



The Economic Contribution of the Drinks Industry

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Executive Summary

The objective of this report is to identify the economic contribution made by the drinks industry to the Irish economy. The report mainly uses official data from the CSO, Revenue Commissioners and Fáilte Ireland. In addition data from previous DIGI research is used.

In line with the overall economy the drinks industry has suffered substantial decline since 2008. Despite the 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 very large numbers of people who get full or part time employment from the drinks industry and particularly from the public house and bar sector, the very large and continuing decline of the employment intensive on licence sector and the substantial contribution that the drinks industry makes to tourism.

As of August 2010 the drinks industry provided full or part time employment for almost 78k persons and 50k full time equivalent jobs. The employment contribution is dominated by the on licence sector composed of public houses, bars, restaurants, hotels and nightclubs. Unfortunately the bar sector experienced a sales volume decline of almost 17% between November 2008 and August 2010 which caused a very large decline in employment.

Manufacturing

- €2.95b turnover in 2008; 2.8% of total manufacturing
- €1.1B gross value added; 3.3% of total manufacturing
- €230m paid out in wages and salaries in 2008, €335m in total labour cost
- 34 enterprises and 40 production units in drinks manufacturing

- Average wages and salaries per employee of €54.8k, 39% above average manufacturing level
- €1107.9m spent on materials for further processing (much of it on agricultural products) and energy
- €563m spent on services inputs by drinks manufacturers
- Total purchases of €1.7b
- Major boost to Irish international image through brands such as Guinness, Baileys, Jameson and other Irish Whiskies
- 4263 jobs provided....decline in jobs from 6146 in 2000

On and Off Trade Retailers

- 9082 on licensed outlets
- full off-licences
- Full time or part time jobs for 74k people in 2010
- 46k full time job equivalents in on and off licences and distribution
- According to CSO personal expenditure on beverages of €7.185b
- Growing off licence share; 35% of market value and about 55% of the volume of alcohol in 2009
- Purchases of goods and services, excluding beverages of €840m
- Pubs and bars wages bill of €1.15b.
- Most pubs outside Dublin have low annual sales
- 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 2009 and other visitor centres play an important role, e.g. Old Jameson Distillery and others
- Drinks industry is major sponsor of horse racing
- Substantial decline in level of retail employment in recent years caused by very large decline in volume of bar sales which were down by almost 17% in the past two years
- Concerns about longer term viability of smaller and rural pubs

International Trade

- €997.7m in drinks exports in 2009
- €329.5m drinks trade surplus in 2009
- Drinks exports equal to 90% of dairy in 2009
- 68.6% of domestic beer market supplied by domestic producers
- 86.3% of cider market supplied by domestic producers
- 51.7% of spirits market supplied by domestic producers

Purchases

- €2.5b of purchased inputs by manufacturing, retail and wholesale excluding double counting of alcohol purchases
- Pub and bar paybill of €1.15b
- Big wages and salaries input to aggregate demand

Taxation

- €2013m in VAT and excise receipts

Consumption

- The total volume of the alcohol market declined by 14.1% between 2007 and 2009
- Per adult consumption in 2009 is 15.7% below the 2007 level, per capita consumption is 16.4% below the 2007 level.

1. Introduction and Objective

The objective of this report is to identify the economic contribution of the drinks industry to the Irish economy. It updates the previous report on the economic contribution of the drinks industry published by the Drinks Industry Group of Ireland (DIGI) in 2008. 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.

2. Data Sources

The economy and the drinks industry have declined greatly since 2008. Much of the available data for identifying the economic role of the drinks industry relates to 2008 and 2009 and consequently does not capture the continuing decline from 2009 to date. Despite the substantial decline since 2008 the drinks industry continues to play a very large role in the economy. 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. Except for DIGI research and Fáilte Ireland material the approach is to use official data sources such as the Census of Industrial Production, the Statistics Report of the Revenue Commissioners, Annual Services Inquiry and External Trade statistics.

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 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.

