
<tr>
<td>Belgium</td>
<td>9%</td>
<td>0%</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>9%</td>
<td>11%</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
**Question fourteen** sought to measure the level of satisfaction and dissatisfaction amongst the tourism providers in the Cork and Kerry region towards the Euro information campaigns.

**Chart 5.18  Level of satisfaction or dissatisfaction with Information campaigns**

The results show that within Category 2, 53% were dissatisfied while 19% were satisfied, with 21% selecting the lowest rating. Category 3 and 4 also expressed a higher dissatisfaction than satisfaction level, with the latter being 42% to 8%. The remaining Category expressed the highest satisfaction to dissatisfaction ratio.
**Question fifteen** sought to find out if the sample had received or seen information on the Euro from any official organisations.

**Chart 5.19  Have you seen or received Euro information campaigns?**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>73%</td>
</tr>
<tr>
<td>C2</td>
<td>20%</td>
</tr>
<tr>
<td>C3</td>
<td>28%</td>
</tr>
<tr>
<td>C4</td>
<td>42%</td>
</tr>
</tbody>
</table>

On average 43% received/saw information. However, this figure is skewed given the 73% “yes” result from Category 1. Significantly, Category 2 and 3 with results of 29% and 28% respectively are well below Category 1’s figures.

**Chart 5.20  Rating of Information**

<table>
<thead>
<tr>
<th>Easy to Source</th>
<th>Yes</th>
<th>63%</th>
<th>55%</th>
<th>57%</th>
<th>60%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>37%</td>
<td>45%</td>
<td>43%</td>
<td>40%</td>
</tr>
<tr>
<td>Relevant to needs</td>
<td>Yes</td>
<td>50%</td>
<td>64%</td>
<td>57%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>50%</td>
<td>36%</td>
<td>43%</td>
<td>50%</td>
</tr>
<tr>
<td>Contained enough to implement</td>
<td>Yes</td>
<td>56%</td>
<td>64%</td>
<td>57%</td>
<td>30%</td>
</tr>
<tr>
<td>EURO handling</td>
<td>No</td>
<td>44%</td>
<td>36%</td>
<td>43%</td>
<td>70%</td>
</tr>
<tr>
<td>Informative</td>
<td>Yes</td>
<td>81%</td>
<td>64%</td>
<td>71%</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>19%</td>
<td>36%</td>
<td>29%</td>
<td>10%</td>
</tr>
<tr>
<td>Easy to understand</td>
<td>Yes</td>
<td>69%</td>
<td>82%</td>
<td>71%</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>31%</td>
<td>18%</td>
<td>29%</td>
<td>30%</td>
</tr>
<tr>
<td>Tourism Sector Specific</td>
<td>Yes</td>
<td>13%</td>
<td>45%</td>
<td>14%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>87%</td>
<td>55%</td>
<td>86%</td>
<td>100%</td>
</tr>
</tbody>
</table>

100% of those that expressed an opinion amongst Category 4 found the Euro campaign’s information not to be tourism sector specific. Category 1 and 3’s
results were 87% and 86% respectively, while Category 2 had the lowest negative response rate of 55%.

**Question sixteen** questioned whether the respondents had been invited to workshops or seminars on the Euro.

**Chart 5.21**  Were you invited to workshops or seminars?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>C2</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>C3</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>C4</td>
<td>42%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Category 2 and 3's positive results of 11% and 20% to question 16 are considerably smaller than Category 1 and 4's results of 45% and 42% respectively.

### 5.3 Conclusion

The findings presented represent the views of the tourism providers in the Cork and Kerry region. It is now necessary to interpret the findings in an integrated manner along with the comprehensive opinions expressed during the course of the personal and focus group interviews, as well as the views proffered by the different authors in the literature review in chapter two and three. These interpretations will be discussed in the next chapter.
Chapter 6
Interpretations

6.1 Introduction

The interpretations chapter takes the format of an analysis of the quantitative and qualitative research findings, and together with the information from the secondary research (a form of triangulation) will answer the four research questions, (Will the Euro impact tourism in the Cork and Kerry region? Are tourism businesses in the region prepared for the Euro introduction? Have the information campaigns prepared the tourism sector for the changes ahead? What will the consequences of not preparing for a more competitive tourism marketplace be?) in order to prove or disprove the hypothesis: "Ireland’s participation in the single European currency will have a negative effect on unprepared tourism operations in the Cork and Kerry region, and the long term increased competition through price transparency could change the structure of tourism operations, leading to closures or alliances."

6.2 Euro Preparation

In the survey, 84% of the total sample chose 1st January 2002 as the introduction date for the Euro as currency, with 82%, 89%, 88% and 75% the percentages for Category 1 through 4. These figures favour well because an Irish Marketing Survey in 2000, gave a figure of 72%, however, with less than a year to E-day the figures should be closer to 100%.

33% are not familiar with how the Euro will be introduced. Both representatives from Cork/Kerry Tourism and Shannon Development thought that the 33% figure
was low: "I am surprised it is only that level, we had very few calls on the subject" (Shannon Development). "It is encouraging to see this figure, there has been communication within the industry... In an ISME conference on the Euro; when asked if they claimed to know or had done anything about the Euro, only 10-15% claimed they had" (Cork/Kerry Tourism). The Hotel and Guesthouse category show the highest familiarity with how the Euro will be introduced with a figure of 73%.

Prior research has identified the SME sector as been slow to adapt the Euro changeover plans, with 26% of SMEs prepared for the 31st December 2001 deadline, but how is the tourism sector preparing itself for the consequences associated with the introduction of the single currency?

In the Cork and Kerry region, 33% of tourism businesses are prepared for the Euro introduction. However, the majority of small tourism providers are not prepared for the introduction of the single currency, where 67% of those surveyed had not started preparing for its introduction. Whereas tourism businesses with ten or more employees showed a much lower unprepared figure of 35%. The larger businesses have shown more urgency and are better prepared for the changeover to the Euro, with Category 1 showing the greatest appreciation of how the Euro would affect their business. This concurs with the February 2001 Eurobarometre poll explored in chapter three.

6.3 Effects of the Single Currency on Tourism

The Euro will have a negative effect on tourism businesses in Ireland

According to the survey, 52% said the Euro would have a negative effect on their business, with 86% of Category 1 believing the Euro will create a more
competitive tourism marketplace. In chapter two, Go et al. explored how the Euro would change the competitive environment in which tourism operates and as a consequence would have an effect on tourism businesses in Ireland. The Euro will highlight the variance in price levels throughout the Euro zone as was indicated by Ball in chapter two. “I think there will be an impact ... the biggest impact is that it will enable people to compare prices, you know how far your money will go ... people will be able to make better judgements, they will be able to judge value for money ... It will have an impact for better or for worse depending on how competitive we are as a destination” (Shannon Development). This concurs with both Keller and Torres Marques in chapter three who believe that the Euro will enhance the competitive environment in which tourism operates. This impact will have serious consequences for tourism operators in Ireland according to Dr. Jim McDaid in chapter three. “We would hope that there would be no negative impacts only positive. Prices will become a bigger issue than before ... it will depend on how price sensitive the US and European markets are” (Cork/Kerry Tourism). The WTO, in chapter three claim that the American market tends to reduce its length of stay during currency devaluations, therefore a strong Euro could reduce the average length of stay of the American market. The survey highlighted that 67% believe the Euro will create a more competitive tourism marketplace, “it is now a much more competitive marketplace. Businesses are now operating internationally. Our competitors are now every region in the Euro zone and you cannot take another market for granted” (Shannon Development). “I would agree with the majority, it will make it more competitive with price transparency with other European destinations” (Cork/Kerry Tourism). “It is already a competitive environment, this is going to allow so many countries
to look in and make comparisons ... They will be able to look and make direct comparisons of how good value their self-catering or hotel is” (Shannon Development). There was a general acceptance by the focus group that the Euro will create a more competitive tourism marketplace.

Findings in the survey show that 60% chose “the ability to compare prices” as the Euro consequence that will impact most on tourism in the Cork and Kerry region. “The biggest impact is, that it will enable people to compare prices, you know how far your money will go” (Shannon Development). “Prices will look more expensive and eating out in Ireland is expensive compared to Spain” (AIB Bank). “We are too expensive, compared to Greece and other sunny destinations” (Hostel manager), “for what a family pays for a week in West Cork you could have taken them to the South of France” (Hotel manager). The Euro will make holiday prices throughout the Euro zone more transparent. The Euro will make the tourism environment more competitive. In chapter three, the European Commission stated that this strengthening of the competitive environment would cause prices to fall in the Euro zone.

The Euro will have a positive effect on tourism businesses in Ireland

Raffling (1998) examined the benefits of the Euro to tourism in chapter three. The Euro will facilitate cross border movement of people thus benefiting tourism in the Euro zone. The survey indicated that 48% of the sample believed that the introduction of a single currency would have a positive effect on their business. Shackleford (1998) in chapter three expressed that the Euro would be good for tourism. The North Cork Enterprise representative believed the single currency would not have serious impacts on local tourism: “Our view, would be that it
would not have a significant impact, the strength of the currency vis-à-vis the dollar would have much more of an impact and the strength of the economies of the countries where the tourists come from are probably the biggest influences on the number of tourists from those countries deciding to go to Ireland ... The change in currency is not a significant issue. The only thing the change in currency will do is make it more transparent as to what the costs are and we would not regard that side by side with the other issues as the major determining factor for tourists to come to Ireland.” The importance of Ireland remaining competitive was further emphasised by the WTO’s findings on French tourism in chapter two. 61% claim that the Euro will have no effect on numbers of tourists in the Cork and Kerry region. The AIB bank representative concurs, “I don’t think it will increase or decrease the amount of tourists coming to Ireland.” The North Cork Enterprise representative believes it won’t have a major impact, “Our prices are quite competitive relative to a similar type product in the different markets we serve.” “It’s just a currency change” (Guesthouse owner). 62% believe Ireland to be at a competitive advantage over other countries in the Euro zone. “We have a wonderful product” (Caravan and Camping owner). The Cork/Kerry Tourism representative is confident that the region is competitive, “we have spent a lot of effort over the last number of years on quality and on getting new products. We are very standard conscious; therefore we are very competitive as a region.”

