Department of Enterprise, Trade and Investment

Review Document

Tourist Accommodation Policy 2015-2020

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1.0 Executive Summary

1.1 Background & Strategic Context

The Department of Enterprise, Trade and Investment, in conjunction with Invest NI and Tourism NI, is currently reviewing its policy regarding the provision of support to tourism accommodation providers in Northern Ireland to help grow and develop their business to ensure that it supports and enables the provision of sufficient accommodation supply to 2020.

Since its inception in 2002, Invest NI has had responsibility for the administration of applications for government assistance for the development (new starts, expansions, improvements) of tourism accommodation. The current policy position governing the provision of support to tourist accommodation providers in Northern Ireland was last reviewed in 2004.

In taking forward the review we have summarised the strategic vision for tourism going forward drawn from the draft Tourism Strategy 2020 and the many outworkings of that strategy such as Tourism NI's Priorities for Growth, the Events Strategy, the Tourism Recovery Taskforce Report - GB Path to Growth, the draft Belfast tourism Strategy and a number of reviews of our key tourism markets. In this context, it is imperative that accommodation supply provision meets the demands, needs and expectations of visitors, both in terms of volume of supply and in terms of the provision of a quality visitor experience.

The extent to which the public sector should intervene in the accommodation sector is a complex area and an initial review of the current policy highlighted a number of wider policy issues that required further exploration and which would benefit from further information / evidence from individuals / organisations with an interest and / or active involvement in the sector.

The Department undertook a stakeholder engagement exercise in 2014. Many key stakeholders responded to our request for information / evidence and respondees are listed at Annex A. Information gleaned through the stakeholder engagement process has been considered alongside the Department's existing evidence base to inform the Department's policy position as set out in this document which, will be subject to a full public consultation exercise.

Tourism is now recognised as a key economic driver for Northern Ireland. There has been sustained growth in tourism spend into the economy over the last 4-5 years increasing the number of jobs supported by the sector to 43,000 and contributing 5.2% to GDP. Challenging targets have been set within the Programme for Government to grow tourism and the aspiration is to grow total overnight visits to 4.5 million and spend to £1billion by 2020. In the context of these targets, it is imperative that accommodation supply provision does not hinder tourism growth. In order that challenging visitor targets are met, tourist accommodation needs to meet the demands, requirements and expectations of visitors, both in terms of volume of supply and in terms of the provision of a quality visitor experience.

In order to capitalise on the investment in tourism and grow our tourism industry and its contribution to our economy we have to be able to accommodate a growing number of visitors. We need to understand the needs of our key tourism segments if we are to meet the accommodation needs over the next 5-10 years.

Drawing together the evidence gathered by the Department including key evidence from external stakeholders there is there is a lack of 4/5 star hotel accommodation within our key tourism areas. In other accommodation sectors such as B&B, guest house and self-catering there is sufficient supply with a need to upgrade the quality and authenticity of the offering and in some cases there may be oversupply. The main concern highlighted in our policy review is that we may be approaching a position of undersupply of hotel accommodation in Belfast to accommodate our growing tourism aspirations especially with the opening of the Waterfront Conference Centre in 2016.

In light of this the following summarises the main principles of the proposed Tourism Accommodation Policy 2015-2020.

1.2 Priority Areas for Support

For all categories of accommodation, financial support will be primarily focused on accommodation projects that:

- seek to develop "out-of-state" tourism; and
- link to the needs and desires of Northern Ireland's key visitor segments from our key visitor markets; and
- align with Northern Ireland's best prospect tourism experiences
- develop our capacity to grow our business tourism sector

Priority will also be given to projects which:

- address the needs of the Waterfront Conference Centre through development of a large conference hotel of around 400 bedrooms.
- add value in terms of distinctiveness, niche market opportunity or offer product that is unique to Northern Ireland; or
- attract new international brands that will reinforce Northern Ireland as a destination of choice

1.3 Financial Intervention

Financial intervention for tourism accommodation projects which meet the above priorities will be available in a range of formats depending on the scale, nature and location of the project.

Capital Grant support - outside of the Belfast area, capital grant support will remain available through Invest NI's selective financial assistance scheme for hotel and other larger scale accommodation projects which meet the criteria of the new policy. This support will be subject to Regional aid restrictions.

New Tourist Accommodation Loan Fund – from our stakeholder engagement, there is a perception that access to finance is the main barrier to development, particularly in Belfast. Therefore it is proposed that a new Tourism Accommodation Loan Fund will be developed funded through financial transaction capital. The Loan Fund will be available at commercial borrowing rates and to a maximum of 30% of build cost. It is estimated that if all projects took up the Fund and were found eligible the Loan Fund could require £20-30m by 2020 if all new projects took it up to 2020 – it is proposed that the estimated size of the Fund for a first call in Belfast should be around £4-5m.

Relaxation of Belfast Moratorium – It is proposed that the Loan Fund will principally be available for hotel and larger-scale accommodation projects in the Belfast area until 2020 at which point this provision will be subject to review to consider if the potential under supply situation has been addressed. It is also proposed to open the Loan Fund up to areas outside of Belfast if capital grant provision is impacted in the future by budget or other constraints.

During our stakeholder engagement Belfast City Council has raised the possibility of short-term grant assistance in Belfast. Currently there is no evidence to warrant grant intervention given the anticipated upturn in demand for accommodation over the next 5 years. There is more widespread support for a loan fund, however this can be further tested at consultation.

Support for small scale tourism accommodation – research undertaken and stakeholder evidence indicates that there is already sufficient supply of small scale self-catering and B&B accommodation and in some cases there is potential oversupply. There is therefore little evidence to prioritise support for new developments unless they meet a very clear demand. There is however a need to address concerns about quality through support to upgrade existing premises to a minimum of 3 star or above linked to the appropriate market for the accommodation business. DARD is content to include provision for small scale accommodation within the Rural Development Programme – this support will be targeted on the upgrade of existing self-catering, B&B and guesthouse accommodation. Larger scale non-hotel based accommodation with 10 or more rooms and self-catering developments as part of mixed use tourist resort development will still be considered by InvestNI either under capital grant assistance or the Loan Fund depending on location.

1.4 Assessment of Demand - Destination-Level Accommodation Need

Different regions of Northern Ireland will appeal to different markets and visitors will, therefore, have different expectations and requirements of their accommodation. Each region also offers a range of unique experiences and accommodation provision should be seen as an integral part of the tourism experience.

Therefore, it is appropriate that future accommodation needs should be considered on a regional basis. New Local Councils should work together to consider the needs of each tourism destination area within Northern Ireland and develop accommodation need plans, which take account of demand patterns by visitor type. This work fits well with the new community planning responsibilities of Councils.

Support to develop accommodation needs plans will be made available through a new jointly funded Tourism Growth Fund.

1.5 Flexibility of Tourism Legislation

1.5.1 Temporary Accommodation Solutions to meet Spikes in Demand

In 2012 and 2013 there was a lot of speculation about the capacity to accommodate the expected visitor numbers attending key events. While an under-supply situation did not materialise this debate did highlight the need to consider the future potential for temporary accommodation solutions such as pop-up hotels where there is a clearly defined and substantiated need.

The new policy will set out that existing tourism legislation does provide a mechanism to deal with situations where there is a clear short-term demand beyond that which could be accommodated by our existing accommodation supply. Under the Tourism (NI) Order 1992, any proposal for an exemption to the certification requirements in order to allow temporary accommodation solutions will require a site-specific business case, supported by clear evidence of need to be submitted to the Department for approval. It will also need to meet other statutory/legislative requirements such as planning. This approach has general support across relevant industry representatives

1.5.2 Certification Scheme

In Northern Ireland we require all tourist accommodation businesses to be certified. This has the benefit of ensuring we have minimum standards guaranteed for our visitors and also that we have a definitive database of tourist accommodation. Following a review, accommodation categories were added in April 2011 which has enabled a wider range of premises to be certified. It is proposed that the policy will recommend another review of the categories defined in legislation to increase flexibility and ensure we are seen as open for business for the development of new and emerging tourism accommodation product.

