



The Economic Contribution of the Drinks Industry 2013

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Commissioned by the Drinks Industry Group of Ireland

September 2013

www.drinksindustry.ie

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Executive Summary

The objectives of this report are to identify the economic contribution made by the drinks industry to the Irish economy and to chart the changes in the industry's economic contribution since the economic decline in 2008. The report mainly uses official data from the CSO and Revenue Commissioners. In addition, data and research from Fáilte Ireland, An Bord Bia, DIGI and other sources are used.

In line with the overall economy, the drinks industry has suffered substantial decline since 2008. Despite this decline the drinks industry continues to make a very substantial contribution to economic activity in Ireland. The drinks industry includes the manufacture, wholesale distribution and on and off- licence retail distribution.

The key conclusions from the report are the large numbers of people who get full or part time employment from the drinks industry and particularly from the public house and bar sector and the large and continuing decline of the employment intensive on-licence sector.

The drinks industry provides full or part time employment for 62,000 persons despite the large declines of recent years. The employment contribution is dominated by the on- licensed sector composed of public houses, bars, restaurants, hotels and nightclubs. Unfortunately, the bar sector experienced a sales volume decline of one third between July 2007 and July 2013, which caused a very large decline in employment.

Manufacturing

- €3.128 billion turnover in 2011; 3.1% of total manufacturing
- €1.353 billion gross value added; 4.0% of total manufacturing
- €218m paid out in wages and salaries in 2011, €309m in total labour cost
- 30 enterprises in drinks manufacturing in 2011

- Average labour costs per person engaged were €85,625 - 78% above average manufacturing level of €48,058 in 2011
- €858.6 million spent on materials for further processing (much of it on agricultural products)
- €629 million spent on services inputs by drinks manufacturers
- Total purchases of €1.5b
- Major boost to Irish international image through brands such as Guinness, Baileys, Jameson and other Irish Whiskies
- 3,605 jobs provided in 2011....decline in jobs from 6,146 in 2000
- Production for domestic market decreased by 17.2% between 2007 and 2012.

On and Off Trade Retailers

- 8,523 on licensed outlets
- 1,722 full off-licences
- Full time or part time jobs for 58,000 people in 2013
- According to CSO, personal expenditure on beverages of €6.4 billion in 2012
- Purchases of goods and services, excluding beverages of €616 million
- Pubs and bars wages bill of €535 million.
- Most pubs outside Dublin have low annual sales Substantial decline in level of retail employment in recent years .According to ASI 6000 jobs lost in 2008 to 2011
- Full-time employee numbers in bars declined by 25% between 2008 and 2011
- Number of public houses declined by 959 between 2007 and 2012
- Concerns about longer term viability of smaller and rural pubs.

Tourism and Sponsorship

- An important element of the tourism product of Ireland

- Guinness Storehouse is largest fee charging visitor attraction in Ireland with over 1 million visitors in 2012 and other visitor centres play an important role, e.g. Old Jameson Distillery and others
- Drinks industry is major sponsor of horse racing

International Trade

- €1.1 billion in drinks exports in 2012
- €351 million drinks trade surplus in 2012
- Drinks exports equal to 90% of dairy exports in 2012
- 66.8% of domestic beer market supplied by domestic producers in 2012
- 86.4% of cider market supplied by domestic producers
- 42.2% of spirits market supplied by domestic producers
- Domestic producers share of local market declined from 50% in 2007 to 46% in 2012.

Purchases

- €2.1 billion of purchased inputs by manufacturing, retail and wholesale excluding double counting of alcohol purchases
- High degree of domestically produced inputs by drinks manufacturing
- Big wages and salaries input to aggregate demand
- Substantial on-going investment.

Taxation

- €2.034 billion in VAT and excise receipts in 2012

Consumption

- The total volume of the alcohol market declined by 9.9% between 2007 and 2012

- Per adult consumption in 2012 is 12.4% below the 2007 level, per capita consumption is 14.1% below the 2007 level
- Beer, cider and spirits volume declined between 2007 and 2012, wine volume increased.

1. Introduction and Objective

The objectives of this report are to identify the economic contribution of the drinks industry to the Irish economy and to identify the changes in the economic contribution since the economic decline in 2008. It updates the previous report on the economic contribution of the drinks industry published by the Drinks Industry Group of Ireland (DIGI) in 2010. The drinks industry is defined to include the manufacture, wholesale distribution and retail distribution of both alcoholic and non-alcoholic beverages.

The report examines output, consumption, employment and skills, exports and the impact on the balance of payments, purchases and linkages, the impact on tourism, the taxation contribution and other issues. These could be described as the economic benefits which flow from the drinks industry. The analysis has two aspects, the current (or most recent) economic contribution and the changes in the contribution since the economic decline in 2008. The report also draws on material in recent DIGI reports on specific aspects of economic contribution including Input Purchases (2012), Exports (2013) and Contribution to Tourism (2013). Where possible, these reports are updated. The two main findings are:

- 1) that the drinks industry, as a whole, currently provides a substantial level of direct and indirect economic activity and employment, and
- 2) that this contribution has declined greatly, and in excess of the national economic decline, since 2007. Two areas of the drinks industry, some aspects of recent export performance and off-licence sales, are exceptions to the overall pattern of drinks sector decline.

2. Data Sources

The report mainly uses official statistics. In addition, DIGI has published data on aspects of the retail sector which are not available from official sources. Other such reports have been published by AIB in its Outlook series and by RSM Farrell Grant Sparks. The main official data sources are the Census of Industrial Production (CIP), Annual Services Inquiry (ASI) and External Trade statistics from the CSO. Other sources include the Statistics Report of the Revenue Commissioners and other data from the Revenue Commissioners. Fáilte Ireland has also collected data on the employment aspects of the on-licensed trade. The latest CSO manufacturing data and services data refer to 2011 while data such as retail sales are available up to Quarter 2 2013. The Revenue Commissioner data is available mainly for 2011 with some data available for 2012 and 2013.

As identified in the report, there are significant differences between the various sources of data for the same indicator. For example, the 2011 CSO Annual Services Inquiry has a total of 6,345 bar enterprises while the number of public house licences according to the Revenue Commissioners was 8,438 in 2011. Excluding 929 hotel licences, there would be about 7,500 public houses according to the Revenue Commissioners. Public House employment was 50,700 in 2011 according to Fáilte Ireland while the Annual Services Inquiry reports employment of 39,227. However, if the ASI total is grossed up to the Revenue number of publican licences, the two sources are closer.

3. Economic Contribution

The main indicators of economic role and contribution are output, exports and employment. Associated with these are sub indicators such as type of employment, skills levels and earnings levels, linkage patterns of the output and regional spread of economic activity. Other economic benefits include the impact on tourism and the exchequer contribution from the direct and indirect taxes associated with the production and consumption of beverages. Ultimately, the economic benefits of output and employment from manufacturing and distribution depend on the domestic consumption of local and imported products and the overseas consumption of domestically produced beverages. Therefore, it is desirable to identify consumption levels and trends. The economic benefits associated with retailing and distribution would be sustained even if domestic consumption was to be satisfied by imported beverages instead of domestically produced beverages.

