WASTING A GOOD CRISIS
Developmental Failure and Irish Tourism Since 2008

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Abstract: Irish tourism’s growth trajectory collapsed dramatically in 2008. By 2010, while every other European destination had returned to growth the Irish crisis endured. This paper examines the politics of tourism development that underpinned the crisis. Wilson’s (2000) policy regime model is applied to map the state and private sector interactions that led to developmental failure. It is argued that the policy paradigm that informed the vision for industry recovery, the policy goals that emerged post crisis and the organisational structures and power arrangements that existed between the state and the industry coalitions involved with Irish tourism during the crisis of 2008 were far from optimum to the task of returning the industry to growth. Keywords: development, crisis, politics, policy regimes, state.

INTRODUCTION

Following twenty years of impressive growth, in the second half of 2008 the Irish tourism industry collapsed dramatically (Fáilte Ireland, 2008). In 2009, in the first six months alone, British tourist numbers were down over 300,000, continental European tourists were down by over 60,000 and North Americans by 20,000 (ITIC, 2010). The Irish crisis in 2008 was created in part by the ‘global’ crisis of Anglo-American liberal capitalism, when financial and banking sectors imploded. But the Irish version of the crisis is best described as multidimensional. It began as a financial crisis. The banks lent heavily to builders and developers who bought land at hugely inflated prices. The crisis became fiscal as falling revenues diverged from spending commitments and vast sums of public money haemorrhaged into the banking system (NESC, 2009, p. 2–3). By September 2009, unemployment was 429,400, a rise of 75% in the course of a single year.

The National Economic and Social Council (NESC) argued that the crisis comprised five closely-related parts: banking, fiscal,
economic, social and reputational, with each having their origin in a complex set of global, international, European and national imbalances and events (2009, p. ix). In short, the crisis was understood as a combination of “declining competitiveness as a consequence of the prolonged boom; a property bubble which Irish financial institutions and a regulatory system did not prevent; and an international credit crisis and world recession caused by structural weaknesses in the current globalisation process” (NESC, 2009, p. 18). For Irish tourism, the crisis of 2008 led to a dramatic decline in the industry’s fortunes. In just 18 months tourist numbers fell by one million (Fáilte Ireland, 2009).

Unfortunately, state agencies and private sector actors proved unable to prevent or to influence the effect of the crisis on the development of tourism. This was because the politics that underpinned tourism development prevailed against this. Irish national politics is overly concerned with local constituency issues and, within this framework, “tourism” development had been increasingly shaped by the need to generate local jobs and amenities rather than by a national programme for genuine tourism development. In short, the policy regime (Wilson, 2000) that came to the fore within the sector from the late 1990s had undermined its sustainable development and during the 2008 crisis, the regime proved fundamentally inadequate to the task of either reversing the decline or generating growth.

The policy paradigm that emerged in the crisis was fundamentally conservative, focusing on the “survival” of the sector instead of the radical growth that was needed. Policy goals were equally unambitious and emerged only within the public sector, with little awareness of them on the part of private sector actors. The organisational structures of the industry were compromised because of the changes that had occurred in the early 2000s to state agencies. The power arrangements within Irish tourism saw it increasingly dominated by the private sector with less and less developmental control or regulation from state agencies. As a result of the structure of the policy regime, by 2011 the Irish tourism industry was still effectively “wasting a good crisis” by failing to achieve the levels of growth required to reverse its collapse.

THE POLITICS OF DEVELOPMENTAL FAILURE

In the tendency of many tourism researchers to focus on ‘practical’ or ‘applied’ studies… important aspects of political economy have been virtually ignored… The mainstream of tourism research has either ignored or neglected the political dimension of the allocation of tourism resources, the generation of tourism policy, and the politics of tourism development (Hall, 1994, p. 2–7).

In response to this and similar challenges in the 1980s (Matthews, 1983; Ritcher, 1983a), analysts have since extensively examined the political economy of tourism, through case studies of individual
countries’ development policies (Hall, 1991; Poirier, 1995; Ritcher, 1983b; Williams & Shaw, 1998), through analyses of tourism in developing economies (Britton, 1982; Harrison, 1992; Jenkins & Henry, 1982), by exploring the ideological and political nature of tourism (Hall, 1992; Hollinshead, 1992; Matthews & Ritcher, 1991; Urry, 1990); and by examining the politics of tourism policy (Dredge & Jenkins, 2007; Edgell, 1983; Hall, 1998, 2000; Jenkins & Hall, 1995; Nyaupane & Timothy, 2010). In the latter vein, Pforr (2006, 2008), for example, develops a process-oriented policy model, incorporating a policy network concept and temporal dimensions, to examine “the complexity of tourism policy making” (2005, p. 323).