1.6 Non-Financial support

The tourism accommodation sector can benefit from a broad range of government interventions beyond pure financial support. The industry has indicated that it would benefit from additional information about opportunities within the tourism sector; this could be in relation to specific events, attractions and origin markets (particularly their accommodation preferences). This information needs to be made available and accessible to the sector right across Northern Ireland. Tourism NI will take the lead in sharing this information.

There is also a role for the public sector in terms of providing softer business support for tourist accommodation businesses. Invest NI has a suite of products, both advisory and financial, which are available across all sectors. Support is tailored to the specific needs of individual businesses and also takes into consideration the scale of the business and its potential for economic return. Notwithstanding the range of support that is currently available for tourist accommodation businesses, the review has identified the need for additional capability support, particularly for smaller businesses (i.e. B&Bs, Guesthouses, self-catering), who do not have the skills or the resources necessary to adequately market themselves or to promote their strengths in what is a very competitive marketplace.

More public intervention is needed in the form of signposting, collaborative working, training, experience, and benchmarking. The new policy will place Tourism NI in the lead in providing this support to smaller businesses in the tourism accommodation sector through its industry development programme and as part of implementing the Hunter Review recommendations.

2.0 Policy Context

2.1 The importance of Tourism to Northern Ireland

The economy is at the top of the Northern Ireland Executive's agenda and, overall, it is estimated that tourism supports around 43,000 jobs in Northern Ireland, helping contribute some 5.2% to GDP[1]. The Economic Strategy, developed by the Department of Enterprise, Trade and Investment, has identified 5 key themes to stimulate economic growth and address gaps in productivity; innovation, skills, competitiveness in the global economy, encouraging business growth and developing economic infrastructure. Tourism is clearly positioned within three of these key themes on the global economy, economic infrastructure and encouraging business growth.

Increasing exports and external sales is a central goal of the Economic Strategy and Tourism can make a major contribution here also. In-bound tourism attracted to Northern Ireland, which stood at some £531m in 2013, is effectively a combination of Exports and External Sales of Northern Ireland's tourism products and services.

To ensure Northern Ireland retains its competitive edge we must continue to influence and secure investment to ensure a high quality tourism offering is maintained and a lasting legacy achieved.

2.2 Strategic Vision

In 2009, the Department of Enterprise, Trade & Investment (DETI) undertook a wide-ranging consultation on the strategic development of tourism. Out of this work the following strategic targets were developed:

- To grow tourism's contribution to the local economy to £1 billion (with £750m coming from external visitors)
- To increase visitor numbers to 4.5 million; and
- To sustain 50,000 jobs.

In the interim period since 2009, steady progress against these strategic targets has been achieved. For example, tourism spend reached £723 million in 2013, with almost three-quarters (73% or £531 million) of this coming from out of state visitors. This represents a 37% increase since 2009, as set out in the table below:

2009:	2010:	2011:	2012:	2013:
£529m	£620m	£640m	£683m	£723m

Studies have estimated that this visitor spend benefits not only firms in the tourism sector but also creates spillover benefits for a number of other sectors.

Taking account of this wider contribution of tourism to the local economy to include indirect effects such as on investment and the supply chain, it is estimated that the tourism sector supported 43,000 jobs in the local economy in 2013, up from 40,000 in 2010. Overall, this wider contribution meant that tourism was estimated to

[1] Deloitte and Oxford Economics – Tourism: Jobs and Growth
http://www.visitbritain.org/Images/Final%20proof%2015%20Nov_tcm29-39296.pdf

contribute 5.2% of local GDP in 2013, also up from the estimated 2010 figure of 4.9%[2]. The strong performance of the tourism sector during 2010-13 demonstrates its resilience despite the local economic downturn.

This growth has been underpinned by significant capital investment. Key investments included the five Signature Projects identified in The Tourism Strategic Framework for Action 2004 – 2007/08 in particular Titanic Belfast and the Giant's Causeway Visitor Centre. In addition there were other strategic investments such as the MAC and Lyric Theatre in Belfast and the Playhouse in Derry~Londonderry. The capital investment has given us world-class attractions that enable us to attract an international audience. Further investment is planned an example of which is the Conference Centre at the Waterfront Hall to boost business tourism, which is due to open in 2016.

The growth has also been supported by Tourism Northern Ireland's Tourism Events Strategy which has given Northern Ireland global exposure through events such as the MTV European Music Awards 2011, the ni2012 events programme (including the Irish Open 2012), the World Police & Fire Games 2013, the G8 summit 2013, Derry~Londonderry UK City of Culture 2013 and the Giro D'Italia 2014. The NI Executive is committed to hosting at least one major global event each year supported by a range of local events of international and national significance. Discussions are ongoing to secure a number of major events in the future and others have been secured such as the Tall Ships returning in 2015 and the Irish Open in 2015 and 2017.

Further growth is needed to reach the £1 billion target by 2020, specifically in the high-potential Great Britain (GB); Republic of Ireland (ROI) and overseas markets (particularly in North America, France, Germany and Developing Markets).

The priority is now to fully leverage this capital investment and exposure to raise the Northern Ireland tourism experience to a global standard and to achieve the vision to grow visitor numbers to 4.5million and tourism revenue to £1billion by 2020. This will be achieved through targeting specific markets and market segments.

2.3 Key Visitor Markets

Growing tourism revenue to £1billion requires a shift in the profile of our visitors towards external visitors and, to that end, our key visitor markets have been identified as Great Britain, North America, France, Germany, Developing Markets and Republic of Ireland.

Our key segments within those markets are:

GB & overseas:

> **Social energisers** - young couples/adult groups (aged 15 – 34) looking for excitement, new experiences, and fun, social holidays in somewhere new and different;

[2] Deloitte and Oxford Economics – Tourism: Jobs and Growth http://www.visitbritain.org/Images/Final%20proof%2015%20Nov_tcm29-39296.pdf

Culturally curious - mostly older couples with time to spend, independent 'active sightseers' looking to explore new places and broaden their minds and who want to 'do a place', both its culture and the beauty of its landscape; and

Great Escapers - want to get away from the stress of a busy life and retreat to a relaxing rural environment. Interest in stunning immersive natural phenomena and architecture within a short distance as well as outdoor activities. This segment can also be attracted by the establishment of national parks or forests as centres of recreational activity, with trailheads offering amenities for various activities, along with maps, guides, food and drink, and secure parking.

Republic of Ireland:

Mature Cosmopolitans (culturally curious) - tend to be older, though not exclusively so. They are more frequent break takers who aspire to travel more and in today's economic climate are more likely to have the disposable income that allows them to do so. Nonetheless they are interested in good deals. They stay in the best hotels and are interested in fine dining, the theatre, scenic drives and genealogy. Most are taking a break with their partner or several couples together

Young and Lively (social energiser) - tend to be younger visitors interested in urban breaks taken often with friends. The key draw is the quality of nightlife and events; they are keen to have a good time.

Time together - tend to be either younger or older couples interested in romantic breaks where they can spend quality time together but are also looking for a sense of the place they are visiting, appreciating the natural environment and or culture and architecture.

Family Fun - families travelling with their children and interested in breaks that offer attractions that will keep their children amused whilst giving them an opportunity to relax. Their breaks tend to be planned further in advance. They stay with family and friends or in 3 star hotels or self catering accommodation.

2.4 Northern Ireland's Experience Pillars

In order to achieve the vision for tourism, Northern Ireland's best prospects have been grouped into a series of themes or "Pillars" which form the basis of tourism's development strategy going forward:

Unique Outdoors - involves Northern Ireland becoming a distinct outdoor recreation and adventure playground through activities that combine physical activity; cultural exchange or interaction; and/or an engagement with nature. Examples of activities include mountain biking, canoe trails, adrenaline activity, walking, hiking, cycling and surfing and links golf.

Living Legends - involves making Northern Ireland's history, legend and stories alive and interactive. Examples include Titanic and Maritime, Saints and Scholars (including St Patrick's and Christian Heritage), and the Walled City and activities include industrial Heritage, Built Heritage (including landmark Buildings), Literary Greats, Museums and attractions, Genealogy and events.