How to protect against competition? – The Views of Industry

Almost three quarters of tourism operations are not prepared, the warnings are there that the industry is far too casual in its treatment of the Euro introduction – it is more than a currency conversion. In chapter three Torres Marques called for all
tourism businesses to prepare and adapt to the new competitive environment. The larger tourism operators have embraced the challenge and 65% of them are ready for the Euro changeover, but this is not the case with small tourism providers. "If we get our act together it can only benefit us, if we don't it will highlight to our detriment due to competitive implications" (Shannon Development). To quell the danger of increased competition from internationalisation: "we need to improve our access into the area ... concentrate on quality and value for money" (Travel Agency), "we must trade on our uniqueness" (Craft Shop owner). This will mean differentiating themselves from others, developing innovative features to their service, improving the quality to value for money ratio, or developing links with the local tourism providers. The traditional reaction to hard times for businesses in Ireland was to cut costs, training budgets were minimised and staff were laid off – this is not the answer to survival in a people business, people need to be put first. According to the Shannon Development representative, "individual businesses can do something about it, they can look at their own positioning relative to the competition. If every business did that they would gain competitive advantage on areas like quality, having the friendliest staff or having the small touches that differentiate them from others ... How much more competitive would a region be if it went down that road trying to differentiate themselves and make sure the environment is pure in their area ... There is a need for innovation, tiny things can have major impacts ... Areas need to position themselves as a destination where they can compete for that business, an example is Tralee that targets the family market." Sinclair et al. also identified this in chapter two, advocating that differentiating their product or serving a specific segment of the market were the only options available to smaller tourism operators. The focus group highlighted
ways the region can compete in the future. "We are cheaper, we need to keep it that way" – Craft Shop owner. "We need to give value for money" (Hostel manager). "We need to improve our access into the region" (Travel Agency). "We need to promote what we have" (Travel Agency), "we need to promote Kerry as Kerry and Cork should be Cork" (Self Catering owner), this was the general conclusion of the group that "Kerry" is a strong "brand that is lost." If the tourism sector fails to maintain quality standards of service, the higher expectations of the tourist will result in less return business and less word of mouth publicity for Ireland. The Shannon Development representative stressed some worrying issues with regard to tourism in Ireland: "in the past we were perceived as a value for money destination. Now this has changed and the perception is that we are expensive. This is now at a ten year high. In the past businesses would have made an assumption that there was a domestic market and an overseas market ... The domestic market was taken as a given, however access has opened up and a common currency have changed that and I believe that if we look at the Irish domestic business and if you were to look at the share of how much the Irish tourist business has of this share, you would see we are loosing market share to overseas destinations. It is now a world market." The Visitor Attitudes survey 1999 identifies that 48% of holidaymakers perceive Ireland to be an expensive destination. The Euro could present us with the opportunity to change this perception by offering a better quality to price product. Raffling identified this in chapter three. In the new Europe, Ireland will be seen as a region, so people will travel to Ireland in Europe not Cork and Kerry in Ireland. This image change may not result in a fall in tourist numbers but it has the possibility of reducing their length of stay or regional spread, because in the future the tourist
will travel to Europe and want to see as many Euro-states as possible. With the enlargement of Europe been taken as a given, this will mean an influx of cheaper competitors in a market that is already overflowing and as was seen in chapter three, faced with increased competition the tourism provider will be obliged to optimise the price-service relationship of their product.

"The customers are now signalling that we are slipping in our competitiveness, we are slipping in our environment issues, slipping on value and we are slipping in the level of development that we have" – Shannon Development. To improve our competitiveness we need to address these issues and as people are central to the effectiveness of tourism operations their development needs to take on an even greater role in the future.

The tourism provider will have to cope with the change in the competitive environment; a change in strategic focus is required to develop a pro-active rather than a re-active approach to planning, and a change in mind set is required to instigate more openness to networking and alliances.

**But will the single currency warrant a greater degree of cooperation between tourism businesses?**

According to Keller in chapter three, small and medium sized tourism enterprises will have to cooperate at destination level in order to enable them to remain in business in a more competitive tourism marketplace. "Yes, it would be like trying to sell individual milk bottles in Dublin. It doesn't make sense without a cooperative" (North Cork Enterprise). The Cork/Kerry Tourism representative believes that there is "some room for local groups however their marketing agenda must tie in with Cork/Kerry tourism" The Shannon Development representative believes that "you can bring people together." Shaw et al. in
chapter three highlighted how larger tourism providers had developed voluntary groups for marketing and purchasing and Shackleford claimed the single currency would induce voluntary association and cooperation between tourism operators. Destinations will have to come together to compete with global competition. This will warrant cooperative schemes between local tourism providers, a more open forum for improving the sectors competitive position with mentoring from experienced tourism providers from all categories. The Shannon Development representative highlighted the need for the development of local networking between destinations as being a critical issue for the success of the region. Destinations and tourism operators will have to enhance their focus to differentiate themselves from other regions, they will need to concentrate on extending a unique holiday experience for all based on: quality, service, friendliness, value for money and innovation, especially if they want to capture the domestic market.

**Why are tourism businesses not prepared?**

The North Cork Enterprise's "experience with all small business people is that they have very short time horizons, I would be very surprised if they sat down to plan what was going to happen in 6 months time ... They have spoken to me about it but January is a long way off for the small business man, they tend to deal with the issue of the moment." "It is typical of small tourism businesses that they will start preparing in the second half of the year, bigger businesses are preparing for it now" (Shannon Development), also "dual pricing doesn't come in till September. A week before hand, panic will set in" (AIB Bank). "The small family business type situation, when they start doing it personally domestically then they will do it in their business" (Cork/Kerry Tourism).
In the focus group interview, the Bed and Breakfast owner, Self-Catering owner and the Hostel manager had not started preparations for the Euro introduction, thus concurring with the questionnaire findings. The Travel agency’s accounting and back office systems are already Euro compliant, however “the training of staff would be our main impact.” The hotel representative claimed a high degree of readiness for the Euro changeover a finding that also exists in the questionnaire results. The Caravan and Camping owner already uses tokens, so a change in coinage will not affect their system. They are also closed till March therefore believing that they will “miss out on the initial changeover.” The craft shop owner will not address their till system until September at the earliest “when it quietens down” and “FEXCO will take care of most of their changeover issues.” The FEE report in chapter 3 envisaged a major push for “Euro services” come September which could drive up changeover prices or leave businesses without the necessary equipment to deal with the December deadline. “I think no matter what state agencies will do, small business people will not listen ... God nor man nor his mother nor his father could get information to the small business person ... The small business person tends to deal with the issue of the moment, hardly even the issue of the day and certainly not the issue of next year, which the Euro is ... we would not run educational seminars until October or November” (North Cork Enterprise). Given the nature of the small business owner it is clear why the focus has not been to address the issue of changeover till late in the year but the Euro is far more than just a currency change and the tourism authorities must use this situation to instigate a culture change in the mindset of the SME operator to think strategically and innovatively. “They need to be made aware, that they need to increase their focus on competitiveness, differentiating their product, need for
innovation, to offer value and quality," this view was expressed by the Shannon Development representative. Palmirani further explored this in chapter three and confirms Montanari et al.'s chapter two assessment that tourism operators need to involve labour market reorganisation and product-innovation because failure to adapt and compete will result in closure. Due to the structure of small tourism businesses closure could be prevented because of their ability to reduce costs by relying on family labour. Also, Montanari et al. in chapter two claim that smaller providers can cater for niche markets that the larger operations are not targeting.

6.4 Information Campaigns

Have the government and tourism organisations equipped the tourism sector with the information necessary to cope with either the changeover to the Euro or more importantly, the change in the competitive structure of the industry?

The survey highlighted that 45% of those that sought advice or help on the "Euro and their business" used the Bank. This figure shows how important the banks are in the process of introducing the Euro and information related to it. The banks standard information consists of currency converters and customer publications, "We haven't started any of our training yet ... it will start in September ... Employees will be much more focused, and educated come September when people will be looking for information from the banks" (AIB Bank). Only 24% sought advice from Bord Fáilte and 2% from CERT. This was surprising given the number of tourism organisations in existence and all those surveyed were registered or approved tourism providers.

In chapter five, 40% were dissatisfied with the Euro information campaigns of those organisations in charge. The general conclusion from the focus group
regarding information pertaining to the Euro, was that literature was not the answer and that the information needed to be relevant to them, "half day seminars would be better than literature or packs of information on the Euro" (Travel Agency), "not till September after the season, when we will be able to think about the issues" (Guesthouse owner) and "workshops would be more beneficial" (Hotel manager).

In the survey 57% claim they have not seen or received information on the Euro introduction, however, when one examines chart 5.20, there is an extreme variance between Category 1 and Category 2, 3 and 4. Of the 43% that had received information 82% believed it did not contain tourism specific information. Category 4 was highly critical of the information campaigns, with only 8% satisfied compared to a 42% dissatisfied rate. They also expressed a staggering 100% dissatisfied figure with the level of tourist specific information in the campaigns. This is contrary to European Commission advice stating that sector specific information was needed, information that was relevant to SMEs needs. This will have to be addressed in the later half of the year, the Cork/Kerry Tourism representative claimed "there hasn't been a push by government yet upon gaining people not on the street to do anything about the Euro ... it will be the organisations within the industry that will publish Euro specific information" and in relation to the Euro information he concluded that "the Forfás Euro information pack is very good if you sit down and go through it, it is worthwhile, however if the Euro is not your priority in your agenda and if you were faced with something that thick (points to Euro Information pack) to go through – you would be frightened off, you will put it aside and hopefully someone will give you a quick fix solution ...

What is needed, is a 20 point action plan you need to deal with, not pitched at a
high level ... Forfás needs to break their information down further for the smaller enterprise."

Only 29% of those surveyed had been invited to work-shops or information seminars on the Euro, the 11% result for Category 2 compares unfavourably to the 45% and 42% figures for Category 1 and 4 respectively. Of the 29%, 34% said the dates/times were not suitable to the time demands of those in the tourism sector.

From the focus group findings it is clear that those in tourism believe that they will be unable to attend workshops or seminars until September at the earliest.

Therefore the tourism organisations need to prepare specific tourism relevant information to be delivered in seminar or workshop format for the 67% of tourism organisations that are not prepared for the Euro changeover or not aware of the competitive implications it will have on their businesses.