The direct economic impact of the drinks related activity also has a multiplier effect on overall economic activity. For example, part of the wages and salaries generated by the drinks industry is spent on, and sustains, other goods and services. However, it should be noted that much of the economic activity arising from drinks related activity depends on the overall level of economic activity. Other sectors would claim some of the drinks economic activity as deriving from the multiplier effect of their direct economic contribution.

A reduction in drinks production or consumption does not imply an equivalent loss in overall economic activity as the reduction in drinks related consumption might be fully or partly replaced by increased expenditure on other economic activities, products and services.

As already noted, the overall economy suffered substantial decline since 2008. Performance on a range of indicators is shown in Table 3.1 to provide a benchmark against which to assess the drinks industry decline.

Table 3.1 Indicators of national economic decline 2007-2012

	2007	2012	% decline
GDP volume (2011 prices) € million	175,623	162,855	7.3
GNP volume (2011 prices) € million	148,033	132,984	10.2
Consumption current prices € million	92.603	82.634	10.8
Consumption volume (2011 prices) € million	87,377	82,151	6.0
Retails sales volume excluding motor trade (2005=100)	114.4	100.1	12.5
Employment (15 and over, at work), million	2.0496	1773.5	13.5

Source. Various CSO various publications, releases and database

4. Structure of the Industry and Overview

Overall Market

Personal expenditure on beverages was €6.973 billion in 2012, measured in current prices. This was 8.4% of total personal consumption expenditure. €6.355 billion of this was expenditure on alcohol and €618 million was spent on non-alcoholic beverages. The alcohol share of total personal consumption was 7.7% in 2012 compared to 7.8% in 2007. 26.3% of the spending on alcohol was in off- licences and 73.7% was spent in public houses, bars, restaurants, hotels and nightclubs. The price per unit of alcohol is lower in off-licences than in on-licensed premises. Consequently, off-licences have a lower share of the expenditure than of the quantity of alcohol consumed. Off-licences account for about 55% to 60% of the volume of alcohol. Expenditure on alcohol peaked in 2007 at €7.230 billion, dropped to €6.253 billion in 2010 and increased slightly to the 2012 level of €6.355 billion. Current expenditure on alcoholic beverages declined by an average 2.5% between 2007 and 2012 compared to an average decline of 2.3% for total personal consumption. The alcohol expenditure total includes excise and VAT of just over €2 billion.

Retail

Retail is divided between the on and off-licensed sectors. The off-licence sector is dominated by the multiple supermarket chains and the independent off-licence sector accounts for a small and declining share of total off-licence sales. The on-licence retail segment is comprised of many very small enterprises. In 2011 there were 8,523 publican licences (including pubs, hotels and other bars), 1,722 spirits off licences and 3405 wine off-licences. The outlets with wine off licences include the spirits off-licences. A full off-licence requires separate licences for beer, spirits and wine. There are about 1700 off- licences which sell only wine. The on-licensed and independent off-licence sectors are primarily characterised by small owner managed enterprises.

The public house sector is characterised by very small size. The CSO's 2011 Annual Services Inquiry reports an average employment size of 6.2 persons. The Fáilte Ireland 2011 survey reports an average employment pub size including part-timers of 6.8 persons in 2010.

The Revenue Commissioners' data on number of licences is shown below. Official details are published up to 2011 but it is possible to derive additional later information from the Revenue excise licence register. The initial focus of the analysis is on the 2007 to 2011 period. The very large number of outlets is apparent. As already noted, there are 8,523 full on licences (bars and hotels) and 1,722 spirits off licences. 3,405 outlets have a licence to sell wine. There is one on-licence for every 537 persons in Ireland. The number of off- licences increased substantially over the past decade from 808 in 2002 to 1,722 in 2011 and there was an increase in the 2007 to 2011 period. The number of wine off licences has also grown in the past decade, from 2023 in 2002 to 3,691 in 2007 but then declined to 3,405 in 2011. However, the wine outlets generally include the spirits outlets as an off-licence is required individually for beer, spirits and wine. Full off-licences have all three licences. The number of spirits off-licences would be indicative of the number of full off-licences and these were just over 1,700 in 2011.

The decline in the number of public house licences is substantial. Between 2007 and 2012, the number declined by 959 or 11.5%. While the number of licences is not an exact measure of operating enterprises it is a reasonable approximation over several years.

Table 4.1 Alcohol Retail Outlets 2007 -2011/2012

	Full publican licences (public houses and hotel bars)	Spirits off licences	Wine off licences	Public house licences
2007	9418	1342	3691	8318
2008	8867	1487	3718	8091
2009	9082	1770	3705	7841
2010	8405	1537	3206	7616
2011	8523	1722	3405	7509
2012	na	na	na	7359

Source: Revenue Commissioners. 2007 to 2011 from Statistical Reports. The public house column is derived from the Revenue's licence register.

The very large number of retail establishments is a notable feature of the on-licence sector. The retail segment is very competitive because of the large number of participants. The fact that there are so many retail outlets in the drinks industry and that average employment is small would suggest that the average size of sales revenue is quite small. This is confirmed by the data in Table 4.2 which is sourced from Revenue statistics. The cost of a public house licence is determined by the level of sales revenue in the premises and the data in the table show the distribution of public houses by sales revenue.

Table 4.2 Percentage of Public Houses in each Turnover Band 2012

Turnover	Number of Public Houses	Percentage of Premises
0 to €190,499.00	4012	54.5
€€190,500.00 to €380,999.00	1836	24.9
€381,000.00 to €€634,999.99	732	9.9
€635,000.00 to €952,499.99	349	4.7
€952,500.00 to €1,269,999.99	161	2.2
€1,270,000 or more	269	3.7
Total	7359	100.0

Source: Revenue Commissioners

Very large numbers of public houses have small turnover levels. The data shows that only 3.7% of premises had sales of €1.27 million or over in 2012. Only 5.9% had sales levels in excess of €0.952 million in 2012. The retail segment is characterised by a large number of small outlets and is very much a small firm industry.

At the lower end of the scale 54.5% of licensed establishments had annual sales of under €190,500 per annum.

Details of the breakdown of sales revenues below €190,500 are not available from the Revenue data but the 2009 DIGI survey of licensed premises provides such a breakdown which shows that many public houses had very low sales levels. In addition, the survey had details of the Dublin, non-Dublin mix. Dublin has a higher proportion of public houses in the higher turnover category than the rest of the

country. 27% of Dublin pubs had a turnover of €1.25 million or higher compared to 3% in the rest of the country. 47% of non-Dublin public houses had a turnover of under €200,000 compared to 6% in Dublin. It is clear that in the non-Dublin area large proportions of public houses have very low sales revenue levels. 22% of non-Dublin public houses had sales revenue levels of €60,000 and lower. This pattern is also shown in the 2013 AIB Outlook report. Only 5% of Dublin pubs are in the lowest sales band for licences compared to almost 30% of rest of Ireland pubs.

The ownership structure is a family dominated one. 94% of pubs are independently or family owned and operated. Only 6% are part of a chain. The drinks sector is a substantial source of entrepreneurial resources with a high proportion of entrepreneurs to total employment.