Culture and Creative Vibe - involves promoting contemporary and vibrant NI experiences. Examples include The Belfast and Derry~Londonderry City Experience and activities: theatre, street entertainment, music/film, distinctive/award winning pubs and restaurants, café culture, tours, shopping, art galleries, public realm, nightlife, hallmark events

Naturally NI - involves experiencing local culture through nature. Examples include living landscapes, wonderful wildlife, NI local food and produce, cookery schools, speciality restaurants, distilleries, linen, gardens, wildlife, geneology, open farms, rural arts and crafts and markets and fairs.

Coasts and Lakes - involves turning coast and waterways into unique global destination experiences. Examples include Giant's Causeway and Causeway Coastal Route, Mournes Coastal Route, Fermanagh Lakes. Activities: Examples include Lakes, Loughs and Waterways, Cruising, Angling, Hub Towns, Seaside Towns and Villages/Coastal resorts, Beaches, Trails and Paths (Coastal, Forestry, Mountainous or cross country), Hallmark water based/coastal events

2.5 Tourist Accommodation Requirements

In order to capitalise on the investment in tourism and grow our tourism industry and its contribution to our economy we have to be able to accommodate a growing number of visitors. We need to understand the needs of our key tourism segments if we are to meet the accommodation needs over the next 5-10 years. The key accommodation needs most preferred by our key segments are outlined below:

Social energisers/young& lively – seek vibrant city life and like to stay in hotels close to the action. Some stay in B&Bs, guesthouses and hostels as long as there is a lot going around them that is new and different;

Culturally curious/mature cosmopolitan - choose accommodation so that they can see and do as much as possible, as well as get a local flavour. They value both the product outside cities and the city product and stay in high quality to mid-range 4-star hotels, self-catering and B&Bs; and

Great Escapers – seek relaxing rural environment and stay in hotels, B&Bs and self-catering accommodation.

Specific to ROI Market:
Time together - key draw is a romantic venue with quality accommodation. They stay in high quality rural hotels and often dine in the hotel;
Family Fun – attracted by competitive rates and potential for good quality family meal packages; and

Current research/survey material provides an indication of accommodation needs and preferences as follows:

	Hotel	Guesthouse & B&B	Caravan & Camping	Rented	Friends or Relatives	Other[3]
Total External Visitors	18%	4%	2%	10%	57%	9%
Other Overseas	18%	4%	1%	12%	56%	9%
North America	23%	4%	0%	2%	49%	23%
Other Europe	16%	5%	2%	28%	37%	12%
Republic of Ireland	27%	6%	5%	[4]	59%	3%
Great Britain	18%	4%	1%	5%	64%	8%

(Source: NISRA Tourism Statistics 2013)

2.6 Changes to Capital Expenditure Financial Support

When considering government intervention to support tourism accommodation we need to consider the recent changes to the European Commission's rules for State aid, in particular those for Regional Aid. From July 2014, under the Regional Aid rules, greater restrictions apply to both the maximum grant rate at which financial assistance can be provided and to the specific rules for large companies.

Since 2002 Government intervention to support tourism accommodation has been provided by Invest NI's Selective Financial Assistance (SFA) programme. This programme is subject to the Regional Aid rules and rates of assistance have been steadily reducing since 2007.

Effective from 1 July 2014, SFA provided to companies across all of Northern Ireland is subject to the same maximum Gross Grant Equivalent levels (GGE), i.e. there is no distinction between Belfast District Council area and the rest of Northern Ireland. The maximum GGE rates will be:

- 10% large
- 20% medium
- 30% small.

Definitions in Annex A of General Block Exemption Regulation at following link: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0651&from=EN

In addition, from 1 July 2014, assistance can be provided to large companies only where it supports "initial investment in favour of new economic activities". New economic activity is defined as "the setting up of a new establishment, or the diversification of the activity of an establishment, under the condition that the new activity is not the same or a similar activity to the activity previously performed in the establishment".

[3] 'Other' – covers all those other accommodation types that are not explicitly named in the table
[4] *Proportions for Republic of Ireland 'rented' have been incorporated into 'other'*

With regards to the manner in which capital assistance is made available, going forward, it is anticipated that there will be a departure from providing assistance by way of grant towards financially assisting companies in other ways, such as loan or equity funding and in this regard, HM Treasury has ring fenced financial transactions capital funding, which can only be used for the purposes of loan or equity funding.

2.7 Roles and Responsibilities – Tourist Accommodation Support

2.7.1 Invest Northern Ireland

Invest NI has primary responsibility for the administration of applications for tourism accommodation grants. However, in a climate where funding constraints and regional aid limits restrict the extent to which the public sector can assist by way of financial assistance, wider support to tourist accommodation providers, such as advice, guidance and training, becomes increasingly important.

The Invest Northern Ireland Tourism Team provides advice on the commercial aspects of tourism accommodation development and also offers advice and guidance to tourism accommodation businesses including:-

- IT and ebusiness issues
- Training
- Design and marketing
- Market research information
- Energy and water efficiencies

2.7.2 Tourism Northern Ireland

The Tourism Northern Ireland offers a range of support for tourist accommodation businesses including:

- Northern Ireland marketed as a tourism destination via Tourism Northern Ireland's consumer website Discover Northern Ireland.
- Access to Tourism Northern Ireland's Next Level programme of events which includes road shows, master classes, business insights and conferences and
- A range of ICT business support and customer service initiatives

2.7.3 Department of Agriculture and Rural Development (DARD)

DARD's Rural Development Programme (RDP) 2014-2020 has funding for a range of measures aimed at encouraging the economic development of Northern Ireland's rural areas, including a Rural Business Development Scheme and a Rural Tourism Scheme.

The Rural Business Development Scheme will offer grant to small and micro rural businesses for start up and development including private or social economy enterprise tourism businesses.

The Rural Tourism Scheme is much more strategic in its approach and will offer grant aid support to local authorities and their strategic partners to invest in natural and built heritage projects that can act as a key drivers for encouraging rural tourism whilst preserving the built and natural assets of the rural community, this might include activity such as:

- Improvements to tourism facilities,
- Improving and developing small scale infrastructure
- Strategic tourism product development including
    - Walking routes
    - Natural and cultural heritage tourism

2.7.4 Business support networks

Business networks assist accommodation providers in growing their businesses, by keeping abreast of the latest industry developments and sharing of best practice from peers.

Accommodation business networks include the following:

- Northern Ireland Hotel's Federation
- Visit Belfast
- Visit Derry
- Causeway Coast & Glens Tourism Partnership
- Fermanagh Lakeland Forum

3.0 Current Accommodation Provision and Future Need

3.1 Background

In the context of the vision for tourism, it is imperative that accommodation supply provision does not hinder tourism growth. Northern Ireland's tourist accommodation needs to meet the demands, needs and expectations of visitors, both in terms of volume of supply and in terms of the provision of a quality visitor experience.

The extent to which the public sector should intervene in the accommodation sector is a complex area which has been subject to review by DETI in conjunction with Tourism NI and Invest NI. In addition, evidence and comments have been sought from a range of key stakeholders listed at Annex A.

The Tourism (Northern Ireland) Order 1992 currently identifies eight categories of tourist accommodation – Hotels, Guest Houses, Bed and Breakfast establishments, Self Catering, Hostels, Bunk House, Campus and Guest Accommodation. These categories are considered in turn.

3.2 Hotels Accommodation

3.2.1 Northern Ireland

Since the mid-1990s, the number of higher quality hotels in Northern Ireland has increased significantly; the number of 4 and 5 star hotels has risen from 6 in 1995 to 36. Over that same period, there has been a dramatic fall in the number of lower quality hotels in Northern Ireland with the volume of 1star hotels falling from 35 to 1.

The Northern Ireland hotel stock as of end September 2014 is summarised below:

All Northern Ireland	Total	Rooms	Bed Spaces
5 / 4 Star	36	2,791	6,215
3 Star	47	2,134	4,943
2 Star	5	155	330
1 Star	1	16	33
Unclassified	48	2,778	6,110
Total	**137**	**7,874**	**17,631**

Northern Ireland hotel occupancy figures (Insert ref) demonstrate that there is a direct correlation between hotel star rating and hotel room occupancy levels. Figures from 2010, 2011, 2012 and 2013 reveal that hotel room occupancy levels were greatest in 4 / 5 star hotels (62%, 61% and 67%, 69% respectively) and lowest in 2 star hotels (30%, 30%, 44% and 41% respectively). Hotel bed occupancy levels follow a similar trend, with greatest occupancy levels experienced in 4 / 5 star hotels (2010 – 46%; 2011 – 43%; 2012 – 47%; 2013 - 46%) and lowest levels experience in 2 star hotels (2010 – 25%; 2011 – 28%; 2012 – 32%; 2013 – 30%).