6.5 Comparison of the Tourism Sectors in the Cork and Kerry Region

Prior to this research, primary data on the impact of the Euro on different tourism sectors within the industry in the Cork and Kerry region did not exist. When one examines the findings of the questionnaire and how the different categories fare against each other, there are some interesting results. Category 1 (Hotel and Guesthouse sectors) is best prepared to deal with the consequences of the Euro. This was also the finding from the focus group. It has the highest level of knowledge of the Euro, it is the most familiar with how the Euro will be introduced and is also the best prepared of the tourist sectors in the Cork and Kerry region. The correlation between its level of preparedness and the fact that in the survey the sector:

(a) believed the Euro would affect their business,
(b) believed the Euro would create a more competitive tourism marketplace,

(c) had received more information on the Euro and attended more seminars and workshops than any other sector in the region,

proves decisive when one compares the Category results to Category 2 (Town and Country Homes and Farmhouse Accommodation) and 3’s results (Self-Catering Accommodations). Whereas, Category 1 had the highest ratings on the above, Category 2 and 3 had the lowest. Category 3 had the lowest rating for question one (Level of knowledge of the Euro), question three (Are you familiar with how the Euro will be introduced?), question five (Will the Euro affect their business?) and question fifteen (Have you seen or received Euro information campaigns?). Category 2 had the lowest rating for question seven (Organisations sample sought advice or help from in relation to the Euro), question fourteen (Level of satisfaction of information campaigns) and question sixteen (Were you invited to workshops or seminars?). They were least aware of the consequences the single currency will pose to their businesses, and they were the least informed groups in the survey. Consequently Category 2 and 3 were the two least prepared sectors for the introduction of the Euro. Category 4 showed signs of apathy towards the Euro introduction given its high level of awareness it still remains very much unprepared, with a 71% unprepared figure.

6.6 Conclusion

With months to go to the Euro introduction the majority of tourism providers (67%) in the Cork and Kerry region are not prepared for the Euro introduction. The worry is whether or not they will be prepared come E-day, 1st January 2002.
The industry will wait until late in the year to think about and prepare for the changeover to the Euro. There is no evidence that the information campaigns the tourism organisations have conducted to date are going to equip the tourism sector in the region with the necessary knowledge and tools to survive in an enhanced competitive environment. Their campaigns cannot be declared successful given the fact that 81% of small tourism businesses are not prepared for the changeover.

In light of the findings, it is evident that Ireland’s participation in the Single European currency requires more than just short term operational adjustments and the unprepared tourism operator in the Cork and Kerry region may suffer from the negative consequences the Euro will bring. The smaller operators have shown less concern compared to the larger operators who are better positioned to compete in the future, they are already forming alliances, through local networks like sister hotels and linkages with local attractions offering discounts.

The likelihood of small tourism businesses coming together to form local partnerships is minimal given the mindset of the small businessperson, however some form of cooperative is needed to improve the competitiveness of the area, and to guarantee the small tourism operator is to remain in business. Small tourism providers will have to enhance their horizontal and vertical cooperation at destination level so as to reduce their costs and achieve successful synergy.

The Euro brings with it an increased competitive tourism marketplace and costs will become a greater issue due to price transparency. The challenge for the smaller tourism providers that lack strategic focus; will be to concentrate their efforts on improving their competitiveness. In the next chapter, the recommendations are developed to prepare the tourism sector in the Cork and Kerry region for the consequences of the single European currency.
Chapter 7
Conclusions and Recommendations

7.1 Introduction

The examination of the implications of the single European currency on tourism in the Cork and Kerry region has highlighted that the introduction of the Euro is much more than a currency change. The single European currency launched on the 1st January 1999, will raise new issues when it comes into hard currency from the 1st January 2002, changing the competitive nature of tourism. Through price transparency the high cost structure of Irish tourism will become apparent and the industry will have to change its focus to protect this vital industry for the future.

7.2 Conclusions

The hypothesis in chapter one stated, "Ireland's participation in the single European currency will have a negative effect on unprepared tourism operations in the Cork and Kerry region, and the long term increased competition through price transparency could change the structure of tourism operations leading to closures or alliances." Through the extensive review of the Literature and the findings extracted from the quantitative and qualitative research, one could claim that should tourism operations fail to take on board the research recommendations proposed in this chapter then the above hypothesis may well be a future scenario for unprepared and uncompetitive tourism providers in the Cork and Kerry region. The experiment that is the single European currency brings both positive and negative issues for tourism in the region. If the tourism operator is not prepared for the increased competitiveness of tourism as a result of the Euro then price
transparency will highlight more than high prices, it will also draw attention to a lack of service quality, innovation and uniqueness. These will need to be addressed in order to steer the Irish Tourism industry through this new century. The Euro will bring about a change to a new currency on 1st January 2002 and with this will come the confusion and scepticism associated with a currency changeover. As was seen in chapter three, decimalisation was blamed for an increase in prices and for soaring inflation levels in 1971. The Euro will bring about a level of confusion but not to the same scale as decimalisation because this generation lives in a time where change is constant, it is an age of information technology, where today's technology is surpassed tomorrow. The North Cork Enterprise board representative believed that people and businesses alike have learned to cope with a rate of change that would not have been the case in the 1970s.

The changeover to the Euro requires both an operational and a strategic change in tourism businesses. However, tourism businesses in the Cork and Kerry region are not up to speed with their preparation plans. The small business mindset is not geared to thinking strategically; historically they are re-active rather than pro-active. The fact is that the majority will wait till the end of 2001 before they even start preparing for the Euro, as was seen in the focus group findings. This will cause severe bottlenecks in the services required for changeover and as a result many tourism businesses will not be Euro compliant come 1st January 2002. The Euro has the capacity of either increasing or decreasing tourist numbers to Cork and Kerry, which will have direct effects on employment numbers in the region. The Euro has the ability to increase or decrease the perceived perception that Ireland is an expensive holiday destination through easier comparisons due to
transparent prices. This may not affect the less price sensitive American visiting Ireland to trace his/her roots. But the equally important German market, that has warned us through the findings taken from the Visitor Attitudes Survey that we are an expensive destination, will either search for alternative value for money destinations or reduce their length of stay. Today’s German market is price sensitive and their perception of Ireland as an expensive destination has shown a steady increase over the past five years (Visitor Attitudes Survey, 1999). Who suffers if the German market slumps? The guesthouse and bed and breakfast sector rely on 35% of Germans to use their premises. The 1999 figure of 106,750 Germans staying an average of 12 nights, equals 1,281,000 bednights. Compared to 1996 figures when 108,480 Germans stayed an average of 14.3 nights, equalling 1,551,264 bednights, which is a reduction of 270,264 bednights to the guesthouse and bed and breakfast sector. Can Cahersiveen or Baltimore afford to let this market slip any more? The change in the competitive nature of tourism and the industry will suffer if there is a movement of people away from Ireland from whatever sector.

The Euro will make travel easier for the tourist in the Euro zone, but it will also allow better holiday choices to be made based on price. The Euro will benefit tourism in Ireland if as a result: more tourists’ holiday in Ireland, more money is spent or if the tourist stays longer. However, the fear is that Ireland will become “a stop on a European tour” and with three of the world’s top tourist destinations in the original twelve Euro zone countries, the Cork and Kerry region’s inaccessibility will become a stumbling block to tapping into the cross border increase in travel associated with a common currency. In addition, many Eastern European countries are focusing on tourism in their overall economic development.
plans, countries like Bulgaria, Croatia, Hungary, Poland, Romania and Russia. For Ireland, this increase in the destination choice for both the international and domestic tourist will result in greater difficulty in attracting tourists to holiday in a more expensive Ireland. It is the author’s opinion that Britain will join the Euro within five years and much will depend on the conversion rate of sterling to the Euro. With lower inflation rates in Britain and a competitive advantage in terms of accessibility – Scotland and Wales who have a similar tourism product to us could become our greatest competitors.

Tourism is dependent on the success of the Euro. The Euro has the capability of pushing tourist numbers up, if we are viewed positively from price transparency, or down if the opposite occurs. A strong Euro vis-à-vis third countries like Britain or the US, two of our main markets, could result in a reduction in numbers from these markets travelling to Ireland, a reduction in their average stay or less spent on tourism services while holidaying in Ireland. The author would argue that spiralling consumer prices and increasing inflation are leading Ireland into a position where we are becoming more and more uncompetitive compared with other destinations, as Herbert Weber proposed in chapter two. The Euro will highlight the competitiveness of the regions tourism product and as a result efficient businesses will prosper while unprepared businesses will have to adapt or face closure. The author concurs with the views of Keller and Sinclair et al., expressed in chapter three, claiming that the Euro will increase the competitiveness in tourism and if businesses are not prepared for this then they will have to form alliances or face closure.
As of 1st January 2001, the information campaigns run by tourism organisations have not equipped the sector with the specific information required for changeover nor has it revealed how the sector is to cope with the change in competitiveness that is associated with the single currency. The larger tourism businesses have shown greater readiness due to their management capability, allied with the time and resources to decipher the technical Euro literature, which has allowed them to develop Euro changeover plans. The larger tourism provider is better able to mask some of their prices by utilising inclusive packages that will make price comparisons more difficult. Historically too, they have been more inclined to develop alliances and networks, as is seen with hotels e.g. recommending “sister hotels” or joining brands and consortia like Choice Hotels or Best Western Hotels. The smaller tourism providers tend to concentrate on their own “patch” and have not traditionally practiced these forms of alliances. Tourism providers may not survive in an increasingly competitive marketplace, if they fail to grasp this opportunity to change their strategic emphasis. Areas that cannot compete on either price or quality, or are unable to differentiate themselves from other regions will experience a slowdown in visitor numbers from Ireland and abroad, thus resulting in business closures and loss of jobs.

The future of tourism in Ireland will depend on small businesses developing a total quality approach to their operation. The industry has benefited from millions of IR£s in funding from Europe, which has helped develop a sound tourism product base, but these foundations will require the Irish tourism bodies to build the “walls and roof” to protect it for the future. The “blocks” are the small businesses and joined together they will result in strong structures that are united in their focus.
7.3 Recommendations

The recommendations below are developed to bring this sector together. United and informed the industry will be prepared to protect itself from the negative consequences of a single European currency while reaping the benefits associated with increased tourism demand.

To maximise the positive impacts and to minimise the negative impacts associated with the single European currency, based on the research into the implications the Euro will have on tourism in the Cork and Kerry region, the following recommendations are proposed.

Euro Information Campaign

The majority of tourism operators in the Cork and Kerry region are not ready for the short-term consequences of the Euro changeover on 1st January 2002. 67% of tourism businesses in the region are unprepared. Due to the nature of the tourism SME and following the findings of the questionnaire and focus group interview it is recommended that Irish tourism organisations jointly instigate a Euro information campaign that is:

- Tourism specific,
- Uncomplicated,
- And its delivery should be in seminar or workshop format.