Economic production and consumption usually generate costs as well as benefits. Costs include the negative environmental impact through, for example, use of energy in production and distribution and disposal of packaging. There are also negative economic effects from the consumption of various goods such as the adverse health impact of misuse of alcohol or the obesity aspects of certain food consumption patterns. Economic production results in gross benefits and gross costs. This report deals with the economic benefits associated with the drinks industry such as the employment and output associated with production and distribution.

4. Structure of the Industry and Overview

Overall Market

Personal expenditure on beverages was €7.185b in 2009. This was 8.5% of total consumer expenditure. €6.531b of this was expenditure on alcohol and €654.3m was spent on non-alcoholic beverages. 34.8% of the spending on alcohol was in off-licences and 65.2% was spent in public houses, bars, restaurants, hotels and nightclubs. The off-licence share was 27.5% in 2000. Expenditure on alcohol peaked in 2007 at €7.230b, dropped to €6.966b in 2008 and dropped further to its 2009 level of €6.531b.

Retail

The retail segment is comprised of many very small enterprises. In 2009 there were 9082 publican licences, 1770 spirits off licences and 3705 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 1900 off-licences which sell only wine. The retail side is characterised by, primarily, small owner managed enterprises.

The retail sector is characterised by very small size. The average number of full time and part time staff in public houses was 7.3 in 2008, based on DIGI data. The CSO's 2008 Annual Services Inquiry reports an average employment size of 6.9 persons. The Fáilte Ireland survey reports an average employment pub size including part-timers of 8.0 persons in 2008.

The Revenue Commissioners data on number of licences is shown below. The very large number of outlets is apparent. As already noted, there are 9082 full on licences and 1770 spirits off licences. The number of off licences increased substantially in recent years from 808 in 2002. The number of wine off licences is also very large and has grown greatly in recent years, from 2023 in 2002 to 3705 in 2009. 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.

Table 4.1 Alcohol Retail Outlets 2002 -2006

	Full publican licences	Spirits off licences	Wine off licences
2002	9896	808	2023
2003	9731	785	2392
2004	9964	983	2790
2006	9555	1170	3485
2009	9082	1770	3705

Source: Revenue Commissioners

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 from the 2009 DIGI retail survey.

Table 4.2 Percentage of On Licensed Premises in each Turnover Band 2008

Net Value of Sales	Percentage of Premises
Under €30K	10
€30,000 – under €60K	13
€60K – under €200K	26
€200,000 – under €400K	23
€400K – under €650K	8
€650K – under €1M	9
€1 – under €1.25M	4
€1.25M – under €2.5M	4
€2.5M – under €4M	2
€4M or more	Below 1
Total	100.0

Source: DIGI Survey of Licensed Premises in Ireland 2009

Very large numbers of alcohol retailers have small turnover levels. The data shows that only 7% of premises had sales of €1.25M or over in 2008. Only 3% had sales levels in excess of €2.5M in 2009. 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 49% of licensed establishments had annual sales of under €200K per annum.

Dublin has a higher proportion of public houses in the higher turnover category than the rest of the country. The Dublin, non-Dublin public house breakdown is shown below in Table 4.3.

Table 4.3 Percentage of Public Houses in each Turnover Band 2008

Net Value of Sales	Dublin %	Non-Dublin %	Total %
Under €30K	0.0	14	11
€30,000 – under €60K	0.0	13	11
€60K – under €200K	6	30	25
€200,000 – under €400K	15	26	24
€400K – under €650K	15	7	8
€650K – under €1M	28	5	9
€1 – under €1.25M	10	2	3
€1.25M – under €2.5M	18	2	5
€2.5M – under €4M	6	1	2
€4M or more	3	-	1
Total	100.0	100.0	100.0

Source: DIGI 2009

27% of Dublin pubs have a turnover of, or, in excess of €1.25M compared to 3% in the rest of the country. 47% of non-Dublin public houses had a turnover of under €200K compared to 6% in Dublin.

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 34 enterprises and 40 local units in 2008. The sector includes very large companies such as Diageo and Irish Distillers.

Average size of local unit in drinks is higher than in manufacturing as a whole, 104 persons in drinks compared to 38 in manufacturing as a whole. Earnings are relatively high. Wages and salaries per person is €54849 in the drinks industry compared to €39350 in manufacturing as a whole.