Manufacturing

The manufacturing segment was composed of 30 enterprises in 2011, the latest year for comprehensive data. The sector includes very large companies such as Diageo, Irish Distillers, Heineken and C & C as well as smaller distilleries and craft breweries. The average size of enterprise in the drinks sector is higher than in manufacturing as a whole with 120 persons working in a drinks company compared to 37 in manufacturing as a whole. Earnings are relatively high in drinks manufacturing. Labour costs per person was €85,625 in the drinks industry compared to €48,058 in manufacturing as a whole in 2011. Average wage and salary earnings in drinks manufacturing were €60,400 in 2011 compared to €33,600 in food, €29,100 in textiles, €36,200 in paper and paper products, €69,200 in basic pharmaceutical products and €44,500 in computer, optical and electronic products.

Drinks manufacturing provided 4.0% of manufacturing gross value added in 2011.

The industry has a substantial export performance with 48.4% of the total drinks manufacturing turnover earned from exports in 2011. This compares with 33.5% in

2008. The improvement in the ratio is significantly determined by the weak domestic market performance.

Gross value added per person engaged was €375,000 in drinks manufacturing compared to €293,000 in manufacturing as a whole.

Turnover in 2011 was €3.1 billion and Gross Value Added was €1.4 billion. The Irish economy multiplier impact of direct drinks industry expenditure and gross value added is higher than several other manufacturing sectors including the high technology sectors due to the larger domestic content of its production.

5. Consumption

Beverages are a large but declining component of personal consumption. The voluntary purchase of beverages indicates the utility that consumers derive from the product. In the current consumer price index, non alcoholic beverages such as soft drinks and juices account for 1.04% of the total and alcohol accounts for 9.98%. Off-licence alcoholic beverages are 2.87% of the total and on-licence consumption of alcoholic is 7.11. Overall, alcohol accounts for 9.98% in the current CPI compared to 11.90% in the 2001 based CPI.

The CSO National Accounts data on personal consumption, which are presented in Table 6.1, also illustrate the economic importance of drinks consumption. Alcoholic beverages consumption was valued at €6.355 billion in 2012, or 7.7% of total personal consumption.

Table 5.1 Expenditure on personal consumption 2007 to 2012, € million, current prices

	Total personal expenditure on alcohol	Expenditure on alcohol in bars	Expenditure on alcohol in off-licences
2007	7230	5653	1577
2008	6966	5426	1540
2009	6336	4803	1523
2010	6253	4623	1630
2011	6277	4590	1687
2012	6355	4682	1673

Source. Revenue Commissioners and CSO

Alcohol consumption expenditure declined from €7.230 billion in 2007 to its 2012 level of €6.355 billion, a decline of 12.1%. The distribution is €4.682 billion expenditure in on-licensed premises or 73.7% and €1.673 billion or 26.3% in off-licences. Expenditure in pubs and bars declined by €971 million or 17.2% and increased in off-licences by 6.1% over the period 2007 to 2012. Non-alcoholic beverages were estimated to be €618 million in 2012.

Details of the volume of alcohol consumption are shown in Table 5.2.

Table 5.2 Alcohol Volume and Average Consumption 2007 to 2012 (Litres of Pure Alcohol)

	Total volume Millions of LPA	Population million	Per capita LPA	Adult population millions	Per adult LPA
2007	46.605	4.3758	10.651	3.4916	13.348
2008	43.944	4.4851	9.798	3.5718	12.303
2009	40.042	4.5334	8.833	3.5970	11.132
2010	42.182	4.5548	9.261	3.5971	11.727
2011	42.255	4.5749	9.236	3.5983	11.743
2012	41.970	4.5854	9.153	3.5906	11.689
% Change 2007 to 2012	-9.9	+4.7	-14.1	+2.8	-12.4

Source. Revenue Commissioners and CSO

The total volume of alcohol peaked in 2007 at 46.605MLPA but average consumption levels peaked in 2001. The 2012 level is 9.9% lower than the 2007 level. Per capita consumption in 2012 was 9.153LPA which was 14.1% below the level of 2007. The peak per capita consumption level was 11.33LPA in 2001. The 2012 level was 19.2% below the 2001 average consumption level.

Average consumption per adult also peaked in 2001 at a level of 14.44LPA. The 2012 level was 11.689PA which was 19.1% below the 2001 peak. Since 2007 per adult consumption has declined by 12.4%.

Part of the 2009 recorded decline was due to increased levels of cross border shopping. Even allowing for this, there was a decline in actual consumption. Cross border shopping declined in 2010 due to the reduction in excise in the 2010 budget and other factors. Part of the variation in average consumption patterns in 2009 and 2010 is due to the changed incidence of cross border shopping as opposed to changes in actual consumption patterns.

Table 5.3 Beverage shares in total alcohol consumption 2007 and 2012

	2007 share of alcohol volume %	2012 share of alcohol volume %	% change in volume 2007 to 2012	Absolute volume change (MLPA)
Beer	49.1	46.6	-14.6	-3.346
Cider	8.7	7.6	-21.6	-0.876
Spirits	19.9	19.7	-10.9	-1.013
Wine	22.3	26.1	+5.8	+0.600
Total	100	100	-9.9	-4.635

Source. Revenue Commissioners

In 2012, beer accounted for 46.6% of alcohol clearances followed by wine with 26.1%, spirits 19.7% and cider 7.6%. Between 2007 and 2012, the beer and cider shares declined. The wine share increased and the spirits share was relatively unchanged, with a small decline. In terms of volume consumed between 2007 and 2012 there were declines in beer, cider and spirits. The wine volume increased.

The drinks industry has experienced very substantial declines in consumption over recent years. This has had a large negative effect on the employment level in the

drinks industry. This decline has been particularly felt by the employment intensive on licensed sector. The on-going shift to home consumption has reduced the employment intensity of alcohol consumption and also reduced the VAT yield.

The volume of bar sales declined by 32.7% between 2007 and 2012. This compares to the total retail sales volume decline (excluding the motor industry) of 12.5%. The details are shown in Table 5.4. There were annual declines in each of the five years between 2007 and 2012. The most recent annual decline in 2012 was a substantial 5.1%

Table 5.4 Changes in the Volume of Retail Sales in Bars, 2007 to 2012.

	2007	2008	2009	2010	2011	2012	% change 2007 to 2012
Index 2005=100	98.9	92.1	82.9	74.3	70.2	66.6	-32.7
Annual change %		-6.9	-10.0	-10.4	-5.5	-5.1	

Source. CSO

Between July 2007 and July 2013 (the latest data available), the volume of bar sales declined by 32.7%. Sales volume has continued to decline in the first half of 2013.

The RSM Farrell, Grant, Sparks 2012 Pub Industry Survey identified that 76% of pubs had a decline in drinks sales in the previous year while 19% had an increase. The survey provides evidence of efforts to improve business performance; 88% introduced some measure to improve performance, 63% introduced multiple measures while 58% increased entertainment, 42% reduced prices and 31% increased advertising. 88% reported a decline in footfall in the previous year. 82% of

survey respondents expected prospects to disimprove and 12% expected an improvement. In addition, 58% engaged in capital refurbishment.

The AIB Outlook report in the licensed trade (2013) showed that 6 of 10 pub operators expected that it would take five years for the sector to improve. Dublin publicans are more optimistic than those in the rest of the country. This survey also showed that most pubs are small and owner operated. 91% of the respondents own or operate one pub, 7% have two pubs and 2% have three or more.