This campaign needs to be developed immediately, to be ready for September 2001. It needs to be tailored to the size and type of tourism operation. More importantly, this will give the Irish tourism organisations the chance to prepare the tourism industry for the long-term consequences that the single European currency
will highlight, that is the tourist industry’s competitiveness through price transparency. Tourism businesses will be ready to make adjustments to their operation in order to prepare for the Euro, SMEs have been traditionally slow to plan for change therefore the tourism organisations need to grasp this window of opportunity to implement a culture change amongst the small tourism operators. In chapter two, Cooper et al. (1998) proposed that smaller, niche tourism operators could succeed in a more competitive tourism market by concentrating on achieving competitive advantages that include a high level of personalised service, a high level of product knowledge, quality/price ratio, a synergistic relationship with the destination and a differentiated product that does not compete on price. It is recommended that the aims of the session should be to focus tourism operators to remain competitive in a more competitive tourism marketplace by:

- Developing tourism alliances
- Enhancing innovative service approaches
- Implementing a total quality approach to their business.

**Develop Alliances**

The author believes that a greater degree of cooperation is required if the smaller rural tourism provider is to compete for tourists in this fiercely competitive tourism marketplace. The single currency will further enhance the competitive nature of the industry, allowing for freer movement of people into Ireland but also out of Ireland.

As was seen from the literary review and from the findings of the qualitative research, tourism operators need to develop closer alliances in their local areas. These alliances can take the form of networks, where sectors of the industry meet
regularly to coordinate and plan for the future. SKAL is a form of association that brings a cross section of local tourism businesses together in an informal setting. A more formal set-up is required where tourism operators can seek advice and where mentoring is available for new entrants to the market. The industry needs to be more open – with less undercutting of prices; it needs standardisation of service – without loosing the uniqueness of the small tourist provider. At local level it needs a cohesive sector that is working together to offer a quality destination, a quality product, quality service and as a result a more memorable experience for the tourist. The networks and contacts resulting from local partnerships should strengthen the local tourism base through the identification of synergies and common problems.

Alliances can be in the form of cooperatives, where smaller tourism providers seek to capitalise on the economies of scale enjoyed by larger providers. Cooperatives like the Scandinavian model in chapter two can reward with synergic results. If Bed and Breakfasts in an area came together as one buyer, buyer power would be increased resulting in lower prices and better credit terms. Another example, is where Guesthouses in an area outsource their laundry service, by pooling together lower prices could be negotiated thus reducing their service costs. At present there is too much duplication, where in an area/region hundreds of small tourism businesses are paying higher percentage costs than their larger counterparts. Alliances will benefit the small providers in reduced costs, improved service due to networking and greater quality overall, all of which will help the small tourism provider to operate in a more competitive way thus protecting its survival in the future.
Positioning of Destinations

The findings from the personal interview highlight the need for destinations to position themselves to target designated niche markets. Areas could benchmark the successful implementation of the partnership approach undertaken by Tralee in its development of a tourism base for the family market. Its co-operative approach, together with the forward planning of Shannon Development has given the area a competitive advantage over other areas in attracting the family market to North Kerry. The clustering strategy has culminated in a very strong regional product base benefiting the surrounding areas. Fenit has the Sea World Aquarium to attract the family market targeted by Tralee, therefore helping rural tourism areas to maintain a viable tourism business. The Cork and Kerry region has a very strong tourism resource base. However, poor planning has culminated in severe internal competition for tourists, with no regard for carrying capacity or the socio-cultural effects on the local population or on the tourist. The time when towns measure the success of a tourist season by the length of the traffic jams must be left behind. Destinations within the Cork and Kerry region must position themselves to capture niche markets and it is recommended that the tourism authorities maintain the regional spread of tourist numbers and resources.

Innovation

Following the examination of innovation in chapter three and from the findings of the interview with the Shannon-Development representative, the need for tourism providers in the region to develop creativity and innovativeness in their service was ascertained. The introduction of the Euro will necessitate the small tourism provider to innovate in order to maintain a competitive advantage over cheaper...
tourism providers. Tourism providers need to carry out an internal assessment to identify ways of improving their service process. Also, in a world where the super highway of information is influencing tourist’s decisions to choose holiday destinations, areas need to come together to promote a differentiated quality product to cater for the increasing demands of both the international and domestic tourist. They must develop creative approaches to their service that will differentiate them from other tourism providers and at the same time give the tourist a memorable experience. People remember the little touches that make the service encounter unique. Ireland needs innovative tourism providers to maintain the uniqueness of the Irish product. The hardware aspect to the Irish Tourism product can be easily copied but innovation through creativity is far more difficult to benchmark.

**Cost Assessment**

As the Euro will highlight intra-European tourism prices, the tourism sectors in the region must compare their own costs and external indirect costs relative to other regions in the Euro zone. This assessment will highlight our higher access costs, indirect taxes, electricity costs, and inflation and price levels, compared to Southern European countries and Eastern European countries that will join the Euro zone in the future.

The following recommendations are proposed to prepare the Cork and Kerry region and the Irish tourism industry as a whole for the changes due to competitive issues associated with the single European currency:
Tourism organisations need to conduct a thorough examination of the level of holiday costs in Ireland and in all EU countries. This examination will need to cover both direct and indirect costs to include:

- Transport costs
- Accommodation costs
- Activity costs, i.e. Golf, Equestrian, Entrance fees
- Indirect Taxes

This will highlight Ireland's cost position in European terms and this yearly analysis can be used to monitor deviations in our cost structure. This assessment will be necessary for the tourism industry to lobby government for reductions in sectors where Ireland is uncompetitive, issues like our high VAT on tourism.

According to Bolkestein (2000) a high degree of harmonisation is necessary in the indirect tax field. It is clear that indirect taxes can create an immediate obstacle to the free supply of services within the Single market; this was examined in chapter two by Foley et al., WTO and HOTREC. Variations of tax levels in the EU are causing distortions to competition. Therefore a lowering in our VAT rates is recommended to bring Ireland in line with Euro zone competitors that are gaining a comparative advantage over Irish tourism due to lower rates. A 2% reduction in the higher rate is proposed, bringing it from 20% to 18%, and a 2.5% reduction in the lower rate, from 12.5% to 10%. The tax revenue lost to government will be more than compensated in an increase in tourism revenue due to greater tourist spending and the increase in employment as a result of greater demand. Research of British tourism
Tackle Seasonality

In Ireland seasonality has been highlighted as a cause for higher prices during the high season, and due to the transparency associated with the single European currency the seasonal nature of tourism in the Cork and Kerry region needs to be redressed. How is it possible to curtail the problem of seasonality and as a result improve the competitiveness of tourism in the region? – The sixty million Euro question. The following recommendations are proposed:

- Improve air access to Cork and Kerry. In chapter two, Deegan et al. alluded to the benefits accrued to an area that had a high level of accessibility. This was further highlighted from the qualitative findings of the focus group and personal interviews. The improvement of air access can be achieved by including either:

  (a) more direct transatlantic flights to Cork and Shannon airports. Dublin airport is under severe pressure, with 80% of incoming traffic to Ireland, and both Cork and Shannon airports could ease this by redirecting flight services to the South and West of Ireland

  (b) more direct British flights into Kerry, Cork and Shannon airports during the off peak months, so the area can compete for the British weekend market, in which Dublin has the monopoly due to accessibility

  (c) an improved transit service that links with arrival flights into Dublin (Similar to Hawaii where short shuttle flights link Honolulu
to the islands). Kerry airport is operating well under capacity while the road and rail infrastructure is severely under pressure. Utilising the airport to its full capacity can alleviate this.

- Improve the road and rail infrastructure, thus making all of Cork and Kerry easily accessible to the international and domestic tourist alike. This is the key to achieving regional spread of tourism.

**Improve the Service Quality**

Ireland is not a cheap holiday destination. The Euro will highlight this to our detriment if we cannot differentiate ourselves from the cheaper Euro zone regions and also from cheaper Eastern European countries, who are offering similar adventurous holiday experiences to what we are marketing. As a mature holiday destination, in comparison to Eastern Europe, we have a competitive advantage due to the success of the Operational Programmes for Tourism. However, we cannot afford to be complacent, we need to further develop our hardware but the emphasis for the future must be focused on quality of service and value for money. In chapter two Davidson, Cooper et al. and Baum all stressed the importance of maintaining high levels of service quality in order to remain competitive. A high-quality skilled workforce will ensure greater competitiveness and innovation, improve job prospects and ease the process of adjustment in changing markets. Workers of foreign origin must be embraced by the tourism industry and integrated into our labour culture. Language education and culture awareness will greatly aid in their personal development. CERT's Kenmare training centre where students from Russia and Poland were trained in hospitality must be the benchmark for the future development of foreign workers in Ireland.
Tourism providers must improve the quality of service offered to remain competitive in this turbulent industry. Tourism is a people industry and good service comes from willing and professional employees and owners alike. Global expectations of service are increasing yearly and Ireland as a tourist destination needs to offer excellent service to compete on quality and value for money. This will require tourism providers to increase their yearly percentage contribution to training and retraining, to prevent them falling further behind their European counterparts. To attract more Irish people to choose tourism as a career, a number of recommendations are suggested:

(1) Industry must start recognising Certificates, Diplomas and Degrees in Tourism and Hospitality as the minimum requirements for advancement in the industry.

(2) The pay scales/levels need to be redeveloped to reward tourism and hospitality graduates, i.e. a tourism student will find it next to impossible to work as a civil engineer because he/she does not have the necessary experience and skills. However, a civil engineer can work in tourism and be paid the same as those that have achieved tourism qualifications. Recognition of the skills associated with working in this sector is needed. This will attract more Irish school leavers to want to choose tourism as their career.

(3) CERT, the third level Education authorities and industry must come together to develop uniform service standards.

Once industry starts recognising, rewarding and employing people with tourism qualifications the result will be an overall improvement in the quality of service levels in Ireland and in the Cork and Kerry region. Industry must take on a greater
responsibility in the development of quality service levels amongst their employees.