Drinks manufacturing provided 3.3% of manufacturing value added in 2008 and 2.2% of manufacturing employment.

The main structural features are shown in table 4.4.

Table 4.4 Main Structural Features of the Drinks Manufacturing Industry 2008

	Beverages	Total Manufacturing
Number of enterprises	34	4989
Number of local Units	40	5183
Gross output per local unit €M	46.0	18.6
Net output per local unit €M	17.5	10.9
Persons engaged per local unit	104	38
Annual wages and salaries per employee€	54849	39350
Gross output per person engaged€	443570	491632
Net output per person engaged€	168631	287371

Source CIP

The data are given for the drinks industry and for manufacturing as a whole for comparison purposes.

The drinks industry has a larger scale than manufacturing as a whole. Gross output and net output per local unit or per production establishment is substantially higher in the drinks industry than in manufacturing as a whole. The average size of local unit is 104 persons in drinks and 38 people in total manufacturing. Wages and salaries per employee is almost €55k per annum in the drinks industry compared to €39k in total manufacturing.

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 also illustrate the economic importance of drinks consumption. Alcoholic beverages consumption was valued at €6.531b in 2009, or 7.7% of total personal consumption. Non-alcoholic beverages were estimated to be €654m. Overall beverages consumption was 10.8% of total consumption in 2000. The alcohol share of personal consumption, measured in money terms has declined from 9.9% in 2000 to 7.7% in 2009.

Details of the volume of alcohol consumption are shown in Table 5.1.

Table 5.1 Alcohol Volume 2006 to 2009 (Litres of Pure Alcohol)

	Total volume Millions of LPA	Per capita LPA	Per adult LPA
2006	45.451	10.738	13.495
2007	46.605	10.741	13.488
2008	43.944	9.937	12.520
2009	40.042	8.979	11.370

Source Revenue Commissioners and CSO

The volume of alcohol peaked in 2007 at 46.605MLPA. The 2009 level is 14.1% lower than the 2007 level. Per capita consumption in 2009 was 8.979LPA which was 16.4%

below the level of 2007. The peak per capita consumption level was 11.33LPA in 2001. The 2009 level was 20.8% below the 2001 average consumption level.

Average consumption per adult also peaked in 2001 at a level of 14.44LPA. The 2009 level was 11.37LPA which was 21.3% below the 2001 peak. Since 2007 per adult consumption has declined by 15.7%.

Part of the 2009 recorded decline was due to increased levels of cross border shopping. Even allowing for this there was a substantial decline in actual consumption. Cross border shopping has declined in 2010 due to the reduction in excise in the 2010 budget and other factors. In 2010 alcohol consumption will increase relative to 2009 but this is being driven by increased off licence sales. Bar sales continue to decline in 2010.

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 volume of bar sales declined by 26% between 2000 and 2009. Between 2007 and 2009 the volume of bar sales declined by 16.3%.

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 2006 Census of Population is now out of date. The following discussion uses the other three sources. The employment contribution of the drinks industry is dominated by the on licence retail 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.

On the assumption of the continuation of the same demand to consume alcohol in the absence of an Irish drink 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 retail distribution segment. As shown in previous DIGI reports the employment in manufacturing of drink has declined over the long-term as restructuring, improvements in productivity, outsourcing and technological change have occurred. This has been repeated throughout the 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.

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) 2005-2008

	Persons
2005	4542

2006	4271
2007	4793
2008	4263

Source CIP

The latest CIP refers to 2008. There were 4263 persons employed in drinks manufacturing which is a drop of 279 persons compared with 2005.

There are four main data sources for employment in alcohol retailing. These are the Census of Population (CP), the Annual Services Inquiry (ASI), the 2009 DIGI survey and the Fáilte Ireland Training and Employment survey.

The various sources provide different estimates of employment in the on licensed sector. The different estimates of public house employment in 2008 are 58.3k persons (DIGI), 45.3k persons (ASI) and 64.9k persons (Fáilte Ireland).

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 all three of the sources. 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 employment are shown below.