6. Employment and Skills

There are several different and conflicting sources of drinks related employment data for the retail sector. These include Fáilte Ireland, the Annual Services Inquiry and the Census of Population as well as DIGI data. The following discussion uses the four sources. While the absolute totals are different, they all show a declining level of employment. Up to date 2012 or 2013 employment data are not available. Consequently the report makes estimates of current/recent employment. The employment contribution of the drinks industry is dominated by the on- licensed retail sector. As shown above the on-licence sector has suffered an ongoing decline in sales volume since 2007 amounting to a third of a decline over the full period. This decline caused a substantial decrease in the employment generated by the sector.

The drinks industry provides opportunities for a variety of working systems from fulltime to casual and seasonal.

Direct employment is provided in the manufacture and distribution of beverages. Indirect employment is provided within Ireland through the purchases by the manufacturing and distribution segments from other firms. For example refurbishment of public houses provides employment in the construction and furniture sectors. The drinks manufacturing segment has a high level of domestically sourced raw materials which supports employment in primary agricultural production.

Employment creation also arises through the spending power of the incomes generated by the economic activity caused by the production and distribution of drinks industry products.

The overall employment impact of the drinks industry extends beyond its direct employment. It has a substantial employment multiplier impact. There is interdependence with other sectors in that drinks production arises only because of

purchasing by individuals. This purchasing is possible mainly because of incomes generated by other sources of economic activity in the Irish and international economies. Therefore other sectors would argue that they support employment in the drinks industry.

A distinction should be made between employment associated directly and indirectly with the drinks industry and any concept of causality, or “stand alone” nature of the industry’s employment. Much of the drinks related employment, such as bar employment depends on economic activity in other sectors and on overall economic activity.

On the assumption of the continuation of the same demand for the consumption of alcohol in the absence of an Irish drinks manufacturing industry the market will be supplied by imports. This would remove the direct employment in manufacturing and the indirect employment generated by the manufacturer’s purchases of Irish services and raw materials. The retail and wholesale distribution employment would be sustained even with all consumption being supplied by imported products. There would be a negative impact on the balance of payments caused by increased imports and lost exports.

The principal employment contribution arises from the on trade retail distribution segment. As shown in previous DIGI reports the employment in manufacturing of alcohol has declined over the long-term as restructuring, improvements in productivity, outsourcing and technological change have occurred. This has been repeated throughout the wider manufacturing base. Long term employment growth in manufacturing has tended to arise from new sectors, rather than the growth of long established sectors and enterprises. In recent times, there has been growth in craft breweries and distilleries.

Manufacturing employment is examined first. The CIP is the main sources of data on manufacturing employment.

Table 6.1 Employment in Drinks Manufacturing Enterprises, (persons) 2007 -2011

	Persons
2007	4793
2008	4263
2009	3905
2010	3560
2011	3605

Source. CIP

The latest CIP refers to 2011. There were 3,605 persons employed in drinks manufacturing in 2011 which is a drop of 1,188 persons compared with 2007. The decline was halted in 2011 with a marginal increase of 45 persons. The local units section of the CIP which is available for 2010 but not 2011, records a higher drinks employment than the enterprises part of the CIP.

As already noted, there are three main data sources for employment in alcohol retailing. These are the 2011 Census of Population (CP), the Annual Services Inquiry (latest is 2011) (ASI) and the Fáilte Ireland Training and Employment survey (latest full report is 2010 but some broad figures are available from the 2011 report which was not published in full). In addition there is the DIGI 2009 Survey of Licensed Premises.

The various sources provide different estimates of employment in the on- licensed sector. The different estimates of public house employment in 2011 are, 21,460 persons (CP), 39,200 persons (ASI) and 50,700 persons (Fáilte Ireland). However, they each show that employment in the sector has declined substantially. The 2011 CP recorded bar employment of 21,460 persons, compared with 24,671 persons in 2006, a decrease of 13%. Total employment in the economy declined by 6.4% in the same period. The ASI data show an employment decline of 13.3% between 2008 and 2011 (Table 6.2). Fáilte Ireland shows a decline of 6% between 2009 and 2011.

Table 6.2 Employment in bars (persons) 2008 -2011 (ASI)

	Persons engaged	Employees	Full time employees	Part time employees	Full-time equivalents
2006	44249	38356	19015	19341	31355
2008	45252	37872	17873	19999	31919
2009	41578	34079	15977	18102	29510
2010	40302	32993	14918	18075	28252
2011	39227	32283	13367	18916	26616
%change 2008 to 2011	-13.3	-14.8	-25.2	-5.4	-16.6
Absolute change 2008 to 2011 (persons)	-6025	-5569	-4506	-1083	-5303

Source. Annual Services Inquiry

The on-licensed retail sector provides a variety of employment types in terms of full-time, part-time and casual positions. This is evident from the three sources which give details of full-timers and part-timers. There is a substantial part-time element in the employment data in the Fáilte Ireland survey, the DIGI survey and in the Annual Services Inquiry. The details of the Fáilte Ireland public house full and part-time employment are shown below (Table 6.3).

The ASI data show the large decline in bar employment and also the major changes in the structure of the employment. Total persons engaged declined by 13.3% between 2008 and 2011 and full-time equivalent employment declined by 16.6%. The number of full-time employees dropped by 25.2% between 2008 and 2011. Part-time employee numbers declined by 5.4%. In 2008, for example, the number of full-

time employees was 39.5% of total bar employment. In 2011 this had dropped to 34.1%.

The 2012 ASI is not yet available but on the assumption of similar sales volume declines to employment declines as in the 2008 to 2011 period the 2012 level of employment would be about 37,500 persons engaged and 25,500 full-time equivalents. The ASI refers to 6345 enterprises in 2011 but the Revenue licences data suggest about 7500 public houses, indicating a 2012 employment level of about 44,000 persons when the ASI figure is grossed up. The relative importance of different types of employment is shown in Table 6.3.

Table 6.3 Type of Employment in Public Houses 2010

Full-Time year round	Part-Time year round	Full time Seasonal	Part time Seasonal	Unpaid family	Volunteers and trainees	Total Persons
21427	24330	888	4585	420	42	51693

Source: Fáilte Ireland Tourism Employment and Training Survey 2010

In addition to the public houses, there is employment in other licensed premises. The Fáilte Ireland survey reports 6,436 bar staff in hotels or 13% of the year round full time and part time categories.

The details of number of employees for 2009 to 2011 from the Fáilte Ireland survey are presented below in Table 6.4. The different types of employees were converted to full time equivalents by the following adjustments, part time year round equal to one third of a full time job, seasonal job equal to one third of a full time job, unpaid family and volunteers/trainees were treated as full time employees. Exact details of the weight of each type of job are not available and the above weightings were devised by the author.

Table 6.4. Employees in Public Houses

	2009	2010	% change 2009/2010	2011
Full time year round	25972	21427	-17.5	Not available
Part time year round	22946	24330	6.0	na
Full time seasonal	1845	888	-51.9	na
Part time seasonal	2872	4585	59.6	na
Unpaid family	324	420	29.6	na
Volunteers/trainees	23	42	82.6	na
total	53982	51693	-4.2	50721
Full time equivalent	34900	30800	-11.7	Estimated by author 29200

Source. Fáilte Ireland Employment Survey 2009, 2010 and preliminary data from 2011 survey. Full time equivalent employees number was estimated by author

The last Fáilte Ireland comprehensive data shows that number of employees declined from 53,982 persons in 2009 to 51,693 persons in 2010. The decline continued in 2011 when the number of employees dropped to 50,721. The percent declines in the number of employees were 2010, 4.2% and 2011, 1.9%.