The Irish Welcome

From the examination of the findings of the focus group, it is clear that the uniqueness of the Irish tourism product, its people and its scenery, needs to be protected. The single currency has the potential of moving Ireland towards a more European identity, therefore we need to protect our Irish identity and trade on the uniqueness of our people and our culture. Following eight years of successive tourism growth, negative socio-cultural impacts are being witnessed in the area of Cork and Kerry leading to a degree of apathy towards tourists and tourism. To redress this, a national education program needs to be developed in order to educate school goers on the benefits of tourism to Ireland; this would not be a sales pitch to attract them into the industry. The “Celtic Tiger” has instigated a culture change, where we are less inclined to show the historically renowned hospitality to the visitor, we must guarantee that every tourist coming to Ireland will witness the famous Irish welcome that distinguishes us from other destinations. The two unique selling points of Irish tourism have traditionally been the Irish people and the Irish scenery. To maintain our competitive position these must remain enduring to all.

The Environment

Ireland has shown a historical disregard for its environment, the very reason why the majority of visitors come to Ireland. As was seen in chapter two, the 2000 Annual Competitiveness Report ranked Ireland 17th out of 25 European countries
in emission levels and 18th out of 18 European countries in recycling activity, therefore the need for greater awareness and management of our natural resources is extremely urgent. Firm action is needed where tourism destinations agree on finite carrying capacities and introduce effective visitor management programmes that will secure the integrity of our famous tourism sites. In chapter two, Murphy stated that a paradox of tourism is that it carries the seeds of its own destruction. It is recommended that the Cork and Kerry region implement the visitor management programs developed by KITE in its assessment of Tourism and the Environment (Appendix 2.5). The tourism industry must develop pro-active measures to minimise the effects of tourism on the environment, a resource that is fundamental to the future success of the industry.

The Euro will make it easier and cheaper to travel to Europe therefore it has been highlighted that a single European currency may increase visitor numbers. Six million overseas tourists visited Ireland in 1999. The majority were concentrated around the period May through to September. This increase in visitor numbers, as a consequence of the introduction of the single currency, will increase the pressure on our physical environment. The regional tourism spread is confined mainly to Established Tourism Areas, which become severely overcrowded. If there is an increase in numbers of tourists into Ireland, a more evenly distributed spread of numbers is required. Firstly, carrying capacities of areas needs to be calculated. Presently in Killarney the most accurate way of determining the number of tourists in the town at any given day is to measure the pressure on the sewerage system, therefore a more scientific and pro-active approach is needed. It is proposed that all regions/areas in Ireland need to determine their carrying capacities, and any further development must not result in an increase in numbers.
Future Research

As was seen in chapter two and three, the Euro will not have a blanket affect on the tourism industry in the Cork and Kerry region. Prior to this research little investigation of the impact of external factors on different tourism sectors had not been undertaken. Given the importance of this industry to the region, further research is needed to understand the nature the different tourism sectors and how they will survive further exposure to external threats and opportunities.

In the future, research into the "actual" effects of the single European currency on tourism would be both worthwhile and interesting.
## Tourism Numbers 1999

*Where did Ireland’s tourists come from?*

<table>
<thead>
<tr>
<th>Number (000s)</th>
<th>1988</th>
<th>1996</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Britain</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,508</td>
<td>2,590</td>
<td>5,850</td>
<td>3,199</td>
<td>3,430</td>
<td>6%</td>
</tr>
<tr>
<td>Mainland Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>408</td>
<td>1,177</td>
<td>1,168</td>
<td>1,255</td>
<td>1,321</td>
<td>5%</td>
</tr>
<tr>
<td>France</td>
<td>113</td>
<td>339</td>
<td>303</td>
<td>310</td>
<td>305</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>111</td>
<td>262</td>
<td>250</td>
<td>270</td>
<td>275</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>38</td>
<td>109</td>
<td>111</td>
<td>141</td>
<td>165</td>
<td></td>
</tr>
<tr>
<td>Belgium / Lux</td>
<td>20</td>
<td>60</td>
<td>73</td>
<td>71</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>34</td>
<td>66</td>
<td>71</td>
<td>82</td>
<td>78</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>14</td>
<td>23</td>
<td>28</td>
<td>30</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Norway / Sweden</td>
<td>12</td>
<td>56</td>
<td>60</td>
<td>67</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>24</td>
<td>62</td>
<td>58</td>
<td>54</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>Other Europe</td>
<td>21</td>
<td>83</td>
<td>85</td>
<td>99</td>
<td>109</td>
<td></td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>419</td>
<td>729</td>
<td>777</td>
<td>858</td>
<td>950</td>
<td>8%</td>
</tr>
<tr>
<td>Canada</td>
<td>385</td>
<td>660</td>
<td>718</td>
<td>789</td>
<td>860</td>
<td></td>
</tr>
<tr>
<td><strong>Rest of World</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia / New Zealand</td>
<td>90</td>
<td>187</td>
<td>213</td>
<td>221</td>
<td>243</td>
<td>6%</td>
</tr>
<tr>
<td>Japan</td>
<td>46</td>
<td>89</td>
<td>107</td>
<td>124</td>
<td>136</td>
<td></td>
</tr>
<tr>
<td>Other Overseas</td>
<td>44</td>
<td>65</td>
<td>71</td>
<td>71</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td><strong>Total Overseas</strong></td>
<td>2,425</td>
<td>4,682</td>
<td>5,007</td>
<td>5,534</td>
<td>5,943</td>
<td>6%</td>
</tr>
<tr>
<td>Northern Ireland*</td>
<td>582</td>
<td>607</td>
<td>580</td>
<td>530</td>
<td>460</td>
<td></td>
</tr>
<tr>
<td><strong>Total Out-Of-State</strong></td>
<td>4,252</td>
<td>5,289</td>
<td>5,587</td>
<td>6,064</td>
<td>6,403</td>
<td></td>
</tr>
<tr>
<td>Domestic Trips**</td>
<td>4,161</td>
<td>6,170</td>
<td>6,850</td>
<td>6,934</td>
<td>7,285</td>
<td></td>
</tr>
</tbody>
</table>

*Northern Ireland numbers revised for 1995-1997, inclusive

**Domestic trips in 1988 are not comparable due to changes in survey methodology. Annual variances for smaller markets are subject to lower levels of statistical confidence.

(Source: Bord Fáilte/CSO, 2000)
## How Much Money did Ireland's Tourist Spend?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Britain</td>
<td>267.0</td>
<td>574.0</td>
<td>683.0</td>
<td>757.4</td>
<td>796.9</td>
<td>1,011.9</td>
</tr>
<tr>
<td>Mainland Europe</td>
<td>123.7</td>
<td>466.6</td>
<td>457.7</td>
<td>467.2</td>
<td>496.6</td>
<td>630.6</td>
</tr>
<tr>
<td>Germany</td>
<td>35.9</td>
<td>148.9</td>
<td>121.8</td>
<td>123.4</td>
<td>126.9</td>
<td>161.1</td>
</tr>
<tr>
<td>France</td>
<td>31.0</td>
<td>88.1</td>
<td>89.1</td>
<td>89.8</td>
<td>80.6</td>
<td>102.3</td>
</tr>
<tr>
<td>Italy</td>
<td>6.9</td>
<td>53.5</td>
<td>50.9</td>
<td>57.7</td>
<td>71.7</td>
<td>91.0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>na</td>
<td>35.4</td>
<td>44.0</td>
<td>43.1</td>
<td>42.9</td>
<td>54.5</td>
</tr>
<tr>
<td>Other Europe</td>
<td>49.9</td>
<td>140.7</td>
<td>151.9</td>
<td>153.2</td>
<td>174.5</td>
<td>221.6</td>
</tr>
<tr>
<td>North America</td>
<td>165.5</td>
<td>316.6</td>
<td>348.2</td>
<td>384.4</td>
<td>437.2</td>
<td>555.1</td>
</tr>
<tr>
<td>Other Overseas</td>
<td>37.6</td>
<td>93.8</td>
<td>99.7</td>
<td>103.0</td>
<td>114.3</td>
<td>145.1</td>
</tr>
<tr>
<td>TOTAL OVERSEAS</td>
<td>593.8</td>
<td>1,451.0</td>
<td>1,588.6</td>
<td>1,712.0</td>
<td>1,845.0</td>
<td>2,342.7</td>
</tr>
<tr>
<td>Nth Ireland*</td>
<td>46.1</td>
<td>85.0</td>
<td>101.9</td>
<td>96.3</td>
<td>89.4</td>
<td>113.5</td>
</tr>
<tr>
<td>Total Out of State</td>
<td>639.9</td>
<td>1,536.0</td>
<td>1,690.5</td>
<td>1,808.3</td>
<td>1,934.4</td>
<td>2,456.2</td>
</tr>
<tr>
<td>Overseas Same-day Visits**</td>
<td></td>
<td></td>
<td>14.5</td>
<td>18.7</td>
<td>12.6</td>
<td>16.0</td>
</tr>
<tr>
<td>Excursionists</td>
<td>15.1</td>
<td>8.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carrier Receipts</td>
<td>186.0</td>
<td>345.0</td>
<td>400.0</td>
<td>470.0</td>
<td>560.0</td>
<td>711.1</td>
</tr>
<tr>
<td>TOTAL FOREIGN EXCHANGE EARNINGS</td>
<td>841.0</td>
<td>1,889.0</td>
<td>2,105.0</td>
<td>2,297.0</td>
<td>2,507.0</td>
<td>3,183.2</td>
</tr>
<tr>
<td>Domestic Trips***</td>
<td>311.1</td>
<td>578.8</td>
<td>670.8</td>
<td>751.0</td>
<td>879.3</td>
<td>1,116.5</td>
</tr>
<tr>
<td>TOTAL TOURISM REVENUE</td>
<td>1,152.1</td>
<td>2,467.8</td>
<td>2,775.8</td>
<td>3,048.0</td>
<td>3,386.3</td>
<td>4,299.7</td>
</tr>
</tbody>
</table>

Note:
*Northern Ireland Revenue since 1997 includes expenditure on same-day visits by Northern Ireland residents
**Revenue estimate for overseas resident same-day visits was available for the first time in 1997.
***Domestic trips in 1988 are not comparable due to changes in survey methodology.
(Source: Bord Fáilte/CSO, 2000)
Appendix 2.3

Total Foreign Exchange Earnings, 1988-1999 (£IRM)

(Source: Bord Fáilte/CSO, 2000)

Overseas Tourists 1999

How did overseas tourists spend their money in Ireland?