Policy analysis has, moreover, expanded to incorporate the issue of policy implementation processes as well as the governance structures that function to implement policy. As Hall comments

> Many governments now develop national or regional tourism strategies rather than plans. This is not just an exercise in semantics as the notion of a strategy is a reflection of the development of the concept of governance and its application to tourism, as in such situations a strategy tends to place a far greater emphasis on public-private partnership arrangements (2008, p. 165).

Hall highlights an important issue for understanding development, which concerns the interactions of the political coalitions that are involved in the generation and implementation of strategies. However, with the exception of Göymen (2000) and Krutwaysho and Bramwell (2010), the literature often tends to reduce the role of the state to that of government alone, and frequently the role of state agencies and industry as institutional players are all but ignored. Some progress on this latter issue is contained in Edgell’s work (Edgell, DelMastro Allen, Smith, & Swanson, 2008). He acknowledges that “When attempting to affect political decisions, the relationships of bureaucrats and special interest groups is important to understand” (2008, p. 264).

Edgell uses public choice theory as a mechanism for understanding these relationships and the process through which political decisions are made for development. The framework is based on the premise that decisions are made, not in the public interest, but rather in the best interests of those making them (2008, pp. 263–264). Edgell further elaborates that bureaucrats are motivated by achieving the mission of their agency and rely on special interest groups to influence the legislature, which leads to the potential for bureaucrats to be captured by interest groups (2008, p. 264). This insight into the roles of state bureaucracies and vested interests is seen by Edgell as an opportunity for the industry to better understand policy generation and as a means of promoting development but he acknowledges that public choice theory has “yet to be widely applied to the practice of tourism” (2008, p. 265).

However, while public choice theory recognises the roles of the state and private sector in tourism, it underspecifies the exact manner in which these agencies engage to generate development. Hall begins to address this gap by noting that within its coordination role, the state
often acts in public-private partnerships, which may promote greater efficiency and cooperation in achieving economic goals (2008, p. 165). Dredge and Jenkins, however, note the negative potential of partnership by proposing, “governments have yielded to the private sector too much discretion for making decisions that affect the public interest” (2007, p. 144). Hall does concede that the economic reasons for this reliance on partnerships “are themselves shrouded in political rationales that relate to broader philosophical perspectives regarding the question of what are the appropriate roles for the state and the individual within society” (2008, p. 175).

Some clarification on this question is contained in the work of Krutwaysho and Bramwell (2010) who note that policy implementation is an interactive and negotiative process involving bargaining relations between policy actors pursuing their interests. In turn, this generates tensions around the state’s structural roles, the impacts of policies on private sector interests and raises issues of legitimacy for governance at the local level. More significantly, this analysis is based on Bramwell and Meyer’s (2007) earlier critique of standard notions of structure and agency within policy-making processes, which proposes that actors engagements with state structures are dialectical. Therefore, Bramwell and Meyer advance the policy debate beyond the usual ‘stages models’ (2010, p. 674) and focus instead on policy makers’ interactions, the power structures within which they operate and their network connections, all of which should be understood as fluid rather than fixed. These insights are immensely useful, and raise an ongoing challenge for tourism analysts to examine more closely the dynamic nature of state and private sector relationships, which, in turn, underpin both the generation and the implementation of development policy, or indeed the failure to create or apply adequate development strategies, as, for instance, during the Irish crisis of 2008.

This paper will add to these debates by describing the interactions of the state and private sector in a crisis context (Blake & Sinclair, 2003; Hall, 2010). With regard to crisis and its effect on development, there are a limited number of studies that examine the impact of socio-economic crisis, rather than what Sonmez (1998) delimits as environmental or terrorist generated disasters. One such study is undertaken by Okumus and Karamustafa who examine the impact of a 2001 economic crisis on the industry in Turkey and find that, similar to Ireland, neither the government nor private organisations had adequate plans for dealing with the crisis (2005, p. 942). Okumus and Karamustafa note that the industry’s failure to respond to the crisis was because of ‘major shortcomings in governance’ (2005, p. 956). However, this latter study does not fully outline the specific politics that underpinned this failure in governance. So, in order to examine the politics underpinning the outcomes of the Irish case more closely, this paper adapts Wilson’s (2000) outline of policy regimes as a tool with which to map the dialectical interactions between public and private sector coalitions, which determined the impact of the crisis on tourism’s development strategy.
This approach incorporates the relational and dialectical emphasis contained in Bramwell & Meyer’s (2007) work but uses an alternative construction of their concepts of context, power and policy by using Wilson’s more formalised schema. Within this framework, policy regimes are comprised of four dimensions: policy paradigms, policy goals, power arrangements and organisations (2000, p. 258). The policy paradigm is the ideology or set of assumptions that shapes the way that problems are perceived or defined, the types of solutions offered and the kinds of policy proposed (Gusfield, 1981); Organisations are those that exist within government, within policymaking arrangements and within the implementation structure; Policy goals both embody the goals of the policy regime and entail the “rules and routines of the implementing agency” and power arrangements entail “the presence of one or more powerful interest groups supporting the policy regime” and may occur in many different patterns (Wilson, 2000, pp. 257–258).