As seen from the 2010 data, there were different changes in the various employment categories. Full time year round staff declined by 17.5% while part time year round staff increased by 6%. The same pattern is apparent in the seasonal categories. This is not surprising because public houses may have adjusted to the decline in volume by switching from more costly full time staff to part time staff. This pattern is also consistent with an overall reduction in number of hours worked.

The off-licence sector also generates employment. Part of off-licence sales is provided by on-licence outlets. The on-licence employment estimates include this part of off-licence employment. Employment data on off licences is very limited. The stand-alone off-licences were estimated to employ about 2600 persons in 1999. This related to 543 enterprises, an average of 4.8 persons per off licence. The number of off licences has increased to about 1700 in 2011 and sales volume has also increased substantially according to CSO estimates. Staff numbers will not have increased by the same proportion as outlets because some outlets will have lost market share to new arrivals and because of productivity gains. Allowing for productivity gains and lower sales per enterprise it would seem reasonable to expect 2012 off licence employment to be about 5000 persons. In addition there are very many wine off-licences but the employment contribution would be quite small.

The wholesale sector generates a relatively small number compared to the totals referred to above. Overall the off-licence and wholesale sectors employ about 6,000 persons.

The quantity of jobs is not the only indicator of the labour market contribution of an industry. The skill level of the jobs is also important.

The only skills data available for the retail sector is from the Fáilte Ireland survey. As shown in Table 6.5 managers account for 19% of the total year round staff and supervisors are 1% of the total. Bar staff are the dominant category with 60% .Food service has an 11% share.

Table 6.5 Skills Mix of Public House Employment 2010 (year round employees)

	Persons	%
MANAGER	8578	19
SUPERVISOR	581	1
CLERICAL/ADMIN	212	Below0.5
CULINARY	3027	7
FOOD SERVICE	4840	11
BAR STAFF	27590	60
SALES/ MARKETING	451	1
ACCOMMODATION	88	Below 0.5
OTHER SKILLED	87	Below 0.5
OTHER NON SERVICE AREA	124	Below 0.5
TOTAL	45757	100

Source. Fáilte Ireland

The overall employment summary for the drinks industry is given below:

- Approximately 62,000 full or part time jobs including all segments of the drinks industry in 2013.
- Approximately 3,800 highly paid jobs in beverages manufacturing. However this has declined from 6,146 in 2000.
- Public house employment has declined from 54,000 persons in 2009 to 51,700 in 2010 and 50,700 in 2011 according to Fáilte Ireland estimates, In addition there are about 4,000 persons employed in hotel and other bars giving a 2011 on licence total of just over 54,000 persons based on Fáilte Ireland data. The 2013 estimated employment level is 52,000 persons in the on-licence sector.
- Approximately 6,000 jobs in off-licences and wholesalers.
- Based on ASI data the numbers employed in pubs declined by over 7700 persons or 17% between 2008 and 2012

7. Exports and Balance of Payments

Drinks exports of €1,124.1 million in 2012 greatly exceeded imports of €773.0 million. There is a substantial surplus in Irish international trade in drinks. There is a trade deficit in non-alcoholic drinks and the alcohol trade surplus is higher than the overall drinks surplus. Drinks exports account for 1.2% of total exports. As shown in Table 7.1 drinks exports were €1,327.3 million in 2007. This declined in 2008 and 2009, increased in 2010, declined in 2011 and increased in 2012. The 2012 total is the highest since 2007.

While drinks exports account for only 1.2% of total merchandise exports, it is a reasonably significant exporter compared to some other important exporting sectors. Drinks exports in 2012 were equivalent to 68% of dairy exports, 215% of fish exports and 38% of meat exports.

Table 7.1 Drinks Exports 2007 to 2012

	2007	2008	2009	2010	2011	2012
Value of beverages exports € million	1327.3	1161.7	1006.9	1117.2	1085.6	1124.1
Beverages as % of total exports	1.5	1.3	1.2	1.3	1.2	1.2
Value of beverages imports € million	821.0	754.1	677.4	725.3	710.3	773.0

Source: CSO Trade Statistics and CSO Database

The Bord Bia estimates of drinks exports are a little different to the CSO estimates. Generally, the Bord Bia estimates are higher than the CSO estimates. In the most recent full year, 2012, the CSO estimate was €1.1241 billion with an annual increase of 3.5% while the other estimate was €1.260 with an annual increase of 3.3%. The different measures are shown in Table 7.2.

Table 7.2 CSO and Bord Bia Estimates of Beverages Exports 2007 to 2012 and Annual Increases

	2007	2008	2009	2010	2011	2012
CSO € billion	1.3273	1.1617	1.0069	1.1172	1.085.6	1124.1
Bord Bia € billion	1.440	1.229	1.060	1.152	1.220	1.260
CSO % change	+3.3	-12.5	-13.3	+11.0	-2.8	+3.5
Bord Bia % change	+4.7	-14.7	-13.8	+8.7	+5.9	+3.3

Source: CSO and Bord Bia Export Performance and Prospects Reports

The alcohol exports are divided between beer 25.1%, cider 7.8%, whiskey 26.8% and liqueurs 39.8%. The notable trends in the product mix are the decline of cider exports and the growth of whiskey exports. Beer has stayed relatively constant while liqueurs declined in the early years of the period and have increased since 2009.

Table 7.3 Value of beverages exports classified by product 2007-2012, € million

	2007	2008	2009	2010	2011	2012
alcohol	1231.2	1082.7	927.6	1018.3	978.8	1025.3
Cider and perry	234.2	219.7	202.9	161.8	92.1	79.9
Beer	284.9	250.4	229.7	266.9	254.1	256.9
Whiskey	130.7	140.7	140.6	195.8	248.8	275.1
Liqueurs group	576.3	466.6	349.2	383.7	375.0	408.0
Other alcohol	5.1	5.3	5.2	10.1	8.8	5.4
Non-alcohol	96.1	79.0	79.3	98.9	106.8	86.8

Source CSO Trade Statistics

Table 7.4 presents details of the shares of the domestic market supplied by domestic production and by imports. The long term trend is for the import share of domestic consumption to increase and this is continued in the more recent 2007 to 2012 period.

Table 7.4 Domestic production share of Irish market 2007 to 2012 MLPA

	2007 total clearances	2007 domestic production	2007 imported production	2012 total clearances	2012 domestic production	2012 imported production	2012 domestic shares
Beer	22.896	14.592	8.304	19.550	13.057	6.493	66.8
Cider	4.064	3.508	0.556	3.188	2.754	0.434	86.4
Spirits	9.274	5.208	4.066	8.261	3.489	4.772	42.2
Wine	10.371	-	10.371	10.971	-	10.971	-
Total alcohol	46.605	23.308	23.297	41.970	19.300	22.670	46.0
% share	100	50.0	50.0	100	46.0	54.0	

Source. Derived from Revenue clearances data

Home consumption is much more wine intensive than on-licensed consumption. Consequently the growth in home consumption is associated with an increase in the overall wine, and therefore imported, shares of the market. In addition, the growing level of international competition, the larger non-national consumer demand in Ireland and the markets desire for new brands have resulted in the domestic drinks manufacturing industry losing market share in Ireland. Nonetheless, the domestic industry still maintains large shares of the 2012 domestic market; 66.8% of the beer market; 42.2% of the spirits market and 86.4% of the cider market. Of course, the growing wine market is externally sourced. The overall domestic production share of the domestic market declined from 50% in 2007 to 46% in 2012.