<table>
<thead>
<tr>
<th></th>
<th>Total (%)</th>
<th>Britain (%)</th>
<th>Main. Europe (%)</th>
<th>North America (%)</th>
<th>Rest of World (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bed and Board</td>
<td>24</td>
<td>23</td>
<td>26</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>Other Food and Drink</td>
<td>32</td>
<td>32</td>
<td>35</td>
<td>30</td>
<td>29</td>
</tr>
<tr>
<td>Sightseeing/Entertainment</td>
<td>7</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Internal transport</td>
<td>9</td>
<td>8</td>
<td>10</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Shopping</td>
<td>23</td>
<td>25</td>
<td>17</td>
<td>26</td>
<td>23</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

(Source: Bord Fáilte/CSO, 2000)
## European VAT Rates

<table>
<thead>
<tr>
<th>Member State</th>
<th>VAT prefix</th>
<th>Reduced rates -</th>
<th>Standard rate -</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>AT</td>
<td>16, 12, 10, &amp; 0</td>
<td>20</td>
</tr>
<tr>
<td>Belgium</td>
<td>BE</td>
<td>12, 6, 1, &amp; 0</td>
<td>21</td>
</tr>
<tr>
<td>Denmark</td>
<td>DK</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>Finland</td>
<td>FI</td>
<td>17, 8 &amp; 0</td>
<td>22</td>
</tr>
<tr>
<td>France</td>
<td>FR</td>
<td>5.5, 2.1, &amp; 0</td>
<td>19.6</td>
</tr>
<tr>
<td>Germany</td>
<td>DE</td>
<td>9, 7, 5, &amp; 0</td>
<td>16</td>
</tr>
<tr>
<td>Greece</td>
<td>EL</td>
<td>8 &amp; 4</td>
<td>18</td>
</tr>
<tr>
<td>Ireland</td>
<td>IE</td>
<td>12.5, 4, &amp; 0</td>
<td>20</td>
</tr>
<tr>
<td>Italy</td>
<td>IT</td>
<td>10, 4 &amp; 0</td>
<td>20</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>LU</td>
<td>12, 6, 3, &amp; 0</td>
<td>15</td>
</tr>
<tr>
<td>Netherlands</td>
<td>NL</td>
<td>6 &amp;0</td>
<td>19</td>
</tr>
<tr>
<td>Portugal</td>
<td>PT</td>
<td>12, 5 &amp; 0</td>
<td>17</td>
</tr>
<tr>
<td>Spain</td>
<td>ES</td>
<td>7, 4 &amp; 0</td>
<td>16</td>
</tr>
<tr>
<td>Sweden</td>
<td>SE</td>
<td>12, 6 &amp; 0</td>
<td>25</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>GB</td>
<td>5 &amp; 0</td>
<td>17.5</td>
</tr>
</tbody>
</table>

(Note: Euro zone Countries in bold)
The Structure for Implementation of Kerry’s Tourism and Environment Initiative

The Strategy will be implemented over an initial seven-year period (2000-2006). It will:

• establish a Partnership comprising the local authorities, tourism, heritage and environmental interests and local communities to oversee the implementation of the strategy;
• identify and allocate resources in 2000 to begin implementation of the strategy;
• identify where there is need to change priority in the use of existing resources;
• establish a Kerry Tourism and Environment Unit to co-ordinate the day to day implementation of the strategy and its action areas;
• be used to build links between the Partnership and various actors within the tourism industry in Kerry; and
• specify a number of priorities or action areas linked to the key issues of protection of the natural environment, transport and management and information on tourism and the environment.

The strategy will be implemented through a number of key priorities designed to respond to the current and future needs in terms of visitor pressure in Kerry.

Key Priorities or “Action Areas”

1. Managing Tourism Numbers

This action area is designed to address the issue of visitor numbers, their temporal and spatial distribution and their modes of access to and around Kerry.

• Measure 1 – Development of regional clusters of tourism facilities and development of special interest tourism products
• Measure 2 – Improving access to Kerry
• Measure 3 – Improving visitor circulation and mobility
• Measure 4 – Reduction of congestion and traffic management
2. Protecting and Enhancing the Environment

This action area addresses the need to improve awareness and overall responsibility of the tourism industry and stakeholders in Kerry with respect to the need to protect the environment.

- Measure 1 – Improving the environmental performance of the tourism infrastructure
- Measure 2 - Development of environmental training for tourism and hospitality staff
- Measure 3 – Development of a Kerry Environmental Information System

3. Improving Tourism Information and Communication

This action area addresses the need to communicate more effectively with tourists in terms of how Kerry is managing its natural resources and in terms of how they can better use these resources in a sustainable way.

- Measure 1 – Improved and targeted marketing of Kerry and Kerry niche products
- Measure 2 – Improving tourism information with respect to Kerry’s natural assets

4. Establish Ten Sub-county Local Working Groups

This action area will invite local Development Agencies to take up the role of:

- Leading consultation with local groups
- Feeding information back to the Tourism and Environment Unit
- Undertaking specific tasks in the respective sub-county areas

The action areas and associated measures will be fully articulated in a 6 year Implementation Plan that will be subject to review and monitoring by the Management Structure.

(Taken from: Sustainable Tourism Strategy for Kerry 2000-2006, KITE, 1999)
Monetary Policy Institutions in EMU

The institutional arrangements in the final stage of EMU are set out in a detailed fashion in the Statute of the European System of Central Banks (ESCB) and of the European Central Bank (ECB), and the Statute of the European Monetary Institute (EMI). The main features of the provisions are as follows:

1. European System of Central Banks

The ESCB will consist of the ECB, together with the national central banks (MCBs) of the Member States. The ESCB will be governed by the decision-making bodies of the ECB. According to article 105 of the Treaty, the ESCB will have the maintenance of price stability as its primary objective.

2. The ECB and its decision-making bodies

The monetary policy of the Euro area will be formulated by the Governing Council and implemented by the Executive Board which will provide all necessary instructions to the Euro area NCBs. The term of office for members of the Executive Board will not be renewable. A third decision-making body – the General Council – will be constituted comprising the President and Vice-President of the ECB, the Governors of the Euro area NCBs and the Governors of the non Euro area NCBs.

3. National Central Banks

The national central banks of the participating Member States are an integral part of the ESCB and act in accordance with the guidelines and instructions of the ECB. To the extent deemed possible and appropriate, the ECB shall have recourse to the NCBs to carry out the operations necessary to implement the monetary policy of the Euro area.

4. The European Monetary Institute

The EMI is a transitional institution established, in accordance with article 109f of the Treaty, at the start of the second stage of EMU. The task of the EMI is to make the preparations required for the establishment of the ESCB, and for the conduct of a single monetary policy and the creation of a single currency in the third stage.

(Source: The Euro: Explanatory Notes, European Commission, 1998)
The Three Stages of Economic and Monetary Union

1. Stage 1

The first stage of Economic and Monetary Union (EMU) is already completed and extended from 1 July 1990 to 31 December 1993. In this stage, all preparatory measures taken prior to entry into force of the Maastricht Treaty were finalised. In particular, the remaining restrictions on the free movement of capital within the European Union, and between the European Union and third countries, were removed. There was also an increasing focus on economic convergence within the European Union and Member States have adopted, where appropriate, multi-annual convergence programmes containing specified objectives for inflation and budgetary variables. These programmes, which are subject to assessment by the Council of Economic and Finance Ministers (ECOFIN), are designed to ensure the achievement of sustainably low inflation, sound public finances and exchange rate stability among Member States — as required by the Maastricht Treaty — in preparation for their adoption of the Euro as the single currency.

2. Stage 2

The second stage of EMU began on 1 January 1994 and extended to 31 December 1998. This stage was designed to further prepare Member States for adoption of the Euro. The main institutional change in this stage was the establishment of the EMI. The EMI is the forerunner to the ECB and its main task was to specify the regulatory, organisational and logistical framework necessary for the ECB to perform its tasks from the beginning of the third stage. The EMI was also responsible for the task of strengthening the co-ordination of national policies in advance of EMU. Other important developments in the second stage include:

- The adoption of legislation prohibiting monetary financing of public sector activities.
- The adoption of legislation prohibiting privileged access by public sector entities to financial institutions.
• The adoption of legislation prohibiting the assumption of the public sector liabilities of a Member State by the Community or by another Member State; this is the so-called “no bail out clause”.

• The adoption of national legislation, where necessary, providing for the statutory independence of the central banks of Member States so as to ensure compatibility with the statutes of the ESCB.

3. Stage 3
The third stage of EMU began on 1 January 1999. From the beginning of this stage, the Euro became a currency in its own right and the conversion rates of the national currencies of those Member States adopting the Euro were fixed irrevocably. National currencies will initially remain in circulation as non-decimal sub-units of the Euro. The Euro replaced the ECU at the rate of one ECU for one Euro.

The changeover to the Euro will proceed gradually through this stage with the single currency ultimately displacing the relevant national currencies as the sole legal tender in circulation, on 1 January 2002.

(Source: The Euro: Explanatory Notes, European Commission, 1998)
The Convergence Criteria

If EMU is to function successfully, it is essential that the participating Member States achieve a high degree of sustainable convergence in terms of low inflation rates, sound public finances and exchange-rate stability. To this end, Member States wishing to adopt the single currency were required to comply with four "convergence criteria" established in the Maastricht Treaty.

In May 1998, the Council meeting in the composition of the Heads of State or Government, decided, which Member States have achieved sufficient convergence to adopt the single currency from the beginning of the third stage.

The Convergence Criteria are:

- The achievement of a high degree of price stability.
- The sustainability of the government financial position.
- The observance of the normal fluctuation margins provided for by the exchange rate mechanism (ERM) of the European Monetary System (EMS).
- The durability of convergence achieved by a Member State and of its participation in the ERM being reflected in long-term interest rates.

(Source: The Euro: Explanatory Notes, European Commission, 1998)
The Scenario for the Changeover to the Single Currency

The Madrid European Council in December 1995 laid down the timetable and scenario for the changeover to the single currency according to the principal of the gradual switchover following the creation of a "critical mass" of activities in the Euro as of 1 January 1999. It comprises of three steps.

1. The launch of Economic and Monetary Union

Throughout this first step, called "intermediate period", the authorities at European and national level ensured that their respective legislation and technical systems are in conformity with each other, as required for entry to the third stage of EMU.

2. Effective start-up of the third stage of Economic and Monetary Union

The third stage of EMU started on 1 January 1999. With effect from this date, the conversion rates between the Euro and the national currency units were irrevocably fixed. The Euro became the currency of the participating countries.

3. Generalisation of the Euro

As from 1 January 2002, Euro notes and coins will be introduced while national banknotes and coins will be withdrawn from the market. This third stage will last until 30 June 2002 at the latest, after which date the Euro will become the sole payment medium with legal tender in the participating Member States.