Policy regimes are useful for understanding the politics that underpin development because the model is both relational and dynamic, with dialectical interactions occurring between the dimensions (Bramwell & Meyer, 2007, p. 78). Determining how state and private sector agencies influence development policy becomes a matter of examining the policy regime configuration that is constructed, at these various dimensional levels, around the development project. Thus, in order to understand the failure to develop tourism post 2008, the policy regime that existed between the public and private sector coalitions involved is examined. By exploring the four institutional dimensions within the sector, the issue of how the state and business class created an institutional regime of developmental failure can be clarified.

Study Methods

The article draws on a case study analysis conducted between 2008 and 2010. Case studies attempt to provide a multi-dimensional picture of the case and are useful in explorations of relationships, patterns of influence, and micro-political issues (Yin, 1989). Within the case study, a grounded theory approach (Glasser & Strauss, 1967) was used to guide the data collection, to create conceptual categories, to manage the data analysis, to demonstrate relationships between conceptual categories and to develop the theoretical framework (Charmaz, 2003, p. 311). Data were collected through documentary analysis and semi-structured interviews with key players. The interviews were conducted with a sample of twelve key players in government departments, state agencies, and private sector organisations concerned with tourism development. The sample was collated through preliminary interviews with informants who were incumbents in senior positions in leading state and private sector organisations. These initial interviews explored participants’ opinions and accounts of tourism development.

On that basis, further topics and questions emerged and other potential interviewees were named and these avenues were subsequently
pursued in further interviews. In this way the data collection was very focused on a key cohort who were at the centre of the development process. Those interviewed included: a former Director General of Bord Fáilte; a former Secretary General in the Department of An Taoiseach; a senior civil servant from the Department of Tourism; a former Chief Executive of Tourism Ireland; a Senior Executive of Tourism Ireland; two former Chief Executives of the Irish Hotels Federation (IHF); a Senior Executive of the IHF; two former Chief Executives of the Irish Tourism Industry Confederation (ITIC), a current, Senior Executive of ITIC and a Senior Strategist in Industry and Policy Development, at Fáilte Ireland. The reported comments are generally representative of the interviewee’s organisations. There was very little dissonance within organisations; the main difference in accounts of the crisis was between state agencies and private sector organisations. The analysis that follows draws in particular on data from three of the interviewees because they were incumbent in their positions throughout the time of the crisis.

The sampling process produced a small cohort of interviewees, but all persons named as relevant by key players were approached. Moreover the resultant data were derived from state, semi-state and private sector organisations, and, in this regard, provides a representation of the views of the main interested groups. The generalisation to theory from interview data was further underpinned by very extensive documentary analysis, which incorporated all official documents relating to tourism development in Ireland from 2000–2010, all organisational records that were available through libraries, databases or directly from organisations, annual reports, policy reports and papers from both public and private sector tourism organisations and legislative documents. The resultant, detailed case study analysis of the political economy of the collapse of Irish tourism growth is outlined in detail below.

Tourism’s Policy Regime and Developmental Failure

In some respects, Irish tourism was experiencing difficulties prior to the collapse in 2008. The decade 2000–2010 had shown some shifts in terms of competitiveness, value for money and the origin, value and behaviour of tourists. Tourism’s cost competitiveness began to deteriorate in the early 2000s due to relatively high labour costs, high domestic inflation and the strength of the Euro against the dollar and sterling (ITIC, 2008, p. 3). Annual inflation in the European Union between 2000 and 2006, was approximately 2% but in Ireland it averaged 3.6% and peaked at 4.8% in 2007 (CSO, 2008; Eurostat, 2008). These factors all combined to make Ireland a high cost destination relative to other European destinations. Moreover, tourist satisfaction declined throughout this period: 63% of tourists found value for money in Ireland good or excellent in 2000, but this declined to 45% in 2002 and 16% by 2007 (Fáilte Ireland, 2003, 2007).

Demand had also fallen by 19% within the main British market, while the domestic market increasingly dominated, following 15 years
of continuous growth. Crucially, the policy regime that dominated tourism’s developmental trajectory did not either acknowledge or address these structural problems at the time. One Senior Executive at Tourism Ireland comments “Through the course of the mid-naughties we could see a price bubble starting to build in Ireland, driven largely by domestic demand. The cost of living and inflation was going up, the currency had become a big factor too, but nobody could have foreseen the size and scale of what happened” (Anonymous, personal communication, December 2010). One of the dominant manifestations of the tourism crisis was falling demand, which was felt particularly heavily in the hotel industry. This was highly problematic, as the structure of the sector had changed radically in the previous decade.