The net foreign exchange earnings of drinks exports are relatively high because of the high domestic content of both service and materials inputs as shown in the following section on purchases. In the absence of domestic production of beer, spirits and cider it is likely that consumption levels would be broadly maintained and

would have to be sourced through imports from other economies. Consequently, the existence of the domestic producers prevents a larger level of drinks imports.

8. Purchases

The drinks industry generates or supports additional economic activity through its linkages to and purchases from other sectors. It uses the output of agriculture such as malted barley, sugar, milk and apples in the production of beverages. The retail sector also uses the output of other sectors such as building, catering, maintenance and furniture. The various data sources give indications of the scale of linkages. Generally, however, there is no detail on whether the input is domestically sourced or imported. For example, retail outlets buy beverages from suppliers. The bulk of cider would be domestically produced but all wine would be imported. Users of sugar, for example, would have sourced it domestically in the past but now, due to the absence of domestic production, this is sourced from imports. Forfas collects data on the domestic content of manufacturing inputs.

The CIP industrial enterprises section contains details of the production, inputs and gross value added for the drinks manufacturing sector.

Table 8.1 Purchases by Drinks Manufacturing Industry 2011

	€M
Materials (for processing)	858.646
Industrial Services	32.505
Non-Industrial Services	629.454
Purchases (excl. goods for resale)	1520.605
Production	2868.632
Intermediate consumption	1515.811
Gross Value Added	1352.821

Source. CSO

In addition to the above statistics, the drinks manufacturing industry also bought €258.6m of goods for resale without further processing. The drinks industry bought €858.6m of materials, €32.5m of industrial services and €629.5m of other services. Its total purchases of materials and services for further processing were €1520.6m. Each €100 of production in drinks manufacturing generates €53 of purchases from other sectors.

The domestic content of services and non-services purchases is shown in Table 8.2. The domestic content ratios are supplied by Forfas and refer to performance in 2010.

Table 8.2 Domestic content of drinks industry purchases

	Total €M	Domestic content proportion %	Domestic purchases
Materials for processing	858.6	42	360.6
Services	662.0	62	410.4

Source: Derived from CIP and Forfas

Domestic materials purchases amounted to €360.6 million or 42% of total materials purchases. There were €410.4 million of service purchases from the domestic economy. In total there were €771 million materials and services purchases from the domestic economy. The rest of materials and services were imported. The drinks industry uses almost 50,000 tonnes of apples in production, over 200,000 tonnes of barley and malted barley and over 300 million litres of milk.

The domestic content of materials purchasing for a range of industries is shown in Table 8.3. The data refer to 2010.

Table 8.3 Domestic Materials Purchases-Variou Industries 2010

	€M All materials purchases	€M Domestic materials purchases	% domestically sourced
Drinks	938.7	394.3	42
Textiles, clothing etc	132.2	11.7	9
Wood	312.8	207.9	66
Chemicals	6378.8	410.6	6.4
Computer, electronic and optical	3084.2	216.4	7.0
Manufacturing	24520.1.	9155.9	37

Source Forfas ABSEI and CIP

The drinks domestic proportion of materials purchasing compares favourably with several of the leading industrial sectors. The drinks figure of 42% compares with below 10% for textiles, chemicals and computer/electronics and with 37% for manufacturing as a whole. The wood and wood products industry which sources a very high proportion of its logs from Ireland has a higher domestic materials proportion of 66%.

The drinks services purchases are compared to manufacturing and selected other industries in Table 8.4.

Table 8.4 Domestic Services Purchases-Variou Industries 2010

	€M All services purchases	€M Domestic services purchases	% domestically sourced
Drinks	694.4	384.0	62
Textiles, clothing etc	53.6	32.2	60
Wood	139.5	123.4	88
Chemicals	13956.4	1117.7	8
Computer, electronic and optical	2369.8	402.2	17
Manufacturing	23451.8	5536.2	24

Source Forfas ABSEI and CIP

The drinks domestic services purchases share is 62%. This is far higher than for manufacturing as a whole (24%) and is far higher than the high technology industries also. The chemicals share is 8% and the computers/electronics share is 17%. At the other extreme, wood and wooden products source 88% of all their services requirements from the domestic economy.

The drinks industry provides a market for investment goods or capital assets. The investment purchases can be divided between plant, machinery, equipment and vehicles, buildings and other construction work and other (including land).

In 2011, the manufacturing drinks industry spent €135.7 million on capital assets. Plant, machinery and vehicles made up €88.4 million of this and building and construction was €33.2 million (compared to €6.4 million in 2010). Other investment was €14.2 million. The level of investment has increased in 2011 compared with 2010.

Table 8.5 Capital Expenditure Trends-Drinks Industry

	2008	2009	2010	2011
Plant Machinery	58.7	49.5	58.8	88.4
Buildings & Construction	12.9	11.4	6.4	33.2
Other	35.4	34.1	16.9	14.2
Total drinks manufacturing	107.1	94.9	82.2	135.7

Source CIP

There has been continuing substantial investment expenditure over the past few years; €107 million in 2008, €95 million in 2009, €82.2 million in 2010 and the already mentioned €135.7 million in 2011 despite the very poor overall economy and domestic market.

Substantial investment expenditure will continue to arise in the future. The drinks industry will engage in substantial capital investment over the next 3-5 years of over €450 million. This is mainly to meet growing export demand. The construction element of investment generates at least one job per €100,00 of expenditure.

The manufacturing drinks industry paid a wages and salary total of €217.9 million in 2011 which decreased from €230.2 million in 2008. The total labour cost was €308.7 million in 2011.

The retail sector is a significant purchaser of goods and services from other sectors, notably the catering and building/construction sectors. In addition, it sources drinks from the manufacturing sector and from abroad. The domestic supplies are already included in the production of the manufacturers. The bars sector pays a very substantial wages and salaries bill but this has declined since 2008 by 22.4%. According to the ASI the wages and salaries bill for bars in 2011 was €535.1 million

compared with €689.2 million in 2008. This relates to the ASI bar enterprise total of 6,345 as opposed to the much higher Revenue licences total.

Table 8.6 Labour Costs-Bars 2008 and 2011 (€M)

	2008	2011
Wages and salaries	689.2	535.1
Total labour cost	760.7	588.1

Source ASI.

The total labour cost was €588.1 million in 2011 compared with €760.7 million in 2008. These labour costs are based on the bars definition in the ASI. Official estimates of total on licence personal expenditure on alcohol from national accounts data are higher than the ASI sales data. On that basis the ASI bar labour costs are probably an underestimate of the labour fund associated with the wider on licence sales.

The ratios of inputs to sales for various inputs for 2011 are shown in Table 8.7.

Table 8.7 Estimates of Purchases as % of Sales

	2011
Total Purchases as % of Sales (ASI)	67.5
Estimated food & drink % of sales	51
Drink purchases as % of sales	43
Food purchases as % of sales	8
Estimated other purchases as % of sales	16.5

Source Derived from various sources as explained in Foley (2013).