Table 6.2 Type of Employment in Public Houses 2009

Full-Time year round	Part-Time year round	Full time Seasonal	Part time Seasonal	Unpaid family	Volunteers and trainees	Total Persons
29306	23796	3681	3320	4470	345	64918

Source: Fáilte Ireland Tourism Employment and Training Survey 2009

In addition to the public houses there is employment in other licensed premises. The 2008 Fáilte Ireland survey reports 6436 bar staff in hotels or 13% of the year round full time and part time categories. On the assumption that 5% of managers and

supervisors and 2% of clerical/administrative staff are associated with drinks retailing in hotels the total of drinks staff in hotels is about 6900. Adding this to the Fáilte Ireland pub employment total gives an on licence employment total of 71818 which is below the DIGI total.

The off-licence sector also generates employment. Part of off-licence sales are 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 1500 in 2008 and sales volume has also increased substantially according to CSO estimates but by less than the growth in off licences. 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 2008 off licence employment to be about 4500 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 4800 jobs or 3000 full time job equivalents.

The employment summary is as follows in direct full-time job equivalents in 2008

- manufacturing (CIP enterprises): 4263 full time jobs
- on licensed premises (DIGI): 75177 jobs or 47423 full time equivalents
- off-licence and wholesale: 4800 or 3000 full time equivalents
- Total: 84240 jobs or 54686 full time equivalents

There were 54686 full-time job equivalents in the direct production and distribution of alcohol and other beverages in 2008. As many people work on a part-time basis, the number of people deriving some employment was 84240 in 2008.

As already indicated, the period from 2008 to date has been characterised by substantial decline in bar sales volume. In 2009 off licence sales declined due to both market decline and cross border shopping. In 2010 off licence sales have recovered. Between November 2008 and August 2010 bar sales volume declined by 16.6%. Employment would have declined by less than that due to reduced hours and reduced wages. We have assumed an employment decline of 8% in bars over this period. This gives a bar employment estimate of 69162 persons or 43629 full time equivalents. We have assumed that manufacturing employment has declined by 10% giving a total of 3837 and we assume there is a 5% decline in the other sectors. This gives a current (August 2010) drinks industry employment of:

- Manufacturing: 3837
- On licence: 69162 persons or 43629 full time equivalents
- Off licence and others: 4560 persons or 2850 full time equivalents
- Total: 77559 full or part time jobs or 50316 full time job equivalents

The Failte Ireland employment survey is done annually and allows one to chart the recent performance of the public house employment level. While there are comparability problems due to different collection methodologies the data give a stark picture of the recent decline. In 2006 there were 88k persons working in public houses. In 2007 this had increased to 102k persons but in 2008 this had dropped to 65k 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 Failte Ireland survey. As shown in Table 6.3 managers account for 15% of the total year round staff and supervisors are 5% of the total bar staff are the dominant category with 45% followed by food service with 24%.

Table 6.3 Skills Mix of Public House Employment 2008 (year round employees)

	Persons	%
MANAGER	8107	15
SUPERVISOR	2603	5
CLERICAL/ADMIN	601	1
CULINARY	4291	8
FOOD SERVICE	12697	24
BAR STAFF	24109	45
SALES/ MARKETING	53	-
ACCOMMODATION	220	-
OTHER SKILLED	95	-
OTHER NON SERVICE AREA	326	1
TOTAL	53102	100

Source Failte Ireland

7. Exports and Balance of Payments

Drinks exports of €997.7m in 2009 greatly exceeded imports of €668.2m. Drinks exports account for 1.2% of total exports. Alcohol exports were €923.5m compared to €435.5m in imports. However, excluding high technology exports, drinks exports compare favourably with some other important export categories. Drinks exports are 90% of dairy exports.

The alcohol exports are divided between beer 24.8%, cider 21.9%, whiskey 14.9% and other spirits 37.9%.

Because of the growing level of international competition, the larger non-national demand in Ireland and the markets desire for new brands the domestic drinks manufacturers industry has lost market share in Ireland but still maintains large shares of the 2009 domestic market; 68.6% of the beer market; 51.7% of the spirits market and 86.3% of the cider market. Of course, the growing wine market is externally sourced.