Until the 1990s, domestic smallholders dominated the Irish industry. But the introduction of tax incentives for hotel development in 1994, saw investors in hotel property claim 15% of the capital cost of a hotel for each of the first six years of operation and the remaining 10% in year seven, against tax liability. Between 1996–2006 the number of hotel rooms doubled from 26,000 to 52,000 (Fáilte Ireland, 2008). This period also saw the entrance of international chains to the Irish market, not through ownership mechanisms, but rather through contractual agreements such as franchising, management and leasing agreements with the owners of properties, predominantly property developers. Just at the time when room stock capacity was at its highest level ever, with 58,467 rooms in 905 hotels, demand dropped suddenly in the second part of 2008 (Howarth Bastow Charleton, 2008b). Profit levels on hotel rooms in Dublin fell by 8% as hotels were forced to increase occupancy by reducing room rates.

By September 2009, Irish banks had US$10.18 (€7) billion in debt from the hotel sector (Howarth Bastow Charleton, 2008a). Between 1997 and 2007, over 30,000 additional rooms and 480 new hotels had been built, representing an investment of US$5.82 (€4) billion, and room stock had increased by 98.7% over the previous ten years (Howarth Bastow Charleton, 2008b). In November 2009, the Bacon Report, Over-Capacity in the Irish Hotel Industry and Required Elements of a Recovery Programme, documented the bleak state of the hotel sector. The report constitutes a clear articulation of the private sector’s understanding of, or policy paradigm on the crisis. This report outlines what Wilson describes as the ideology or set of assumptions that shapes the manner in which problems are perceived and defined, which influence the types of solutions offered and the kinds of policy responses proposed (2000, p. 257). In the case of the tourism crisis, both industry and the state framed the situation as one that the industry must “survive”.

“Survival” as a Policy Paradigm

A full year after the publication of the Bacon Report, the private sector began to articulate publicly their ideological position on the crisis, which was somewhat confused and lacked clarity about the causes of the problem. As a Senior Executive at the IHF noted
We’re starting to see some of the problems...we’re starting to see the seriousness of the issues and some of them we must accept responsibility for it would be too simple to say it’s government’s fault; we failed in our role of ensuring that our overseas markets were being addressed in the right way...I think we have a responsibility to help the government agencies write the script; why should we think that they know how to resolve it all because we don’t even know how to resolve it all. I think it would be unfair to say that they don’t know what to do, we all collectively don’t know what to do...we the private sector need to meet and lead to some workable objectives (Anonymous, personal communication, 2010).

ITIC were similarly slow to grasp the extent of the problems and unsure of the solutions. The organisation also presumed throughout 2008 that the industry was merely facing another short recession.

We thought 2009 would be difficult with no growth and modest growth in 2010 and back to normal by 2011. But we misread the situation. Things continued to get worse, and worse and worse...We could have lived with the international downturn but the banking thing on top of it put us in a really bad state...” (Anonymous, personal communication, November 2010).

ITIC’s vision for a response to the crisis was still consolidating late in 2010.

We need to regroup, we need to rebuild, we need to start over, we’ve got to get the unviable businesses out of the way, the hotels business is such a big part of tourism, we’ve got to sort out that capacity issue, I wish I knew how but I can speculate that the market will prevail...If we don’t get the overseas business back and growing at a much greater rate than 2–3% we’re in big trouble, so there is room for a major initiative but I don’t know what that is yet... (Anonymous, personal communication, November 2010).

While the private sector was slow to germinate any policy position around the crisis, the state agencies Fáilte Ireland and Tourism Ireland were more proactive. A Senior Executive at Tourism Ireland elaborates “In the beginning of 2008 we launched a new global marketing campaign and we adapted that as we went through 2008 to reflect a more tactical focus, we started to push price messages into the campaign and focused on ease of access and now in 2010 we have a major push on a tactical campaign because of the issue of value for money” (Anonymous, personal communication, December 2010). Similarly, Fáilte Ireland’s business development strategy, devised in 2007, was recognised to be obsolete by the middle of 2009 when the agency accelerated forward a planning process for 2010–12. The main substance of this shift in emphasis was to focus on product development.

As one of Fáilte Ireland’s senior tourism development strategists explains

Our response to the crisis in 2008 was to adjust our role as a national tourism development agency. We identified ten key tourism destinations, so what that means is we’re abandoning or removing ourselves
from traditional ideas of ‘the North West region’, which was just a health board administrative region. What we’ve identified now is ten key destinations and that’s a big shift in terms of the way we think about tourism. We’ve clamped the geographies where our tourists go and have inventories of everything in those destinations and we focus all of our efforts in all of these destinations (Anonymous, personal communication, November 2010).