Based on the above estimates in Table 8.7 the actual purchases can now be estimated using the ASI total purchases as a base.

Before doing this it is necessary to compare the CSO national accounts on-licence expenditure with the ASI total for the narrower category of bars. In the following we assume a food share of national bar sales of 15%.

Table 8.8 Estimates of Alcohol Expenditure in Bars 2011 € billion

National Accounts, CSO. Personal On-licence Alcohol expenditure (incl. VAT)	4.590
(excluding VAT)	3.793
adjusted for food	4.462
ASI Bar Turnover	2.555

Source ASI, authors estimates, CSO national accounts division

The national accounts personal expenditure on alcohol in on-licensed premises adjusted for food amounts to € 4.462 billion excluding VAT and this is a surprising 75% above the ASI total. The ASI includes 6345 enterprises compared to the on-licences Revenue- based estimates of 8438 including hotels and 7509 for public houses which are well above the ASI coverage. It seems reasonable to assume that the ASI data understate the scale and role of the bar sector. Consequently a case can be made for increasing linkages estimates derived from the ASI to reflect the overall on-licensed sector. Foley 2013 used an adjustment of 30%.

Table 8.9 Estimates of Inputs Purchased by On Licensed Premises 2011

	€B
ASI Sales	2.555
Adjusted Sales (Table 5.3.2)	3.322
Alcohol & Food inputs based on ASI	1.303
Other inputs based on ASI	0.422
Alcohol inputs based on ASI	1.099
Food inputs based on ASI	0.204
Non-alcohol inputs based on ASI	0.626
Non-alcohol inputs based on upwards adjustment of ASI estimates	0.814

Source Authors estimates

As derived from the methodology discussed above, sales in licensed premises in 2011 based on ASI were €2.555 billion. This was comprised of alcohol/drinks purchases of €1.099 billion, food input purchases of €204 million and other input purchases (services etc) of €626 million. This gives a total 2011 purchases of €626 million excluding alcohol purchases. Adjusting for the likely larger bar sector the total increases to €814 million.

The above estimates refer to the retail on licence segment of the distribution industry. The off licence and wholesale sectors also procure inputs and pay wages. Based on estimates of employment in these sectors a conservative estimate would be that an additional 10% should be added to the retail wages bill and 5% to the services/ materials inputs to account for these. This brings the wages level to €589 million, the personnel cost to €647 million and the services/materials other than alcohol and food to €443 million for the total retail and wholesale sectors.

Investment expenditure in the bar sector is now outlined.

Table 8.10 Investment Expenditure (Capital Acquisitions) by bars

	2008	2009	2010	2011
€M	352.0	79.2	66.8	76.1

Source ASI

There was a very high level of investment in 2008 at over €350 million. This includes both refurbishment/construction and acquisition of premises. As the economy deteriorated since 2008, this level declined greatly to €79.2 million in 2009, €66.8 million in 2010 and increased to €76.1 million in 2011. The 2011 level of €76 million is still large for a sector undergoing a substantial decline. There was a capital asset disposal total of €4.4 million in 2011 along with the acquisition total of €76 million. The net investment in bars was €72 million. Total drinks related retail investment would be much greater than this, because there was investment in the off- licence sector by the multiples.

9. Taxation

The drinks industry provides substantial tax revenues for the Exchequer in excise, VAT, incomes taxes and PRSI and profits tax. In addition the sector pays licence fees for the right to sell alcohol and for special exemption orders. In 2011 alcohol licences generated just under €12 million. Excise amounted to €846.1 million in 2012. The estimated VAT receipts were €1188.0 million in 2012. The revenue flow from VAT and excise was €2034.1 million. The combined wages and salaries bill for manufacturing and services in the alcohol sector was over €800 million in 2011 which generated income tax, PRSI and universal social charges revenues. Allied with employer PRSI contributions and profits this would generate about €200 million. Overall tax receipts from alcohol would be about €2.250 billion in 2012.

The excise and VAT tax revenues derived from the drinks industry are shown in Table 9.1.

Table 9.1 Taxation Contribution by the Drinks Industry 2012

Excise	VAT	Total excise and VAT
€846.1 million	€1188.0	€2034.1 million

Source. Revenue Commissioners

In addition to the above tax payments the industry, along with other sectors in the economy pays commercial rates, profits tax, employee and employer PRSI and income tax.

10. Tourism and Other Aspects

A fuller description of the contribution of the drinks industry to tourism, festivals and sports is available in DIGI (2013).

The Fáilte Ireland Holidaymaker Study 2012 found that pubs were the most popular eating place for holidaymakers in Dublin. 50% of holidaymakers in Dublin used pubs for meals compared to 37% using restaurants. In the Dublin Doorstep area pubs ranked third behind hotels and restaurants for provision of meals. Pubs were fifth in the North-West, sixth in the West, number one in West Clare, third in the Shannon Corridor, number two in the Dingle Peninsula, number three in the Ring of Kerry, number three in West Cork, number four in Cork City and harbour and third in the South –East.

The Guinness Storehouse was the largest fee charging tourism attraction in 2012 with 1,087,209 visitors. Second in the ranking was Dublin Zoo with 1,029,417 visitors. No other fee charging attraction had a million visitors. The large majority of Guinness Storehouse visitors were from overseas. It was substantially ahead of the third ranked attraction, which was the Cliffs of Moher Experience, with 873,938 visitors. The Old Jameson Distillery attracted 228,117 visitors in 2012 and was ranked fourteenth in the top attractions. The great majority of these visitors were also from overseas.

The Guinness Storehouse is, by far, the largest international visitor attraction as the Dublin Zoo attendees include a high proportion of domestic visitors.

In each of the years 2005 to 2012, except for 2010, the Guinness Storehouse was ranked number one of the fee charging visitor attractions. In 2008 and 2009 its visitor numbers exceeded one million. In the period to 2011, its visitor numbers peaked at 1,039,000 in 2008. However, 2012 was a new record year for the number of visitors with a level of 1,087,209 visitors which exceeded the 2008 peak.

The Old Jameson Distillery also had a very good year in 2012 with an increase to 246,617 visitors which is close to the peak of 250k visitors achieved in 2008. The increase over the 2005 to 2011 period for the Old Jameson Distillery was from 204,000 to 223,500.

The drinks industry visitor attractions are particularly important in overseas tourism. In 2012 91% of the Old Jameson Distillery/Middleton Jameson Experience visitors were from overseas with 43% from the United States, 13% from Germany and 10% from France. The overseas share was 93% for the Guinness Storehouse in 2012 and the largest overseas share was from the USA.

Diageo announced in June 2013 that the Smithwick's brewery in Kilkenny will be transformed into a state-of-the-art visitor experience with an investment of €3 million and will open in spring 2014.

The 2012 attendances are listed below. The top 14 are identified. In addition to the two on the list, other drinks industry tourist attractions are the Jameson Experience at Midleton with 106.0k visitors, Kilbeggan Distillery Experience with 37.1k visitors and Tullamore Dew Visitor Centre with 16.1k visitors in 2011.

The roles of the drinks industry and other visitor attractions are shown in Table 10.1 below.