The net foreign exchange earnings of drinks exports are relatively high because of the high domestic content of both service and materials inputs. In the absence of domestic production of beer, spirits and cider it is likely that consumption levels would be relatively unchanged 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.

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 2008

	€M
Materials (for processing) and Fuel	1107.9
Industrial Services	27.4
Non-Industrial Services	563.1
Purchases (excl. goods for resale)	1698.4
Production	2774.2
Intermediate consumption	1718.8
Gross Value Added	1055.4

Source CSO

In addition to the above statistics the drinks manufacturing industry also bought €206.4m of goods for resale without further processing. The drinks industry bought €1107.9m of materials and fuel (fuel and power was approximately €47m), €27.4m

of industrial services and €563.1m of other services. Its total purchases of materials and services for further processing were €1698.4m. Each €100 of production in drinks manufacturing generates €61 of purchases from other sectors.

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. According to the ASI the wages and salaries bill for bars in 2008 was €689m. This relates to the ASI employment level of 45252 persons. The DIGI survey estimated a level of 75177 for all on licensed enterprises. On a proportionate basis this gives a wages bill of €1.14b.

Total purchases by the ASI bars were €2.256b in 2008. Of this about €1.65b was for drinks. This leaves a non drinks purchase of €606m. Grossing up for the 9082 on licences compared to the 6552 enterprises in the ASI the total non drinks purchases were €840m.

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. A special exemption order requires a payment of €410 per order. In 2009 there were 64011 orders generating €26.2m in payments to different state bodies. An estimated €3.6m was collected in 2009 off licence renewals. In addition, public house renewals generate annual licence fees.

Excise amounted to €968.0m in 2009. This form of taxation is applied to very few industries. When VAT on drinks sales is included the revenue flow was €2013m in 2009.

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

Excise	VAT	Total excise and VAT	Drinks excise as % of all excise	Drinks VAT as % of all VAT	Drinks excise and VAT as % of all Tax
€968m	€1045m	€2013m	19.8	9.8	6.0

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

Significant economic benefits flow from the drinks industry through support for tourism, developing a high quality profile for Ireland through leading international brands such as Baileys Cream Liqueur, Guinness and Jameson and regional development. It also provides a resource for community infrastructure, especially in rural areas.

The Guinness Storehouse is the leading fee charging tourist attraction with over one million visitors in 2009. The Old Jameson Distillery in Dublin is also a major attraction with almost a quarter of a million visitors in 2009 and the Jameson Experience in Midleton attracted 100k visitors.

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

Table 10.1 Visitors to Fee Charging Attractions 2009 (top 13 attractions)

Attraction	Visitors
Guinness Storehouse	1019166
Dublin Zoo	898469
Cliffs of Moher Experience	763758
National Aquatic Centre	723974
Book of Kells	478304
Fota Wildlife Park	347231
St Patricks Cathedral	331136
Blarney Castle	320000
Kilmainham Gaol	285974
Bunratty Castle and Folk Park	273140
Old Jameson Distillery Dublin	248000
Bru Na Boinne	222430

Source Failte Ireland

The Guinness Storehouse total of over 1m visitors is substantially ahead of the next most popular attraction which is Dublin Zoo. The zoo attracted 898469 visitors which is 88% of the Storehouse visitor total. The Storehouse has performed well in the recession. In 2007 it had 946577 visitors, in 2008 the total was 1038910 and in 2009 there was a small decline of 1.9%. The zoo total declined by 3.6% in 2009 compared with 2008.

Public houses are mentioned by foreign visitors as one of the advantages of holidaying in Ireland. In 2009 7% of visitors identified the pub as an advantage. While 7% may not appear to be a high figure it is much higher than factors such as good accommodation and good internal transport. The main mentions are for deeply imbedded aspects such as the people, scenery, and culture and history. Culture and history got a 15% mention.