Another part of this initiative involved developing the tourism market. A significant part of developing a market is about advertising and media but a significant part of it is about events and activities—so creating festivals, events, giving people a reason to come. We see two strands of time 8am-8pm and 8pm-8am. The core problem for Irish tourism is the former, the things to do and see. For decades it could be argued we’ve been too light touch on this and we’ve been foot to the pedal on the accommodation and food end. The real development challenge, the deficit in Irish tourism, which has become much more pointedly acute because of the crash in the last few years, has been to go back and recognise the uncomfortable truth that the real driver of tourism is not hotels or bars, those things are a derived demand, a secondary demand that comes from a primary demand which is to come to Ireland. As a development agency, since we were established in 2003 we have been trying to turn that around (Anonymous, personal communication, November 2010).

In explaining why Irish tourism for so long had overemphasised the development of accommodation over product, Fáilte Ireland’s senior strategist discusses the issue in terms of organisational interests and regulatory capture of the state agencies by the private sector, which will be discussed in further detail below in sections 2.3.4 and 2.3.5.

In summary, the policy paradigm that informed the state and private sectors’ responses to the 2008 crisis was very different across public and private sides of the development ‘partnership’. The former was proactive in engaging with the reality of the crisis while the latter was slow to solidify any policy position on the downturn in the industry. Moreover, there was relatively little dialectical engagement at an official level across industry and state agency boundaries around the best strategy to pursue. For the first two years of the decline in tourism numbers, the private sector largely focused on lobbying the state for funding to ensure the survival of the sector, rather than contemplating a more radical shift to an ambitious plan for growth as a solution to the crisis.

As a strategist from Fáilte Ireland put it, “We have to contribute to tourism businesses in terms of helping them to survive through this…” (Anonymous, personal communication, November 2010). Arguably the agency that came closest to generating a growth-based response was Fáilte Ireland. However, interestingly, the remit of that agency since 2003 had been to focus on national or domestic development and so although they responded to the crisis, their capacity to affect change was bound up in the organisational politics and power arrangements of the industry, which will be outlined in further detail in sections 2.3.4 and 2.3.5, but first the specific goals for tourism development that emerged post-crisis will be examined.
**Policy Goals in the Crisis**

The policy goal response to the crisis was more specific and more directly articulated than the policy paradigm positions on the crisis. In 2009, the Tourism Renewal Group Report outlined a five-year framework for action, which set targets for tourism growth of eight million tourists by 2015, a compound growth rate of 7.9% with an associated jobs target of 15,000 (Stationery Office, 2009). The Group’s report outlines in detail the policy that was to guide development and notes:

Irish tourism has the capacity, if supported and developed, to deliver even more for Ireland as part of an export-led economic recovery. Tourism has a strong role to play as a source of employment, is well positioned for a green/sustainable development approach and has a powerful influence on international perceptions and image of a country (Stationery Office, 2009, p. v).

Urgent policy actions required in 2009 included investment in marketing, cutting access costs by abolishing the Air Travel Tax and strengthening the tourism product. Spending was to be more co-ordinated and sustainable enterprises and employment were to be underpinned by minimising costs such as wages, utilities and rates and by ensuring access to working capital (Stationery Office, 2009, p. vi). Midterm actions for recovery focused on “enhancing Ireland’s attractiveness in a global marketplace which is returning to modest growth, building on gains in cost competitiveness and making sure that future opportunities for growth are identified and nurtured” (Stationery Office, 2009, p. vii). The aims listed included: reaffirming the value and importance of tourism, strengthening the innovative and knowledge content of tourism; sustaining investment in tourism marketing; sustaining investment in people by retraining and strengthening skills; and sustaining investment in the tourism product, which included renewing “investment in priority projects, including funds for public attractions and infrastructure and incentives for refurbishment of accommodation” (Stationery Office, 2009, p. vii).

As a mechanism for managing the implementation of its policy, the renewal group recommended establishing an Implementation Group, which was put in place in July 2010. The State’s support for these endeavors was evident in Budget 2010, which incorporated a range of tourism measures. The overall tourism services budget was increased by 3% to over US$222.7 (€153) million, including the maintenance in real terms of funding for the Tourism Marketing Fund. Similarly, in the Capital Infrastructure Priorities document, launched in July of 2010, an allocation of $232.9 (€160) million was made for product development from 2011 to 2016. This funding was to be implemented, ironically not through tax incentives, which had been the downfall of hotel development, but instead by reinstating Bord Fáilte’s traditional grant allocation process, whereby Fáilte Ireland would identify and evaluate project applications using an independent grant advisory group and through the approval of Fáilte Ireland’s Board.