Research undertaken by the Department supports this trend, indicating that there is a high level of demand for 4/5 star and 3 star hotels at a Northern Ireland level and forecasts that hotel sales by type will be split as follows: 4/5 star hotels - 53%; 3 star hotels – 44%; 2 star hotels – 3% and 1 star hotels – 0%.

This research suggested that all Destination Areas (DAs)*[5] have indicative need for at least one new 4/5 star hotel, with demand for 3 star hotel(s), in most of the DAs, with the greatest need in Belfast and Causeway Coast and Glens. It should be noted that this research cautions against being too prescriptive around location in the context of DAs, given that Northern Ireland is a relatively small area. In addition, it highlights that addressing need in one location might also address supply issues in other adjacent DAs.

The Department's engagement with stakeholders supported this assertion, with a number of stakeholders suggesting that their particular area could benefit from the provision of 4 and 5 star hotel. The impact of the Waterfront Hall development was also highlighted with the desired uplift in business tourism driving demand for hotel accommodation for conferences within Belfast and perhaps the development of a conference hotel.

There is also a view that lower grade accommodation (1 star and 2 stars) is either being forced out of the market or being replaced by budget hotel accommodation.

It would be reasonable, therefore, to conclude that demand for hotel accommodation appears to be largely limited to 3 – 5 star and budget categories.

Support for new hotel projects outside of Belfast should be restricted to 4/5 star and 3 star/budget categories.

Market repositioning should also be encouraged as it offers better value for money and helps to protect the overall reputation of the Northern Ireland tourism offering. Projects that seek to upgrade existing stock up to a minimum of 3 star standard will therefore also be eligible for support.

3.2.2 Belfast

Since the mid-1990s, applications for financial assistance for new hotel developments within a 10 mile radius of Belfast City Centre (including expansions and upgrades to existing properties) have not been accepted by Invest NI.

This approach was adopted because, at that time, it was concluded that there was 'no market failure'. It also served to help develop the tourism offer beyond Belfast - across all of Northern Ireland - where barriers to development, such as the perceived investment risk given the seasonality of the tourism offer were considered to be higher.

[5] There are nine key Tourism Destination Areas in Northern Ireland - Belfast, Causeway Coast & Glens, Walled City of Londonderry, Tyrone & Sperrins, Lough Neagh, Fermanagh, Armagh, Mournes and Strangford Lough

Statistics demonstrate that within Northern Ireland, Belfast and Castlereagh experience the highest levels of hotel room and bed-space occupancy. In 2013 hotel room and bed-space occupancy levels were 73% and 51% respectively and in 2012 75% and 54% respectively.

External Research (insert ref) undertaken on behalf of Belfast City Council examines Belfast hotel performance over the last number of years in more detail. In the pre-recession period, average room rates and bedroom occupancy rates in the City had been improving. However, as room supply increased, the average occupancy rate at hotels in the city declined from 77% in 2007 to 64.2% in 2010. Since then average occupancy rates have improved with 2012 and 2013 occupancy rates in Belfast bring the best on record at around 78%.

This research cautions against adding room stock into a market where demand is high for a relatively small part of the year and weak for the remainder of the year, but it states that in the case of Belfast, hotel demand is growing in every one of the quarters to the extent that there is no longer any real 'off peak' season, only weeks when demand may be low. Such a level of demand for hotel rooms over the period of a full year suggests that there may be an emerging under supply situation in the City. This comment is reinforced by feedback from tour operators who are indicating concern at lack of availability of hotel stock in main cities across the island of Ireland including Belfast.

This high demand situation would in other circumstances confirm that there is no market failure. However, despite the high levels of demand in 2012/13 and continued growth on the demand side, external research indicates that there are no new projects currently at the build stage and warns that if the industry continues to perform at, or above, current levels, then there could easily be a supply side shortfall.

Despite the recession, the demand for hotel accommodation in Belfast has increased and continued growth in demand will be necessary to justify future supply side development. External research indicates that there is 'the very real prospect that tourism in the City will continue to grow' due to the following:

- New Belfast Tourism Strategy 2015 – 2020, which will focus attention of relevant tourism parties and open up new markets;
- Subsequent improved engagement with and focussed marketing of the city in overseas markets via TIL and through Tourism Northern Ireland across the island of Ireland;
- Ongoing hosting of world class events;
- Waterfront Hall extension to provide a Convention Centre leading to increased business tourism;
- Improvement in general economic conditions in key tourism markets and export markets; and
- Prospect of enhanced direct air access.

It is considered that these factors will affect the demand for hotel accommodation in the following ways:

- Targets in draft Belfast City Tourism Strategy 2015 – 20 provide for an increase in visitor numbers of 5% p.a., with an emphasis on younger age groups. Whilst there is no certainty as to how these younger people will use hotel accommodation, ASM expects that they will seek accommodation that is less mainstream (i.e. major brands) and more unique to the destination. The report highlights that this is an area in which the city is poorly represented.
- Business visitors tend towards more generic accommodation choices although preferences may change as recessionary/travel pressures ease. It is noted that this could result in increased demand for more upmarket hotels.
- The MICE market is expected to become increasingly important to Belfast with the extension to the Waterfront Hall, due for completion in 2016, expected to increase activity in the events and conference market.

The research estimates that the demand for hotel accommodation in 2020 will be 33% above the level recorded in 2013, with the largest expected increase in the MICE market.

Business travel is typically associated with a higher average spend per visitor per night, than for other segments of the tourism industry. This is reflected in how revenue is generated from these visitors. Some 47% of spending by overseas business visitors to NI is on bed and board. This compares to 33% for leisure visitors and 25% for total visitors. (NITB/Tourism NI Tourism insight report 2011 insert ref).

NITB/Tourism NI's Business Visitor Attitude Survey (insert ref) shows that 73% of visitors, both overseas and domestic, stayed in hotels. By comparison, other categories of visitors are much more likely to stay with friends and relatives. Furthermore, business visitors are typically associated with premium hotel stays and typically visit within set dates, leaving less flexibility to find cheaper deals.

Business visitors generally demand a relatively high standard of accommodation (insert ref NITB/Tourism NI Tourism Insight 2011). Business visitor feedback indicates that the selection and volume of luxury accommodation was regarded as relatively poor. (insert ref NITB/Tourism NI Tourism Insight 2011).

External research also gives consideration to new supply entering, or about to enter the marketplace and provides an opinion as to the likelihood of each proposal progressing within the forthcoming 6 year period. It concludes that few of these projects will make any substantive progress by 2020.
After taking account of those projects which may proceed and based on a trigger point of 75% occupancy rate for additional investment, it estimates a requirement for additional rooms (anywhere between 79 and 948 rooms across a range of scenarios) by 2020.

Quality of Hotel Accommodation

The split of Belfast hotel supply by quality rating mirrors the pattern across Northern Ireland as a whole, with most hotels falling into the 3 – 5 star categories. Hotel bedroom supply in the BCC district (2013) is broken down by grade as follows:

5 star - 8.2%	2 star – 0%*
4 star – 29%	1 star – 0%*
3 star – 24.8%	Unclassified – 38%

* *the absence of supply at 1 and 2 star reflects the growth of budget hotels which have displaced unbranded properties at 1 and 2 star level.*

External research concludes that the majority of future hotel accommodation is likely to be required in the 'upmarket bracket': primarily 4 star, with the possibility of some 5 star stock. It highlights a number of specific gaps / deficiencies with the current accommodation stock which are likely to remain for the foreseeable future. These include: interesting / historically significant buildings; hotel products in properties that are unique to Belfast and Northern Ireland; a conference hotel of circa 400 bedrooms located close to the Waterfront Hall, to help with the 'saleability' of the venue and destination; and global 'upscale' brands, to add to the credibility of the city as a destination.