The details are shown in Table 10.2

Table 10.2 Advantages of Holidaying in Ireland- Aspects Most Frequently Mentioned % 2009

Irish People	40
Scenery	27
Culture/History	15
English Speaking	10
Drinks/Pubs	7
Unspoilt Environment	7
Restful/Relaxing	7
Access	6
Family Connections/Ancestral	5
Easy to see everything	4
Quiet Roads	2

Good Accommodation	2
Good Internal Transport	2

Source Failte Ireland

The public house is used extensively by foreign visitors for meals. 78% of tourists expressed themselves as satisfied or very satisfied with the quality of food in pubs compared to 69% for budget restaurants in 2009. 83% expressed satisfaction with the quality of service in pubs (for food). 51% expressed satisfaction at the price of pub food but only 28% were satisfied with the price of alcoholic drink. The food price satisfaction level was 45% in budget restaurants, 49% in hotels, 51% in high quality restaurants and 62% in other accommodation.

The pub network is a widely dispersed tourism facility which is available in small villages and rural areas. In addition the pub employment is regionally spread. The Failte Ireland survey reports that of 8086 public houses in 2008, only 9% were in Dublin but these were larger than elsewhere. 30% were in the southwest, 36% were in the border, midlands and west regions and 25% were in the east and southeast.

The drinks industry was the third largest sponsor of Irish horse racing in 2009 after the bloodstock and betting industries. It provided 11% of the total race sponsorship. The drinks industry is a major sponsor of festivals and cultural events and helps to sustain the employment and other economic activity associated with these.

11. Conclusions

The purpose of this report is to identify the economic role of the drinks industry in Ireland. The intention is to inform policy makers on the role of the industry so as to contribute to informed policy making for the industry.

A summary of the economic role and characteristics of the drinks industry is shown below.

Manufacturing

- €2.95b turnover in 2008; 2.8% of total manufacturing
- €1.1B gross value added; 3.3% of total manufacturing
- €230m paid out in wages and salaries in 2008, €335m in total labour cost
- 34 enterprises and 40 production units
- Average wages and salaries per employee of €54.8k, 39% above average manufacturing level
- €1107.9m spent on materials for further processing(much of it on agricultural products) and energy
- €563m spent on services inputs
- Total purchases of €1.7b
- Major boost to Irish international image through brands such as Guinness, Baileys, Jameson and other Irish Whiskies
- 4263 jobs are provided....decline in jobs from 6146 in 2000

On and Off Trade Retailers

- 9082 on licensed outlets
- full off-licences
- Full time or part time jobs for 74k people
- 46k full time job equivalents in on and off licences and distribution
- According to CSO personal expenditure on beverages of €7.185b

- Growing off licence share; 35% of market value in 2009 and about 555 of the volume of alcohol
- Purchases of goods and services, excluding beverages of €840m
- Pub and bar paybill of €1.15b
- Most pubs outside Dublin have low annual sales
- 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 2009 and other visitor centres play an important role, e.g. Old Jameson Distillery and others
- Drinks industry is major sponsor of horse racing
- Substantial decline in level of retail employment in recent years caused by a bar sales volume decline of almost 17% in the past two years
- Concerns about longer term viability of smaller and rural pubs

International Trade

- €997.7m in drinks exports in 2009
- €329.5m drinks trade surplus in 2009
- Drinks exports equal to 90% of dairy in 2009
- 68.6% of domestic beer market supplied by domestic producers
- 86.3% of cider market supplied by domestic producers
- 51.7% of spirits market supplied by domestic producers

Purchases

- €2.5b of purchased inputs by manufacturing, retail and wholesale excluding double counting of alcohol purchases
- Big wages and salaries input to aggregate demand

Taxation

- €2013m in VAT and excise receipts

Consumption

- The total volume of the alcohol market declined by 14.1% between 2007 and 2009
- Per adult consumption in 2009 is 15.7% below the 2007 level, per capita consumption is 16.4% below the 2007 level.

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 low content of the sectors 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.

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 89% of all the direct drinks related employment. Unfortunately this sector has been the worst performing sector with large employment declines in recent years. Over the longer term the role of the public house in alcohol consumption has been in decline. This has been caused by market changes and new regulations. Faced with a very difficult economic environment over the next few years it is likely that the decline in this sector will continue.