(Source: The Euro: Explanatory Notes, European Commission, 1998)
Is Europe an Optimal Currency Area?

The OCA literature establishes the conditions under which two or more countries could share the same currency without seriously adverse effects. A key assumption is that the nominal exchange rate has real effects: otherwise there is no cost to giving up one's currency.

The three criteria proposed in the literature are those features, which make adjustment through exchange rates less effective or less compelling:

- Openness to mutual trade. Greater openness means that most prices are determined on markets at the local level, which reduces the ability of the exchange rate to significantly alter relative prices.
- Diversification of individual economies. A more diversified economy is less likely to suffer a country-specific shock, which reduces the usefulness of the exchange rate tool.
- Labour mobility across the area. Greater mobility allows an economy to deal with asymmetric shocks through migration, lessening the need for exchange rate adjustment.

(Source: The Euro: Explanatory Notes, European Commission, 1998)
EMU: Single Monetary Policy and Cyclical Divergence

1. **EMU will foster integration reducing cyclical divergence**
There may, in principle be important cyclical divergence between Member States in the Euro area to the extent that economic policy will remain a national responsibility and labour markets will not be as integrated as in other monetary unions. However, it must be recognised that the Euro-area goods and capital markets will be as integrated as those in other monetary unions. Moreover, EMU will by itself foster further economic integration, thus rendering the business cycle of Euro-area member states more synchronised. EMU will lessen financing constraints for domestic economic agents – both enterprises and households – in each Member State through the completion of the EU financial market.

2. **Other policies are available to smooth the business cycle nationally**
Cyclical divergence between Euro-area Member States could persist. Given that monetary policy will no longer be available for the purpose of country-specific stabilisation, other means of adjustment will need to be used. Fiscal policy will, within the context of the Stability and Growth Pact – provide sufficient scope for the full operation of the automatic stabilisers over the cycle. However, the price-wage nexus will need to be more flexible in order to allow the real exchange rate to adjust to the requirements of a national economy. Consistency between productivity and wage growth at the national level will be necessary to prevent the emergence of regional concentrations of low economic growth and unemployment. Thus, wage differentiation will be the means to bring about an appropriate level of the underlying real exchange rate for a region in EMU.

3. **Cyclical divergence will no longer be produced endogenously**
The EU-budget will not function as a cyclical-adjustment mechanism because of its small size, and its focus on more sectoral policy objectives. Therefore, cyclical stabilisation will remain the responsibility of national authorities within the framework of a common monetary policy. Differences in cyclical development have been largely endogenous and reflecting differences in the mix of national economic policies.

(Source: The Euro: Explanatory Notes, European Commission, 1998)
Will EMU be able to Cope with Asymmetric Shocks?

The exchange rate instrument is only suitable for dealing with shocks that are: country-specific, real and temporary. Such shocks are exceptional and are often policy-induced rather than exogenous. Supposing, however, that one of its Member States suffers an asymmetric shock, will EMU have sufficient adjustment mechanisms to cope? Three mechanisms are possible:

1. **Labour and product markets**
   These markets are insufficiently flexible. However, many economists feel that the combination of the Single Monetary Policy (SMP) and EMU will greatly promote the capacity of product and labour markets to cope with economic disturbances.

2. **Capital and credit markets**
   The introduction of the Euro will result in the creation of a large and liquid single financial market. This will greatly enhance the capacity of EU countries to respond to shocks.

3. **Budgetary policy**
   In EMU, there will be no federal fiscal transfer mechanism to replace the exchange rate channel of adjustment to asymmetric shocks. Member states will have to rely on their own budgetary policy to absorb part of the shocks not smoothed by markets.

(Source: The Euro: Explanatory Notes, European Commission, 1998)
### Profile of a High Potential Organisation/Innovator

- A sound history of profitable growth
- An idea Portfolio of substantial size and quality
- Access to reserves and additional resources
- A track record of innovation
- Numerous contacts in the personal network
- Capable of more analytical approaches to planning
- Travels abroad frequently
- Regular exposure to similar operations
- Attends regular refresher training
- Experienced in similar tourism operations
- Clear ambition and drive to achieve it
- Business motives exceed personal motives
- Prepared to use agencies but retain independence

### Profile of a Low Potential Organisation/Innovator

- A history of stability and no growth
- Plenty of Ideas of dubious quality
- Limited reserves, poor financial resources
- No experience of innovation
- Prefers to work along, limited contacts
- Believes in 'gut feeling' techniques regarded as irrelevant
- Finds no time to get abroad
- Sees little point in appraising similar operations
- Too busy to attend training
- Drifted into tourism with no entrepreneurial background
- Clear ambition, but lack organized drive
- Personal motives exceed business motives
- Depends heavily on agencies as source of support but little contact
<table>
<thead>
<tr>
<th>Feature</th>
<th>Competitor 1</th>
<th>Competitor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respects, but plans to beat competition</td>
<td>Ignores competition</td>
<td></td>
</tr>
<tr>
<td>Regular attendee at trade shows, meetings, etc.</td>
<td>Too busy to attend trade meetings</td>
<td></td>
</tr>
<tr>
<td>Alert to new trends and ideas</td>
<td>Rarely meets other operators outside area</td>
<td></td>
</tr>
<tr>
<td>Prefers a formalized strategy, prepared to change direction according to opportunity</td>
<td>Prefers an emergent, unplanned reactive strategy</td>
<td></td>
</tr>
<tr>
<td>Utilizes a range of promotional media</td>
<td>Values advertising as means to expand Can't afford much for promotion</td>
<td></td>
</tr>
<tr>
<td>Values customer care and service</td>
<td>Customer care valued but not seen from customers view</td>
<td></td>
</tr>
<tr>
<td>Price reflects a premium offer to beat others</td>
<td>Likes to offer a competitive price</td>
<td></td>
</tr>
<tr>
<td>A wide concept/vision of possible activities</td>
<td>A narrow concept of activities</td>
<td></td>
</tr>
<tr>
<td>Uses range of published information</td>
<td>Unsure of what information is available</td>
<td></td>
</tr>
<tr>
<td>Tend to be larger, property based organization</td>
<td>Tends to be smaller, activity/accommodation based organization</td>
<td></td>
</tr>
</tbody>
</table>

Appendix 3

(Taken from The Kerryman newspaper, Saturday 24 February 1971)

"Decimal pint is dearer,"

(The Kerryman, 24 February 1971, page 3.)

The Kerryman has raised the price of the pint. In the new price every fourth pint will be sold for 10/-, every fifth pint for 11/-, and so on. The new price is due to take effect from 1 March. The Kerryman states that this will increase their revenue without increasing their costs.

The newspaper article goes on to say that the increase in price is due to the cost of production and distribution of beer. The Kerryman notes that they are not able to pass on the entire cost to the consumer, and that they are trying to keep the price increase as small as possible.

The Kerryman has also noted that the increase in price is not unique to Kerry. Other newspapers in the country have also increased their prices recently.

The Kerryman concludes that the increase in price is unavoidable, and that they are doing their best to keep the cost increase to a minimum. The newspaper article ends with the statement that the Kerryman is committed to providing quality beer at a fair price.

## Comparison of Probability Sampling Designs

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple Random</td>
<td>Each population element has an equal chance of being selected into the sample. Sample drawn using random number table/generator</td>
<td>Easy to implement with automatic dialing (random digit dialing) and with computerised voice response systems.</td>
<td>Requires a listing of population elements. Takes more time to implement. Uses larger sample sizes. Produces larger errors. Expensive.</td>
</tr>
<tr>
<td>Systematic</td>
<td>Selects an element of the population at a beginning with a random start and following the sampling fraction selects every kth element.</td>
<td>Simple to design. Easier to use than the simple random. Easy to determine sampling distribution of mean or proportion. Less expensive than simple random.</td>
<td>Periodicity within the population may skew the sample and results. If the population list has a monotonic trend, a biased estimate will result based on the start point.</td>
</tr>
<tr>
<td>Stratified</td>
<td>Divide population into subpopulations or strata and use simple random on each strata. Results may be weighted and combined.</td>
<td>Researcher controls sample size in strata. Increased statistical efficiency. Provides data to represent and analyse subgroups. Enables use of different methods in strata.</td>
<td>Increased error will result if subgroups are selected at different rates. Expensive. Especially expensive if strata on the population have to be created.</td>
</tr>
<tr>
<td>Cluster</td>
<td>Population is divided into internally heterogenous subgroups. Some are randomly selected for further study.</td>
<td>Provides an unbiased estimate of population parameters if properly done. Economically more efficient than simple random. Lowest cost per sample, especially with geographic clusters. Easy to do without a population list.</td>
<td>Often lower statistical efficiency (more error) due to subgroups being homogenous rather than heterogenous.</td>
</tr>
<tr>
<td>Double (sequential)</td>
<td>Process includes collecting data from a sample using a previously defined technique: based on the information found, selecting a subsample for further study.</td>
<td>May reduce costs if first stage results in enough data to stratify or cluster the population.</td>
<td>If indiscriminately used, it will increase costs.</td>
</tr>
<tr>
<td>(multiphase)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Advantages of Questionnaire Surveys

- Questionnaires are cheap, flexible and can be used to reach a very large number of people.
- They can be designed to provide a degree of anonymity or to enable the researcher to follow-up certain points at another time.
- The questions are all presented in a consistent format and style, and there is little scope for bias to be introduced by different researchers.
- Questionnaires are impersonal and avoids some of the problems which can develop during the interaction between an interviewer and a respondent.
- The questionnaire can also be completed at the respondent's own pace. (Moore, 19?)
- Due to pilot-testing and resulting redesign it may lead to higher levels of accuracy in the final data.
- Fewer cases allow for the analysis of more elaborate information on each. (Moser et al., 1983)

Disadvantages of Questionnaire Surveys

- Lack of qualitative depth to the answers and the resultant superficiality.
- It is not possible to probe beneath and initially superficial response as it is in interviews (Moore, 19?)
- The design of the questionnaire in itself has decided on what issues are of importance and so the method is guided by the researcher's presuppositions (Capiere, 1934).
- Sometimes a subject may have mixed feelings on a particular issue and thus answer according to what he or she believes the researcher wants.
## Comparison of Survey Methods