Engagement with key stakeholders further supports some of these affirmations – such as the provision of additional 4 and 5 star accommodation, the need for a "conference hotel" of between 300 and 400 bedrooms to cater for the business generated by the extension to the Waterfront Hall and high end branded hotel developments.

It concludes that, with only limited new development expected over the next 2 – 3 years, it is very likely that the Belfast market could face a sustained bedroom undersupply scenario. In these circumstances the query as to why there is no 'headlong rush' to create new bedroom stock arises.

Several potential barriers to development are mooted, such as the demise of potential developers as a result of the recession, lack of confidence in the immediate short term to encourage new development and the unavailability of finance. It concludes that these amount to market failure.

In discussion with a leading Bank there is an indication that there is a greater appetite to lend in the hotel sector due to the growth in tourism in recent years. However this discussion also confirmed that, despite this, there is a general lack of accommodation projects coming forward. This leads to the conclusion that some level of intervention is required to stimulate tourism accommodation development in Belfast if we are to capitalise on potential tourism growth and maximise investment in tourism infrastructure including the new Waterfront Convention Centre in 2016.

3.3 Bed and Breakfast (B&B) and Guest House Accommodation

Since the mid-1990s, Northern Ireland has experienced a significant decline in the number of B&Bs and Guest Houses. The number of B&Bs has fallen by one-third since the mid-1990s; with the decline accelerating from 2001 with the number of guesthouses has fallen by one-quarter over the same period.

Northern Ireland's B&B and Guest House accommodation stock, as of end September 2014, is summarised below:

All Northern Ireland	Total	Rooms	Bed Spaces
Guesthouse	97	774	1,796
Bed and Breakfast	573	1,912	4,338

In the main, both Guest Houses and B&Bs in Northern Ireland experience low levels of occupancy. In 2012, average room occupancy for Guesthouses / B&Bs (GH/B&Bs) was 33%, while bed-space occupancy was 23%. In 2013, average room occupancy for Guesthouses and Bed & Breakfasts was 31% showing a decrease of 1 percentage point on 2012 while bed-space occupancy decreased by 2 percentage points to 22%.

Excess supply would appear to be an issue in the Guesthouse and B&B sector.

Low occupancy levels currently experienced by B&B and Guesthouse accommodation in Northern Ireland calls into question the potential for economic return and the viability of supporting new build projects.

B&B accommodation is considered to offer "local" product and are well received by some out of state visitors. There is also an acceptance that guesthouses offer character and a unique accommodation offer and should be encouraged.

However, research commissioned by the Department (insert ref) suggests that B&Bs have a reputation for being old fashioned in Northern Ireland. The poor quality of the existing GH and B&B stock (particularly B&Bs) is also raised, and has the potential to affect demand patterns.

Given the lack of demand and excess supply issues, new Guest House and B&B developments should not be prioritised in terms of future financial support.

However, as research suggests that there is demand for quality product and given the substantial number of low quality offerings, there is a strong case for supporting the enhancement of supply through market repositioning/upgrading existing premises, which would also help to slow down the long term decline in provision.

Stakeholder feedback suggested that guesthouses and B&Bs would benefit from marketing and skills support, particularly around ICT.

3.4 Guest Accommodation

Northern Ireland's Guest Accommodation stock, as of end September 2014, is summarised below:

All Northern Ireland	Total	Rooms	Bed Spaces
Guest Accommodation	36	355	853

This is a relatively new classification and therefore very little data/evidence exists within this category around demand and qualitative considerations.

It is not possible to draw any conclusions regarding overall quality preferences due to the high proportion of ungraded premises.

There is no evidence to suggest that there is an unmet demand for this type of accommodation therefore Guest accommodation developments should not be prioritised for financial support.

3.5 Self Catering Accommodation

Northern Ireland's Self Catering Accommodation stock, as of end September 2014, is summarised below:

All Northern Ireland	Total	Units	Rooms	Bed Spaces
Self Catering	1,427	2,313	6,268	12,232

Excess supply on an annual basis appears to be a particular issue for self catering accommodation premises with low annual occupancy levels. This oversupply may be overstated once quality is considered; currently the poor quality of the existing stock is concerning, and this could affect demand patterns.

The potential upside of excess supply is that it should maintain competition and keep prices competitive. An overly cautious approach to supply could actually result in Northern Ireland having uncompetitive accommodation prices.

Current levels of occupancy would suggest that there is little economic reason to prioritise support for new-build self catering developments.

External research has raised concerns regarding the poor quality of the existing stock which suggests that there is a strong case for supporting the enhancement of supply through market repositioning/upgrading existing premises.

Stakeholder feedback suggested that self catering accommodation providers would benefit from marketing and skills support, particularly around ICT.

3.6 Hostel Accommodation

Northern Ireland's Hostel Accommodation stock, as of end September 2014, is summarised below:

All Northern Ireland	Total	Rooms	Bed Spaces
Hostels	47	592	2,444

While undoubtedly there is still a market with hostels being popular with certain tourist types (primarily youth), the sector is coming under pressure from low cost offerings in other sectors, such as budget hotels.

Whilst hostel supply levels have remained largely stable over the last couple of years there is evidence of reduced occupancy and room rates, leading to challenges regarding viability.

There is a view amongst stakeholders that there is a need to develop high quality hostel accommodation comprising of single or double/twin rooms with ensuite facilities. Anecdotal evidence suggests that there is increased demand for rooms with fewer beds in them – singles, twins, doubles and fours. There would appear to be less demand for 'typical' larger dormitory type rooms as, in Belfast, they are the last to sell, despite being the cheapest, which would appear to support this assertion.

Whilst there does not appear to be a widespread need to prioritise public sector intervention to promote further new hostel accommodation, existing premises could, in some cases, benefit from upgrading of facilities ensuring a quality product. Support is likely required to be necessary catalyst for such change.

3.7 Campus Accommodation

Northern Ireland's Campus Accommodation stock, as of end September 2014, is summarised below:

All Northern Ireland	Total	Rooms	Bed Spaces
Campus Accommodation	11	4,449	4,626

There is inherent value in campus accommodation sector in helping to meet support short term accommodation needs for events. For example, campus accommodation was utilised by athletes over the two week period covered by the World Police and Fire Games.

There is no evidence from a tourism perspective to support the need for public sector intervention in this accommodation category.

3.8 Bunk House

Northern Ireland's Bunkhouse Accommodation stock, as of end September 2014, is summarised below:

All Northern Ireland	Total	Rooms	Bed Spaces
Bunkhouse	6	24	101

There is no evidence from a tourism perspective to support the need for public sector intervention in this accommodation category.

4.0 Consideration of Issues to be addressed in a new Tourism Accommodation Policy

4.1 Moratorium

Belfast achieves high occupancy rates and it is anticipated that demand will grow with the rise in tourism numbers and the particular rise in business tourism with the Waterfront Hall development. However, the prevailing economic climate, associated lack of confidence and perceived lack of access to finance means that only a small number of new hotel developments are expected to come to fruition in the short/medium term. With the expected increase in growth in the City going forward, particularly in the business tourism market it is important that Belfast is in an optimal position to capitalise on this growth. Evidence suggests that the private sector is not in a position to meet market demand without some degree of public sector intervention.

It is therefore proposed that the moratorium on funding new hotel developments within a ten mile radius from the centre of Belfast be relaxed until 2020. However, as the evidence indicates that lack of available finance is the stumbling block to development, it is proposed that a loan fund is developed to provide loan support to hotel projects that meet the key priority areas for tourism growth.

Existing hoteliers, as established businesses with a track record, offer a lower risk option both to Invest NI and to bankers. Proposals for the expansion of existing 4 star, 5 star and budget hotels will also be eligible for support through the loan fund.

If forecasts of economic growth prove realistic, it is likely that a degree of confidence would return to the hotel sector, finance would be more readily accessible and supply growth should pick up. It is for that this reason that grant intervention is not proposed and that the position of the loan fund should be subject to review at the end of the four year period.

4.2 Quality, Diversity and Uniqueness of Accommodation Provision

If Northern Ireland is to appeal to more out of state users, our product must be at least as good as our best competitors and, ideally, better if we are to provide a high quality experience overall and boost tourism spending.