However, while this provision of funding had the potential to assist the state agencies in disciplining the private sector around the task of
tourism infrastructure development, there was not any definite or specific policy goal or framework articulated by the state agencies around this agenda. The only official platform for engagements between public and private bodies remained the Tourism Renewal Group. Essentially there was a failure to create a dialectical engagement between public and private sector coalitions around either policy creation or implementation. As a senior strategist comments, from Fáilte Ireland’s perspective

The private sector sees the bigger picture but they would say that turning the focus around to product development that’s a job for an agency like Fáilte Ireland. A body like the IHF, its primary function is to serve its membership—the people leading those groups will have that focus (Anonymous, personal communication, November 2010).

Moreover, despite Fáilte Ireland’s focus on policy goals for product development, and the availability of funding, in relation to the level of decline of tourism, the yearly growth targets of 3–4% set by the Tourism Renewal Group were simply not ambitious enough even to reverse the large-scale decline that the industry had suffered. Implementing even these modest targets would require initiatives from the private sector but none of the private sector organisations named the renewal group’s policy document or Fáilte Ireland’s plans as part of its vision for future growth. This disjuncture in awareness of public and private policy initiatives is perhaps best explained by a difference in priorities between the private and public bodies as well as the complexity of the organisational structures that underpin Irish tourism.

Organisational Blocks on Progress

The structure of the developmental regime that had underpinned Irish tourism’s success changed fundamentally in the early years of the 2000s and arguably to the detriment of the industry’s development. In 2001, in response to the imminent establishment of an all-island tourism board, Minister for Tourism Dr. Jim McDaid merged Bord Fáilte and CERT, the tourism-training agency, into a single body (Dáil Debate, 14 Nov, 2001). This shift left staff unsure of how roles would be allocated in the new merged body and how it would relate to the new all-island marketing agency Tourism Ireland Ltd. (Zuelow, 2009, p. 231). The latter was formed in 2002, not, crucially, as a result of any tourism industry needs, but rather as part of the Northern Ireland peace agreement. Tourism Ireland Ltd. adopted responsibility for the marketing of the island of Ireland overseas, ran all overseas tourism offices and took over one hundred of Bord Fáilte’s staff which, in turn, demoralised Bord Fáilte because its role in tourism was consequently much less clearly defined but also much more limited (Zuelow, 2009, p. 229).

From 2001 to 2003 Bord Fáilte existed in limbo until the establishment of a second state agency, the National Tourism Development Authority, Fáilte Ireland, which was to

Encourage, promote and support development and marketing of tourist facilities within the state by overseeing education...developing
tourism products, grading and registering hotels, engaging in research and planning, pursuing advertising and publicity activities within the Republic, and providing advice and consultancy services (Zuelow, 2009, p. 231).

The new agency was less powerful than Bord Fáilte had been as it was limited to promoting domestic tourism. But Fáilte Ireland was also expected to co-operate with Tourism Ireland Ltd. on specific niche product offerings in the international market, which caused a lack of clarity regarding the division of labour between the agencies.

A Senior Executive from the IHF observes

We ended up with two tourism organisations. We do worry about the levels of duplication within these organisations…they’re in the same water so it is very hard to separate the two, there is crossover and that has a cost (Anonymous, Author Interview November 2010).

Dividing the development and marketing agendas made no sense and having two state agencies served only to complicate communications and impede development. The tension this created between the agencies came increasingly to the fore as the industry came under pressure. Evidence of the private sector becoming more dissatisfied with the work of Tourism Ireland was evidenced in a very public manner in a radio interview on the national broadcaster Radio Telifis Éireann in mid-September 2010.

The IHF argued that the decline in the British market indicated an abysmal failure of the current strategy for marketing Ireland. Paul Gallagher, President of the IHF argued in the interview that

The British market is in freefall…In terms of marketing, Ireland is clearly doing something wrong if we’re losing tourists from Britain at double the rate of our European competitors. Plain and simple, there has been a disastrous failure to re-energise the British market and get the message out that Ireland has tremendous value to offer as a holiday destination (IHF, 2010).

The IHF maintained that the over-riding issue was the inability of Tourism Ireland to communicate effectively the range of attractions and the value for money of the Irish product. Similarly ITIC’s July 2010 report documented that “there was some concern expressed about a perception of confusion and lack of optimum efficiency in the dual agency structure, Fáilte Ireland and Tourism Ireland” (ITIC, 2010, p. 43).