Table 10.1 Visitors to Fee Charging Attractions 2012 (top 14 attractions)

Attraction	Visitors
Guinness Storehouse	1,087,209
Dublin Zoo	1,029,417
Cliffs of Moher Experience	873,988
National Aquatic Centre	813,406
Book of Kells	561,259
Tayto Park	391,000
St Patricks Cathedral	385,000
Fota Wildlife Park	377,500
Blarney Castle	329,000
Kilmainham Gaol	310,910
Bunratty Castle and Folk Park	286,270
Rock of Cashel	240,406
Kilkenny Castle	238,244
Old Jameson Distillery Dublin	228,117

Source. Fáilte Ireland

Tourism is an important sector for the Irish economy in terms of economic impact and exchequer contribution. The main impact comes from the overseas visitors but the domestic component is also important. The drinks industry makes a substantial contribution to the tourism performance over a range of channels.

7,500 public houses and almost 1,000 hotels and other full bar on-licences provide physical facilities and a range of services required by tourists on a very widespread geographic basis.

The public house network provides wash room facilities and shelter, in even the very remote parts of the country. This supports the regional spread of tourism. Over half of licensed premises provide food, of these almost 90% provide hot meals. 43%

provide live entertainment. 22% of licensed premises and 17% of pubs provide entertainment specifically for tourists.

After the fundamental attractions of *people, scenery and culture/history*, public houses are identified as an attraction by 7% of tourists, 8 % of mainland European visitors and 10% of German visitors (which is the largest national mainland European market for Irish tourism).

The drinks and hospitality industries are major sources of festival sponsorship. Festivals supported by the drinks industry include the Guinness Cork Jazz Festival, the Heineken Electric Picnic, the Jameson Dublin International Film Festival and the Bulmers Comedy Festival, Galway.

The drinks industry sponsors both major and local sports events including golf, soccer, rugby and GAA. In 2012, the drinks industry provided 10% of all horse racing sponsorship. It is the second largest source of sponsorship when racing related sectors such as betting, racecourses and bloodstock are excluded.

49% of VFI members in a 2013 survey supported either a local sports team/club or local event. An additional 29% had previously done so but were not currently sponsoring. It is likely that a significant proportion of other public houses which are not in the VFI are also supporting local events

Brands such as Guinness, Jameson and Baileys which are consumed in over 100 countries generate positive awareness of Ireland as a place of relaxation and leisure among potential tourists. Other brands such as Magners and Tullamore Dew also have an international reach.

11. Conclusions

The purpose of this report is to identify the current (subject to data availability) economic contribution of the drinks industry in Ireland and the changes in that contribution since the economic decline in 2008.

A summary of the economic role and characteristics of the drinks industry is shown below. The changes over the past few years are also identified.

Manufacturing

- €3.128 billion turnover in 2011; 3.1% of total manufacturing
- €1.353 billion gross value added; 4.0% of total manufacturing
- €218m paid out in wages and salaries in 2011, €309m in total labour cost
- 30 enterprises in drinks manufacturing in 2011
- Average labour costs per person engaged were €85,625, 78% above average manufacturing level of €48,058 in 2011
- €858.6 million spent on materials for further processing (much of it on agricultural products)
- €629 million spent on services inputs by drinks manufacturers
- Total purchases of €1.5b
- Major boost to Irish international image through brands such as Guinness, Baileys, Jameson and other Irish Whiskies
- 3605 jobs provided in 2011....decline in jobs from 6146 in 2000

- Production for domestic market decreased by 17.2% between 2007 and 2012

On and Off Trade Retailers

- 8523 on licensed outlets
- 1722 full off-licences
- Full time or part time jobs for 58k people in 2013
- According to CSO, personal expenditure on beverages of €6.355 billion in 2012
- Purchases of goods and services, excluding beverages of €616 million
- Pubs and bars wages bill of € 535 million.
- Most pubs outside Dublin have low annual sales
- Substantial decline in level of retail employment in recent years .According to ASI 6000 jobs lost in 2008 to 2011
- Full-time employee numbers in bars declined by 25% between 2008 and 2011
- Number of public houses declined by 959 between 2007 and 2012
- Concerns about longer term viability of smaller and rural pubs

Tourism and Sponsorship

- An important element of the tourism product of Ireland
- Guinness Storehouse is largest fee charging visitor attraction in Ireland with over 1 million visitors in 2012 and other visitor centres play an important role, e.g. Old Jameson Distillery and others
- Drinks industry is major sponsor of horse racing

International Trade

- €1.1 billion in drinks exports in 2012

- €351 million drinks trade surplus in 2012
- Drinks exports equal to 90% of dairy in 2012
- 66.8% of domestic beer market supplied by domestic producers in 2012
- 86.4% of cider market supplied by domestic producers
- 42.2% of spirits market supplied by domestic producers
- Domestic producers share of local market declined from 50% in 2007 to 46% in 2012

Purchases

- €2.1 billion of purchased inputs by manufacturing, retail and wholesale excluding double counting of alcohol purchases
- High degree of domestically produced inputs by drinks manufacturing
- Big wages and salaries input to aggregate demand
- Substantial on-going investment

Taxation

- €2.034 billion in VAT and excise receipts in 2012

Consumption

- The total volume of the alcohol market declined by 9.9% between 2007 and 2012
- Per adult consumption in 2012 is 12.4% below the 2007 level, per capita consumption is 14.1% below the 2007 level

- Beer, cider and spirits volume declined between 2007 and 2012, wine volume increased.

As shown by the data the drinks industry in manufacturing has high earnings per person employed.

The industry operates a strong balance of payments surplus. This foreign exchange earning capacity is even higher than official trade data indicates because of the relatively low import content of the sector's production.

The industry is a very substantial contributor to the exchequer in terms of the excise and VAT generated and income tax payments, profits tax and PRSI.

Some of the few high profile international brands which have emerged from Ireland have been from the drinks industry. It contributes to tourism and regional development. It also plays a significant role in social infrastructure. Overall it plays a major role in consumption, production, employment and trade.

Many of the high profile international brands that have emerged from Ireland have been from the drinks industry. The industry contributes to tourism and regional development. It also plays a significant role in social infrastructure.

The public house sector also plays an important role in providing food to foreign tourists. It is a very frequently used food service outlet by visitors. The largest fee charging tourist attraction in the country is the Guinness Storehouse.

The 2013 IBEC assessment of the Jobs Initiative suggested an employment multiplier for direct hospitality employment of 0.4 based on Scotland's experience. For every direct 100 jobs an additional 40 jobs would be supported elsewhere in the economy. The drinks manufacturing employment multiplier would be larger due to the higher productivity and labour earnings.

Overall the empirical data shows that the drinks industry makes a substantial economic contribution providing high quality manufacturing employment, large numbers of jobs in retailing and other desirable economic characteristics.

It is clear from the above that the most significant employment contribution comes from the on licensed sector. It provides 84% of all the direct drinks related employment. Unfortunately this sector has been the worst performing sector with large employment declines in recent years. The independent off-licence sector has also suffered substantial decline. Over the longer term the role of the public house in alcohol consumption has been in decline. This has been caused by market changes, economic factors and new regulations. Faced with a continuing difficult economic environment over the next few years (although better than the past few years) it is likely that the decline in this sector will continue. Overall, the economic contribution of the drinks industry is substantial but has been in significant decline over the past few years. Notwithstanding the efforts of the publican sector to enhance its customer offering, as shown in reports such as the AIB Outlook series, significant challenges will continue.

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