There is, therefore, a need to increase the diversity, quality and uniqueness of accommodation provision and to promote accommodation that has the potential to create its own demand.

Research (insert ref), visitor and stakeholder feedback points towards the need for a diverse tourism accommodation product in Northern Ireland; new types of accommodation should be developed to diversify the offer and provide a unique visitor experience.

When assessing whether new developments should be supported, there is an important role for qualitative judgement and this should be around issues such as quality, uniqueness and diversity. These are features in themselves that could generate demand.

Higher quality development, including the introduction of new international hotel brands, should be prioritised and increasing the supply of high quality establishments through support of new build and the upgrading of existing stock should be encouraged.

There is also support for the development of accommodation that is distinctive, unique, historically significant or located in interesting buildings.

Ensuring that the planning framework is suitably flexible to support the development of a diverse and quality offering will be important.

4.3 Refurbishment

Anecdotal evidence suggests that one result of the recession has been that many accommodation owners have not been able to make adequate provision for refurbishment.

Some stakeholders have suggested that there may be a case for putting in place a refurbishment scheme to bring accommodation stock back to acceptable standards where these standards have slipped. The alternative argument is that such a scheme would reward those accommodation providers who have failed to invest during the last few years and disadvantages those who have continued to invest in their business. There is however a case for supporting those accommodation providers who wish to upgrade and improve the star rating of their premises. This would meet our priority to bring our accommodation stock up to at least 3 star standard.

4.4 Displacement

In the context of Northern Ireland's accommodation sector, it is acknowledged that displacement could be a good thing as new, more modern accommodation displacing existing, low quality accommodation would result in an overall improvement in the quality of the tourism offer. Any displacement effect could potentially be offset by the impact at a Northern Ireland level in providing a better visitor experience and in attracting new visitors to Northern Ireland.

Stakeholder engagement indicated strong support for displacement of existing accommodation if it improved the tourism offer.

Aligned to this is the need to take away the emphasis on 'quantity' of existing supply in current appraisals of business cases, recognising that in some cases displacement and business churn are a good thing where this increases the quality of accommodation and improves the visitor experience.

4.5 Holiday / Activity Orientated Accommodation

Northern Ireland's natural beauty and long standing reputation for hospitality provide a perfect backdrop for a growing activities tourism market - estimated to be worth around £100 million per annum. The niche market has grown significantly since 1998

There is a need to ensure that accommodation provision becomes more supportive of holiday related tourism, as research indicates that it is holiday tourism that drives growth.

Activities are a key part of the tourist experience according to Tourism NI's report - 'Activities Tourism – Sharing Success' (February 2011) and are a key draw in their own right for visitors. It is estimated that 'activity tourists spend 33% more than the average tourist.'

There is, therefore, benefit to be had by all participants in the tourism sector through facilitating, encouraging and getting involved in the provision of activities from simple steps such as providing drying room facilities for walkers to full integration between the accommodation and holiday activity.

It is suggested that, in general, intervention in the form of capital investment for accommodation premises is not the most effective way to enhance activity / holiday-related tourism, but that the best way for tourist accommodation providers to add value to the holiday experience is through packaging / bundling in collaboration with tourism product and service providers.

In terms of wider support, there are opportunities in partnering between activities providers, accommodation providers, cultural facilities / events, wildlife tourism operators and other stakeholders in the tourism sector, which could help to develop more wide ranging itineraries and packages and, in turn, help to attract a wider audience of non-expert participants.

4.6 Flexibility - Major Events /Temporary Accommodation

There is a need for a more flexible accommodation supply that could support spikes in demand, throughout summer months and during particular events, while ensuring year round viability.

It would appear that there may be a perception that visitors to major events must be accommodated adjacent to, or very close, to the event location. In other countries it would be unusual for all visitors to be located close to the event and there is an acceptance that major events create an overspill of demand into surrounding areas. However, from a Northern Ireland perspective, it is important to maximise the benefits to the Northern Ireland economy and so minimise cross border 'leakage' of benefits.

Therefore, supporting spikes in demand requires organisation, communication and 'buy in' from the accommodation sector. Northern Ireland's existing accommodation

stock, both within and beyond the immediate catchment area of the event, needs to be maximised and exhausted in the first instance.
In retrospect, the predicted undersupply of accommodation during events hosted during 2012 & 2013 did not materialise. It is therefore suggested that this may not have been as significant an issue as previously thought.

However, where there is a clear short-term demand beyond that which could be accommodated by Northern Ireland's existing accommodation, there is the potential to use temporary accommodation to meet demand during peak periods; an approach for which there is general support across relevant industry representatives. Under the Tourism (NI) Order 1992, any proposal for an exemption to the certification requirements in order to allow temporary accommodation solutions requires a site specific business case, supported by clear evidence of need to be submitted to the Department for approval.

Any business case will also need to demonstrate how temporary accommodation bookings will be managed in such a way that existing Northern Ireland accommodation providers are not disadvantaged. It will also be important to ensure that and that minimum standards of quality and safety for tourists are met.

4.7 Barriers to development

We wish to move to a situation where the private sector adopts the lead role in investment if tourism grows as projected as we move towards 2020. The public sector would only intervene in the event of a demonstrated market failure, otherwise assuming a role of assessing the environment and assessing the impact of any proposed developments, for example at planning stages.

However, there are still a variety of market failures that potentially exist within the sector and have the potential to impact on the ability of the accommodation supply to reach the levels needed to deliver the tourism strategy scenario and warrant public sector intervention. These include:

- Lack of information about opportunities within the sector such as market intelligence or upcoming developments
- Spatial dimension of information with lack of regional information provision
- Inflexible or incompatible environment such as planning framework or other institutional barriers
- Inadequate access to finance

Anecdotal evidence obtained through stakeholder engagement confirms that many of these issues are considered to be the main barriers to further development.

It is important to consider each of these potential 'barriers' in turn:

4.7.1 Lack of information about opportunities within the sector such as market intelligence or upcoming developments

Research commissioned by the Department indicates that at times, industry would benefit from additional information about opportunities within the tourism sector; this could be in relation to specific events, attractions and origin markets (particularly their accommodation preferences). This information is less likely to reach those within rural areas that could move into the sector as part of diversification schemes, e.g. farming.

It also indicated that there is a potential role for the public sector in terms of providing softer business support- providing information and networking opportunities. There is a role for the public sector in disseminating up to date information about the opportunities (particularly outside of Belfast).

In addition softer support is available and should continue to be supported.

Invest NI has a suite of products, both advisory and financial, which are available across all sectors. Support is however tailored to the specific needs of individual businesses and also takes into consideration the scale of the business and its potential for economic return.

DETI has previously funded a programme, www.logon-ni.co.uk, targeted at improving IT capability within the tourism and other sectors.

4.7.2 Spatial dimension of information with lack of regional information provision

Research commissioned by the Department suggests that currently, tourism in NI is dominated by Belfast and there is no critical mass outside.

Policy recognises this by currently only supporting accommodation providers outside of Belfast as it looks to develop the tourism offer across all of NI where barriers to development are higher (the perceived investment risk given the seasonality of tourism offer and other factors).

It indicates that this is a key rationale for intervention currently especially given tourism's wider economic benefits in less developed areas.

Stakeholder engagement revealed strong support for the need to consider accommodation need on a regional basis, the reason being that different regions will appeal to different markets and visitors will, therefore, have different expectations and requirements. Each region also offers a range of unique experiences. This is a role which could be undertaken by new Local Councils for each of the key tourism destinations.

4.7.3 Inflexible or incompatible environment such as planning framework or other institutional barriers

Delivery of a successful tourist destination requires 'tourism friendly' planning policies. Whilst each case needs to be considered on its merits, planning policies must be flexible enough to allow development of suitable tourist accommodation when and where appropriate.

Research commissioned by the Department indicates that there is no universal agreement that planning acts as a real barrier to accommodation development. The planning system and PPS16 are clearly promoting sustainable tourism, which is very important given the Northern Ireland tourism offer. The promotion of sustainable tourism development has also been captured in the draft Strategic Planning Policy Statement.