Moreover, the report also advocated a more radical review of agency arrangements for tourism as a key recommendation

A review of the State agencies involved in tourism is recommended, while cognisant of the all-Ireland remit of Tourism Ireland. The particular challenges facing Ireland in a changed market environment, together with the restrictions on public funding and the need for the most effective marketing of the destination, combine to suggest this is an opportune time to review the current organisational arrangements. …Key criteria for the review might include a fit for purpose assessment, an efficiency audit as well as exploring opportunities for shared services (ITIC, 2010, p. 54).
A further public elaboration of the private sector’s dissatisfaction with state agency arrangements for tourism emerged with the Restaurant Association of Ireland questioning the need for four tourism agencies.

*I think we need to take a serious look at the purpose of Tourism Ireland, Fáilte Ireland, Shannon Development and Dublin Tourism...We need to see if we’d be able to manage with one, or maybe two agencies. That would lead to a much more...coordinated approach* (Sunday Times, 2010).

Even a Senior Executive of Tourism Ireland acknowledged “If we were starting again and there was no politics involved it might be entirely different, but, at the end of the day, people have a clear vision of the job that needs to be done and people may not appreciate the north—south relationships that have developed and there’s huge benefits that far outweigh what people might see as barriers...” (Anonymous, personal communication, December 2010). Fáilte Ireland equally both acknowledged the incongruity of the split between agencies but also accepted the necessity of continuing with current structures in light of their importance to the peace process in Northern Ireland. As a Fáilte Ireland strategist commented

*[The split between product and marketing—page one of the business strategy book would say have it all in the one place, but the reasons for it are in the Belfast agreement...their genesis was the peace settlement, it’s a very political issue...and peace in Northern Ireland isn’t a bad price to pay. In business terms it’s incongruous. It would be better if people were in the one organisation but there’s no duplication. We meet, we talk, we work together in particular programmes, tourism isn’t compromised by structures* (Anonymous, personal communication, November 2010).

Although the sector may have adapted to less than textbook-standard structures, it still nonetheless faces the ongoing challenge of reversing a negative development trajectory and, in particular, the specific problem of accessing the political power structures that might fast-track a more radical agenda for change.

**Power Struggles and Failure**

Even when ITIC recognised impending problems within the industry, they were unable to draw attention to the issues because of a disinclination within government to address any negative issues that countered popular narratives of the ‘Celtic Tiger’ growth economy. As a senior executive with ITIC comments

*We realised well before 2008 that there were problems in the industry, and we flagged it publicly, with the Minister and with the agencies, but large sections of the industry itself had trouble recognising it...The response we got to the reports was that the industry is always complaining...Ministers would be out talking to the grass roots and hoteliers were busy...they don’t care who they’re busy with, Irish or international tourists...the idea that there were problems wasn’t*
credible...our Taoiseach (Prime Minister) was saying that people who talk down the economy should go and commit suicide...it could only have been shifted by a charismatic leader who went before the nation to decide what we were doing with the resources of the exchequer revenue...and we didn’t have the right kind of leadership in politicians... and state agencies’ masters are the political system and it doesn’t like state agencies flagging bad news...I would be aware of issues where Bord Fáilte was told to back off... (Anonymous, personal communication, November 2010).

A senior strategist from Fáilte Ireland explains the problem in terms of the power shifts that had occurred within the partnership of public and private bodies. On the question of why tourism product development, as opposed to accommodation, was neglected during the boom, he says

The private sector was driving a lot of policy and was quite dominant. Without being critical, I think it conforms to textbook notions of regulatory capture. In many ways the private sector and state agencies have a bilateral relationship and that evolves in a certain way depending on the balance and shifts of power between both actors and could involve the capture of one party by another and there’s elements of that in Irish tourism (Anonymous, personal communication, November 2010).

Commenting specifically on the IHF role in this development, he notes

In the hotel sector we had a very powerful lobby group, it was well resourced, it had cash, it had financial and organisational muscle, and so consequently it was prominent in decision making and captured a lot of political attention, and to this day that’s still true... they have a leverage they can exercise (Anonymous, personal communication, November 2010).

Essentially, the primary reason that the state agencies were unable to terminate the tax incentivisation of hotel development, or even shift the incentives towards product development and tourism infrastructure were to do with the structures of the Irish political system. As Fáilte Ireland’s strategist elaborates

It probably reflects something about Irish politics and the very localised nature of Irish politics... Tourism is an industry that’s in every parish... and consequently it’s important politically and maps very well onto our political mindset, which is very local. And the hotels scheme reflects a sense in Irish society of trying to do something everywhere... tourism infrastructure must cluster where people have gone for decades. But for the last ten years we’ve had hotel development that’s followed tax incentives, and that’s distorted development and has shifted from a fundamental tourism business model to a tax incentive model. Why did it happen? Again you had a powerful hotels group in the form of the IHF who were keen to see this, and property developers with profits they wanted to divert into hotels (Anonymous, personal communication, November 2010).