<table>
<thead>
<tr>
<th>Description</th>
<th>Personal Interviews</th>
<th>Telephone Interviews</th>
<th>Mail Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>People selected to be part of the sample are interviewed in person by a trained interviewer.</td>
<td>People selected to be part of the sample are interviewed on the telephone by a trained interviewer.</td>
<td>Questionnaires are mailed to sample to be self-administered. A stamped return envelope is generally included. Incentives may be used to increase response rate.</td>
</tr>
<tr>
<td>Advantages</td>
<td>Good cooperation from respondents. Interviewer can answer questions about survey, probe for answers, use follow-up questions, and gather information by observation. Special visual aids and scoring devices can be used. Illiterate and functionally illiterate respondents can be reached. Interviewer can prescreen respondent to ensure he/she fits the population profile. CAPI - Computer-assisted personal interviewing: responses can be entered into a portable microcomputer to reduce error and cost.</td>
<td>Lower costs than personal interview. Expanded geographic coverage without dramatic increase in costs. Uses fewer, more highly skilled interviewers. Reduced interviewer bias. Better access to hard-to-reach respondents through repeated callbacks. Can be computerised random digit dialling. CATI - computer-assisted telephone interviewing: responses can be entered directly into a computer file to reduce error and cost.</td>
<td>Often lowest cost option. Expanded geographic coverage without increase in costs. Requires minimal staff. Perceived as more anonymous. Allows respondents time to think about questions. Allows contact with otherwise inaccessible respondents (ie., CEOs).</td>
</tr>
<tr>
<td>Disadvantages</td>
<td>High costs. Need for highly trained interviewers. Longer period needed in the field collecting data. May be wide geographic dispersion. Follow-up is labour intensive. Not all respondents are available or accessible. Some respondents are unwilling to talk to strangers in their homes. Some neighbourhoods are difficult to visit. Questions may be altered or respondent coached by interviewers.</td>
<td>Response rate is lower than for personal interview. Higher costs if interviewing geographically dispersed sample. Interview length must be limited. Many phone numbers are unlisted or not working, making directory listings unreliable. Some target groups are not available by phone. Illustrations cannot be used. Responses may be less complete.</td>
<td>Low response rate. No interviewer intervention available(for probing or explanation). Cannot be long/complex. Accurate mailing lists needed. Often respondents returning survey represent extremes of the population (skewed responses).</td>
</tr>
</tbody>
</table>
EURO QUESTIONNAIRE

Type of Business: .................................................................
Number of Employees: .........................................................
Number of Years in Business: ...................................................

(Total confidentiality is assured. For questions where boxes are used please tick: 5=high, 1=low)

EURO KNOWLEDGE:

1) Rate your level of knowledge of the EURO.

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

High Low

2) Please choose when you think the EURO will be introduced as a hard currency?

- January 2001  
- June 2001  
- January 2002  
- June 2002  

3) Are you familiar with how the EURO will be introduced?

- YES  
- NO  

4) To what degree do you think the EURO will benefit Ireland and our economy?

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

High Low
THE EURO AND YOUR BUSINESS:

5) Do you think the EURO will affect your business?
YES □ If “yes” please go to question 5A
NO □

5A) How will it affect your business?

6) Have you started preparing for the EURO’s introduction?
YES □ If “yes” please go to 6A
NO □ If “no” please go to 6B

6A) When did you start?

6B) Do you feel you have the necessary information to begin preparing?
YES □
NO □

7) Please indicate organisations you may have sought advise/help from in relation to the EURO and your business?

Bord Fáilte □ Banks □
CERT □ Forfás □
IBEC □ EU Commission □
Others □ PleaseState: __________________________

8) To what degree do you think the EURO will benefit tourism in the Cork/Kerry region and in particular your own business?

[ ] 5 High
[ ] 4
[ ] 3
[ ] 2
[ ] 1 Low
9) In your opinion will the introduction of the EURO affect the number of tourists to your area?

YES ☐ NO ☐

10) Do you believe that the introduction of the EURO will create a more competitive tourism market place?

YES ☐ NO ☐

11) These are some of the key issues for tourism providers within the EURO zone. Please choose the one you believe will be of greatest importance to tourism in your area.

Differences in Tax rates in the EURO zone ☐
Ability to compare holiday prices ☐ Please tick one box only
Business costs involved in changeover ☐
Confusion of staff/customer during initial dual currency period ☐

12) In relation to the other countries in the EURO zone would you foresee tourism in Ireland being at a competitive:

Advantage ☐ Disadvantage ☐

13) Below is a list of all other countries in the EURO zone. Please indicate the three countries you think of as being our key competitors in Tourism.

Germany ☐ Netherlands ☐ Austria ☐
France ☐ Finland ☐ Spain ☐
Italy ☐ Portugal ☐ Belgium ☐
Luxembourg ☐
14) Rate your level of satisfaction with how you think our state bodies and official organisations (see Q7) have equipped the tourism sector with the necessary information for the pending introduction of the EURO?

5 4 3 2 1  
High Low

15) Have you seen/received any of our state bodies or official organisations (see Q7) information campaigns?

YES NO If “yes” please answer 15A

15A) Please indicate if you found that information:

<table>
<thead>
<tr>
<th>Easy to Source</th>
<th>Informative</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relevant to your needs</th>
<th>Easy to understand</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contained enough to implement EURO handling</th>
<th>Tourism Sector Specific</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

16) Have you been invited to work-shops or information seminars on the EURO?

YES NO If “yes” please answer 16A & 16B

16A) Please indicate if these were located:

<table>
<thead>
<tr>
<th>In your local area</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In the Cork / Kerry area</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In the Dublin area</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
</tr>
</tbody>
</table>

16B) Were the dates / times suitable to the time demands of your business?

YES NO

(Thank you for taking the time to fill out this questionnaire. I hope it may have highlighted the importance of preparing for the introduction of the EURO as our new currency.)
Mrs. Maureen Cronin  
“The Milestone”  
Ovens  
Balincollig  
Co. Cork  

17th November 2000  

Dear Mrs. Cronin,  

As part of a Research Masters Thesis into the affect the EURO will have on the tourism business in the Cork / Kerry region, I have designed this questionnaire to gather the views of those primarily involved. Your business has been randomly selected from a list of tourism providers in the Cork / Kerry region.  

I would be grateful if you would complete the questionnaire. Strict confidentiality will be maintained. I have enclosed a stamped addressed envelope and I would be grateful if you could return the questionnaire before the 1st December 2000.  

Thanking you in advance,  

Yours Sincerely,  

Ronan Doyle  
Lecturer in Tourism
List of Topics addressed during Focus Group Interview

<table>
<thead>
<tr>
<th></th>
<th>TOPICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Will the introduction of the Euro benefit tourism in this region?</td>
</tr>
<tr>
<td>2</td>
<td>The introduction of the Euro will create a more competitive tourism market place. Given that tourists will be able to compare prices. Given that VAT rates differ throughout Europe.</td>
</tr>
<tr>
<td>3</td>
<td>Is Ireland an expensive destination for tourists to visit?</td>
</tr>
<tr>
<td>4</td>
<td>Have you started preparations for the Euro?</td>
</tr>
<tr>
<td>5</td>
<td>How would you rate the information campaigns to help tourism businesses cope with the changeover to the Euro?</td>
</tr>
<tr>
<td>6</td>
<td>How can we as a region, work together to protect our tourism industry from increased competition?</td>
</tr>
<tr>
<td>7</td>
<td>Are people worried that the Euro will bring the same effects that decimalisation brought with it or are we better able to cope with change today?</td>
</tr>
<tr>
<td>8</td>
<td>Why does the typical tourist come to the South West of Ireland?</td>
</tr>
</tbody>
</table>
Advantages of Personal Interviews

1) The flexibility of personal interviewing enables the interviewer to obtain specific information by observation and continual probing.

2) The response rate is better than the other survey methods as one reaches the respondent personally.

3) The environment of the interview can be standardised by controlling the setting of the interview.

4) The order and sequence and content of questioning can also be controlled by the interviewer depending on the information required.

5) The responses of the interviewees will be spontaneous giving rise to more honest reliable answers.

6) Depending on the geographic area the process may prove inexpensive as a research procedure.

7) The interviewer can ensure that all questions are answered without exception.

Disadvantages of Personal Interviews

1) There is a risk of interviewer bias whereby through particular wording of questions the interviewer could influence the response desired.

2) Elements of response error may occur where the respondent may fail to give complete answers.

3) Interviews have to be at the respondent’s convenience and therefore may be inconvenient for the interviewer who is dependent.

4) Personal interviews may take up considerable lengths of time and may require second interviews and the assistance of the telephone.

5) Personal interviews can be very expensive. Most of the cost results from the time taken in the travel to and the administration of the interview rather than the interviewers wages.
List of Structured Questions asked at Interviews

Survey Questions

1. “34% of those surveyed are not familiar with how the Euro will be introduced”
   What is your view on this?
   Is this typical of SMEs?

2. “67% have not started Euro preparations”
   What is your view on this?
   Is this typical of SMEs?

3. “44% claim the Euro will have no impact on their business, 61% say there will be no impact on numbers of tourists”
   What is your view on this?

4. “68% believe that the single currency will create a more competitive marketplace, 62% believe that tourism in Ireland has a competitive advantage over the other Euro zone members”
   What is your view on this?

5. “39% of those surveyed were less than satisfied with Euro information campaigns, while 82% of those that received information found it not to be tourism specific”
   What is your view on this?

Other Questions

6. Do you see a single currency has having major consequences for tourism in the Cork/Kerry region?

7. Is the introduction of the Euro being treated as a strategic or an operational change for tourism businesses?

8. Is the Cork/Kerry region a competitive tourism region?

9. How can this region compete against foreign competition?

10. Will tourism in Cork/Kerry benefit from a single currency?
Bibliography


Asbury, J.E., Overview of Focus Group Research, Qualitative Health Research, Vol. 5, No. 4, 1995.


Burke, R.R., Focus Groups, Indiana University, 1997.


Deane, B.M., Tourism Policy, National Economic and Social Council, No. 52, 1980.


Lenehan, T., "Important role for tourism in EMU transition", The Irish Times, Monday, May 18, 1998


Link, Swiss Watch Our Prices, Bord Fáilte, Dublin, September, 2000.


McMahon, M., Tourism Taxation: No Such Thing as a Tree Lunch, University of Dublin, 1998.


Palmirani, M., Best Practice for SMEs to face the Euro Challenge, Baptisme Consortium, Pologna, Italy, 2000.


Robinson, H., A Geography of Tourism, McDonald and Evans Ltd., 1976.


Stynes, D.J., Economic Impacts of Tourism, Michigan State University, 1999.


WIFO, Euro – Implications for Tourism, study commissioned by the Federal Ministry of Economic Affairs, 1999.