Whilst planning can slow down development, it is not clear whether it is actually the worst barrier. The largest hindrance to development is often the financial viability of the business cases themselves and the difficulty in obtaining commercial finance.

Anecdotal evidence suggests that prior to the economic downturn the primary barrier to the development of hotel projects throughout Northern Ireland was deemed to be the difficulty and time taken to obtain planning consent. At that time funding would have been deemed to be the second biggest barrier, but that this has now changed. While planning may still be the major barrier in certain cases, availability of funding appears to be the major obstacle to projects coming to fruition.

4.7.4 Inadequate access to finance

Research commissioned by the Department indicates that bank lending, particularly for hotel schemes, is set to remain limited as banks continue to consolidate bad debts, including those made to hotel developers. It presents a view that raising adequate finance for supply to expand enough to reach tourism targets may become a considerable barrier, particularly for larger schemes.

Research undertaken by the Northern Ireland Economic Advisory Group (insert ref report 'Review of access to finance for NI businesses' (2013)) highlighted 'a significant degree of frustration within the local business community over what is perceived by many businesses to be the unwillingness by banks to lend at reasonable rates.'

It indicated that 'Many policymakers, nationally and locally, have expressed concern about the apparent lack of available finance to business, in particular for SMEs, during the post-crisis downturn'. This apparent lack of finance is widely believed to be holding back investment and growth.'

However, on the other hand, EAG research states that banks maintain that 'they are open for business and willing to lend to viable trading businesses' and that, in their view, 'the problem is due to a lack of demand due to low levels of confidence.'

It notes that ‘whilst the proportions of businesses seeking access to bank loan finance and those experiencing difficulty in doing so for various reasons is low, if these proportions are applied to the total population of SMEs in Northern Ireland, this still represents a significant number of businesses.’

The EAG report concludes that qualitative evidence would indicate some constraints in the supply of bank finance. Information garnered through the Department’s engagement with stakeholders supports this assertion with a view that there is a funding gap at present that needs to be filled to stimulate investment.

While a developer might previously (pre-recession) have been able to rely on bank funding of up to 80% , anecdotal evidence would suggest that banking offers are more likely to be in the region of 50-60%. This leaves a significant gap for the developer to fund.

Levels of grant aid can prove to be a barrier where projects proposed are deemed to be large and as a result EC limits may restrict grant support to a maximum of 10% of project costs. This is an even greater problem where projects are in excess of €50 million. Obtaining grant aid approval for accommodation projects can also be difficult when having to pass economic test measures.

It is considered that the private sector needs to be incentivised to invest now rather than wait two or three years.

Market confidence is also a major factor, particularly for existing hoteliers who have weathered a long period of recession. While we are starting to see a little more confidence returning attitude is still not as bullish as it was pre-recession.

A loan fund would address the gap in available finance and ensure that projects are viable and not overly reliant on grant aid.

4.8 Regional Accommodation Plans

There is a strong acceptance that in order to maximise the available resources, support needs to focus on consolidating and increasing the tourism business in the destinations that will attract/appeal to visitors, achieve the greatest return and which are most accessible.

It is recognised that all areas of Northern Ireland cannot benefit equally from the development of tourism; some areas do not have the product/appeal to justify high levels of investment or they are easily accessed from major urban destinations and will largely remain a day trip destination as a consequence.

There is an acknowledgement that public funds need to be utilised to encourage the most appropriate type of development in those locations or regions which offer the best prospects for attracting visitors.

Different regions will appeal to different markets and visitors will, therefore, have different expectations and requirements. This infers that there is a need to look at accommodation need on a destination area basis. Support will be targeted based on evidence of need in each destination area. The new Local Councils have a key role to play in assessing the accommodation need in their area as they develop their community and tourism plans. Support to take forward such assessments could be considered under the new Tourism Growth Fund to be jointly funded by Councils and Tourism NI.

4.9 Wider Support for Tourist Accommodation Providers

More broadly, there is a recognised need to build the capabilities of current providers, predominantly smaller businesses (ie B&Bs, Guesthouses, self-catering), particularly with regard to technical support and online presence. Such providers would benefit from having the necessary skills or the resources necessary to adequately market themselves or to promote their strengths in what is a very competitive marketplace.

There is a need to support training/awareness courses amongst this group. Tourism NI should take the lead in scoping out this need and developing the necessary industry development programmes to meet this need alongside Invest NI.

4.10 Emerging Product

There is considered to be benefit in supporting new, diverse types of accommodation product, even if there is limited demand at present.

Whilst evidence regarding perceived current / future gaps in the range of accommodation in Northern Ireland is not readily available, an examination of accommodation developments elsewhere can provide an indication as to the needs of emerging markets or how trends in accommodation choice may be relevant in Northern Ireland.

Aligned to Tourism Northern Ireland's 'Unique Outdoors' experience pillar, there would appear to be an emerging trend for unusual and interesting accommodation solutions in rural settings.

The changing nature of tourism and visitor expectations will require an ongoing process of assessment of new emerging trends in tourist accommodation provision so that new types of accommodation that would wish to operate in Northern Ireland are able to do so under the existing legislation and receive the appropriate support.

5.0 Core Principles of a New Tourist Accommodation Policy 2015–2020

5.1 Priority Areas

For all categories of accommodation, financial support will be primarily focused on accommodation projects that:

- seek to develop "out-of-state" tourism; and
- link to the needs and desires of Northern Ireland's key visitor segments from our key visitor markets; and
- align with Northern Ireland's best prospect tourism experience
- develop our capacity to grow our business tourism sector

Priority will also be given to projects which:

- address the needs of the Waterfront Conference Centre through development of a large conference hotel of around 400 bedrooms.
- add value in terms of distinctiveness, niche market opportunity or offer product that is unique to Northern Ireland; or
- attract new international brands that will reinforce Northern Ireland as a destination of choice

5.2 Financial Intervention

Financial intervention for tourism accommodation projects which meet the above priorities will be available in a range of formats depending on the scale, nature and location of the project.

5.2.1 Hotels - Northern Ireland

Outside of a ten mile radius of Belfast, capital grant assistance will remain available subject to regional aid restrictions. The following projects will be eligible for financial support:

- New build projects - three star, four star, five star and budget hotel developments;

- Expansion projects - three star, four star, five star and budget hotel expansion projects; and

- Market repositioning - upgrades where, on completion, the hotel will be at least three star.

Capital grant assistance will be considered under Invest NI's existing selective financial assistance schemes subject to Regional Aid rules.

5.2.2 Hotels - Belfast

It is proposed that a Tourist Accommodation Loan Fund will be developed for hotel and larger-scale accommodation projects in the Belfast area until 2020 at which point this provision will be subject to review to consider if the potential under supply situation has been addressed. The moratorium on hotel development within a ten mile radius of Belfast will therefore be relaxed for the period of this Policy to enable hotel projects which fall within the following categories to access the Loan Fund:

- New Build - four star and five star hotel developments;
- Expansion projects - four star and five star hotel expansion projects; and
- Market repositioning - upgrades where, on completion, the hotel will be at least four star.

This relaxation will be reviewed, in the context of the prevailing market conditions at the end of the period of this Policy, to determine the future need for public sector intervention in the Belfast hotel sector.

Support will only be available through a new Tourism Accommodation Loan Scheme funded through financial transaction capital. The Loan Fund will be available at commercial borrowing rates and to a maximum of 30% of build cost.

5.2.3 Bed and Breakfast and Guesthouse Accommodation

Due to issues with oversupply and quality standards the following support will be considered for B&B and Guesthouse Accommodation:

- New Build - new B&B and Guesthouse accommodation will not be prioritised for financial support unless a strong case is made to demonstrate demand and that the project meets the priorities listed at 5.1.
- Expansion projects – expansion projects for existing B&Bs and Guesthouse Accommodation will not be prioritised for financial support unless as strong case is made to demonstrate demand and that the project meets the priorities listed at 5.1.
- Market Repositioning - upgrading of existing B&B and Guesthouse premises will be eligible for financial support where, on completion, the establishment will be at least three star under the Tourism NI classification scheme.