In essence, private sector organisations had captured public agencies and these agencies, in turn, had no capacity to discipline the private
sector towards an agenda of product rather than hotel development, because the state agencies’ political “masters”, parliamentary politicians, were interested primarily in local level or constituency-based “tourism” development and not concerned, as they should have been, with the broader national tourism development strategy.

CONCLUSION

Despite the fact that most other European destinations returned to growth late in 2009 and early in 2010, Irish tourism remained in crisis. The endurance of the Irish crisis is explained through the application of Wilson’s schema. This shows the dominance of private interests over state agencies, which led to the capture of the state developmental project by a broader neo-liberal project. The policy regime that underpinned the sector was inadequate to the task of reversing the decline and generating growth. This, in turn, was because of the nature of the political interactions between the state and private sector coalitions that underpinned the industry, which, rather than being balanced and dialectical, were instead dominated by private sector interest groups. The policy paradigm that was adopted during the crisis was fundamentally conservative, focusing on the “survival” of the hotel industry rather than the growth of the sector. Policy goals were relatively unambitious and focused on maintaining equilibrium rather than radically altering the industry’s approach at a policy level. Moreover, the organisational structures of the sector were compromised because of the changes that had been wrought in the early 2000s to state agencies, leaving them severely fractured, and ineffective in addressing the profound crisis. Similarly, the power arrangements amongst the actors concerned with development saw the industry increasingly dominated by the concerns of the private sector with less developmental input from state agents.

The case of tourism’s decline examined in this paper goes some of the way to beginning to address the question of why growth is occurring more rapidly in the international market than in Ireland. For instance, occupancy rates in Europe were up 5.4 percent in the third quarter of 2010 and overnight visits were forecast to grow by 3.8% in 2011 (EU Commission, 2011). Similarly, Britain was expected to attract 30.0 million tourists in 2011, a rise of 1%, with a projected associated spend in nominal terms to £17.2 billion, up £0.34 billion or 2% (Visit Britain, 2011). While the recovery that has begun elsewhere raises interesting possibilities for comparing the dynamics between state and private interests among “recovering” and “failing” countries, this paper is limited in scope to outlining the factors that have impacted negatively on Irish tourism only. In this way the paper makes a number of contributions to key theoretical debates in the political economy of tourism. The study adds to analyses of the policy process by adapting Wilson’s policy regime framework as a mechanism for mapping the dialectical interactions of state and private sector coalitions at strategic and operational levels. It engages with Bramwell and Meyer (2007)
and Krutwaysko and Bramwell (2010) by emphasising the relational and dynamic character of the policy regime process. This policy regime analysis outlines the fluid nature of connections between organisations and shows how structures such as the sector’s power arrangements impact on agents, as well as on policy paradigms and goals. But the study also innovates on these analyses by showing the effect of breakdowns in the dialectical relationship between the state and private sector agents and how this can act to prevent recovery and impede development.

The paper also contributes to debates on the political economy of Irish development, which have been very neglectful of the tourism case. With the exception of Clancy (2009) and O’Brien (2011), most examinations of Irish growth, even during the Celtic Tiger period, entirely omitted to mention tourism as a feature or factor of growth, and failed to acknowledge the vital role it played in job creation, right from the beginning of the boom in the late 1980s and early 1990s. Equally, theoretical debates on the Irish state as a Developmental State or a Competition State (Kirby, 2002, 2010; Riain, 2004) have not acknowledged the role of the state in the propagation of a strong indigenous tourism industry. Even post-crisis, with the exception of O’Brien (2010, 2011), relatively little academic attention has been paid to the Irish tourism industry and its capacity for job creation, despite the lessons that can be learned from the growth of the late 1980s, which also occurred during a global recession.

Within the international literature, the politics of tourism and its development are addressed more frequently. However, while states have become increasingly engaged with tourism as a means of achieving economic development and academic debate has become more focused on the politics of state development, the political features of the state’s involvement with tourism development have not yet been exhaustively outlined. Analysts have closely examined matters such as the policy-making process, policy networks and interest groups’ impacts on governments’ roles in development (Edgell, 2008; Pforr, 2005; Tyler & Dinan, 2001). Moreover, they have examined the broader issue of the complex institutional politics that underpin the state’s involvement in tourism policy creation as well as implementation (Bramwell & Meyer, 2007; Krutwaysko & Bramwell, 2010). However, despite advances made within the analysis of the politics of tourism development, this does not negate the importance of this theme for the industry internationally; a fact which demands that the politics underpinning the successes and failures of the industry continue to be taken seriously by political economists, developmental state theorists and within tourism studies in the future.

REFERENCES