➢ Support for B&B and guesthouse accommodation will principally be available through:the Rural Development Fund – under the Rural Business Development Scheme through the Local Action Groups.

5.2.4 Self-Catering Accommodation

Due to issues with oversupply and quality standards the following support will be considered for self-catering developments:

- New Build – new self-catering developments will not be prioritised for financial support unless a strong case is made to demonstrate demand and that the project meets the priorities listed at 5.1.

- Expansion Projects - expansion projects for existing self-catering premises will not be prioritised for financial support unless they clearly demonstrate demand and that the project meets the priorities listed at 5.1.

- Market Repositioning - upgrades of existing self catering premises will be eligible for financial support where, on completion, the establishment will be at least three star under the Tourism NI classification scheme.

The source of support will depend on the size of the project and number of units.

Support for self-catering accommodation of 10 or more rooms or those projects which are part of mixed use tourist resort development will be considered by InvestNI either under capital grant assistance or the Loan Fund depending on location. Outside Belfast capital grant assistance may be considered by InvestNI through its existing selective financial assistance schemes subject to Regional Aid rules.
Support for small scale accommodation of less than 10 rooms will be considered under the Rural Development Fund – the Rural Business Development Scheme through the Local Action Groups.

5.2.5 Hostel Accommodation

Due to issues with oversupply and quality standards only projects that seek to upgrade hostel facilities through a departure from dormitory style accommodation to that which involves the provision of single, twin, double and four bed rooms with ensuite facilities will be considered for financial assistance. The following support will be considered for hostel projects:

- New hostel developments will not be prioritised for financial support unless a strong case is made to demonstrate demand and that the project meets the priorities listed at 5.1 and is of at least 3 star standard on completion.

- Expansion Projects - expansion projects for existing hostel accommodation must clearly demonstrate demand and that the project meets the priorities listed at 5.1 and is of at least 3-star standard on completion

- Market Repositioning - upgrades of existing hostel accommodation will be eligible for financial support where, on completion, the establishment will be at least three star under the Tourism NI classification scheme.

The source of support will depend on the size of the project and number of rooms.

Support for hostel accommodation of 10 or more rooms will be considered by InvestNI under capital grant assistance. Capital grant assistance may be considered by InvestNI through its existing selective financial assistance schemes subject to Regional Aid rules.
Support for small scale accommodation of less than 10 rooms will be considered under the Rural Development Fund – the Rural Business Development Scheme through the Local Action Groups.

5.2.6 Guest Accommodation

Due to limited information on this category of accommodation it is not possible to adequately assess the supply situation therefore the following support will be considered:

- New Guest accommodation developments will be considered for financial support provided a strong case is made to demonstrate demand and that the project meets the priorities listed at 5.1 and is of at least 3 star standard on completion.

- Expansion Projects - expansion projects for existing guest accommodation must clearly demonstrate demand and that the project meets the priorities listed at 5.1 and is of at least 3-star standard on completion

- Market Repositioning - upgrades of existing guest accommodation will be eligible for financial support where, on completion, the establishment will be at least three star under the Tourism NI classification scheme.

The source of support will depend on the size of the project and number of units.

Support for guest accommodation of 10 or more rooms will be considered by InvestNI either under capital grant assistance or the Loan Fund depending on location. Outside Belfast capital grant assistance may be considered by InvestNI through its existing selective financial assistance schemes subject to Regional Aid rules.

Support for small scale accommodation of less than 10 rooms will be considered under the Rural Development Fund – the Rural Business Development Scheme through the Local Action Groups.

5.2.7 Caravans, Campsites, Campus and Bunkhouse Accommodation

There is no evidence that the development, upgrade or expansion of caravan, campsite, campus or bunkhouse accommodation will impact on the development of ‘out of state’ tourism and so such accommodation will not be prioritised for financial support.

Projects in this category seeking support may be considered under the Rural Development Fund – the Rural Business Development Scheme through the Local Action Groups.

5.3 Holiday / Activity Related Tourism

It is suggested that, in general, intervention in the form of capital investment for accommodation premises is not the most effective way to enhance activity / holiday-related tourism, but that the best way for tourist accommodation providers to add value to the holiday experience is through packaging / bundling in collaboration with tourism product and service providers

Opportunities for partnering between activities providers, accommodation providers, cultural facilities / events, wildlife tourism operators and other stakeholders in the tourism sector should be exploited and maximised.

5.4 Assessment of Demand - Destination-Level Accommodation Need

Different regions of Northern Ireland will appeal to different markets and visitors will, therefore, have different expectations and requirements of their accommodation. Each region also offers a range of unique experiences and accommodation provision should be seen as an integral part of the tourism experience.

Therefore, it is appropriate that future accommodation needs should be considered on a regional basis. New Local Councils should work together to consider the needs of their Local Government District and each tourism destination area within Northern Ireland and develop accommodation need plans, which take account of demand patterns by visitor type. This work fits well with the new community planning responsibilities of Councils.

5.5 Appraisal of Accommodation Projects

In the appraisal of accommodation projects, there is a need to take away the emphasis on ‘quantity’ of existing supply in current appraisals of business cases, recognising that in some cases displacement of old for new and business churn are a good thing when that is associated with an overall strategic aim of raising the standard of the Northern Ireland accommodation offering as one part of our strategy to attract additional overseas visitors. Our interventions to raise the standard of tourist accommodation will be open and available to any eligible applicant seeking support

In the context of Northern Ireland’s accommodation sector, displacement of low quality accommodation with new, higher quality accommodation, which then improves the overall tourism offering, is considered acceptable within an overall strategic aim of raising the standard of the Northern Ireland accommodation offering to external/out of state visitors.

5.6 Non-Financial Support

Notwithstanding the range of support that is currently available for tourist accommodation businesses, the review has identified the need for additional capability support, particularly for smaller businesses (i.e. B&Bs, Guesthouses, self-catering), who do not have the skills or the resources necessary to adequately market themselves or to promote their strengths in what is a very competitive marketplace.

More public intervention is needed in the form of signposting, collaborative working, training, experience, and benchmarking. Invest NI will continue to provide advice on the commercial aspects of tourism accommodation development and a broad range of advice and guidance on IT, design, market research and marketing. However Tourism NI should take the lead in providing this support to smaller businesses in the tourism accommodation sector through its industry development programme and as part of implementing the Hunter Review recommendations.

5.7 Emerging Product - Certification Scheme

In Northern Ireland we require all tourist accommodation businesses to be certified. This has the benefit of ensuring we have minimum standards guaranteed for our visitors and also that we have a definitive database of tourist accommodation. Following a review, accommodation categories were added in April 2011 which has enabled a wider range of premises to be certified. It is proposed that the policy will recommend another review of the categories defined in legislation to increase flexibility and ensure we are seen as open for business for the development of new and emerging tourism accommodation product.

ANNEX A – ORGANISATIONS INVOLVED IN STAKEHOLDER ENGAGEMENT

Abbey Tours
Antrim Borough Council
Ards Borough Council
Armagh District Council
ASM Chartered Accountants
Ballymena Borough Council
Riada House
Banbridge District Council
Belfast City Airport
Belfast City Council
Belfast International Airport
Museum and Civic Centre
Civic and Administrative Offices
Causeway Coast and Glens
CIE Tours
City of Derry Airport
Coleraine Borough Council
Cookstown District Council
Craigavon Borough Council
Derry City Council
Derry Visitor and Convention Bureau
Down District Council
Dungannon and South Tyrone Borough Council
Fermanagh District Council
Fermanagh Lakelands Tourism
Giant’s Causeway Visitor’s Centre
Hostelling International
Isle of Man Steam Packet Company
Larne Borough Council
Limavady Borough Council
Lisburn City Council
Magherafelt District Council
Mourne Heritage Trust
Moyle District Council
National Trust
Newry and Mourne District Council
Newtownabbey Borough Council
NI Bed and Breakfast Partnership
NI Hotels Federation
Belfast Business Centre
North Down Borough Council
The Stableyard
Channel House
Pubs of Ulster
Queen’s University Belfast
Stena Line Limited
Strabane District Council
Titanic Belfast

Trafalgar Tours
Translink
Ulsterbus Tours
University of Ulster
University of Ulster
Visit Belfast