Tourism Resources In Eastern Europe

Issues and Recommendations

PA Cambridge Economic Consultants
for
Tourism Unit DG XXIII
Commission of European Communities.

TOURISM RESOURCES IN EASTERN EUROPE

Final report
and Recommendations

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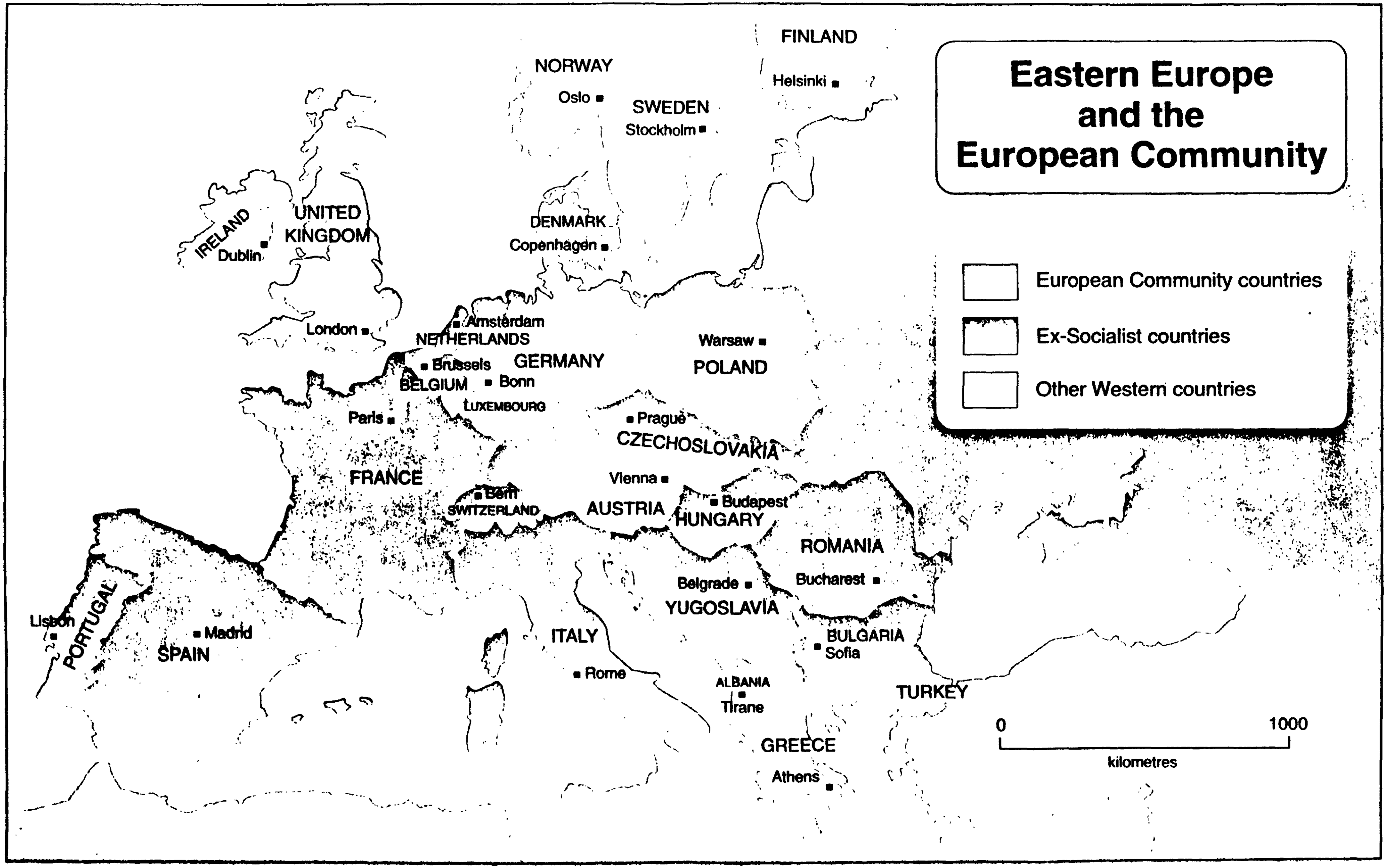
November 1991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EXECUTIVE SUMMARY

CONTENTS
EXECUTIVE SUMMARY

TOURISM SUPPLY IN CENTRAL AND EASTERN EUROPE

EXECUTIVE SUMMARY

1. BACKGROUND AND AIMS OF THE STUDY

1.1 This study was commissioned in January 1991 by the Tourism Division of the European Commission located in DG XXIII. The study specification contained three principal objectives and related to the five central and eastern European countries eligible for financial and other assistance from the Commission's PHARE programme. The countries included were:

- Poland
- Hungary
- Czechoslovakia
- Yugoslavia
- Bulgaria

1.2 The research assignment was designed to be supply-side driven and its recommendations provide initiatives which will bring forward development projects and enhance the region's tourism potential. Of course, in the long term successful tourism development will also need to involve measures to stimulate demand and this has been the subject of a separate study. For each country the specific task of this assignment were:

- to produce comprehensive and detailed information on the supply of tourism facilities and operators in the tourism sector

- to review the general economic conditions in the region and investigate the contribution which tourism can make to future development

- to specify the role of the Commission's aid programme in the tourism sector and to provide recommendations for their short and long term actions.

1.3 The objectives of the PHARE programme itself are to use the Commission's resources and expertise to support the move toward more open market orientated economies. Amongst the issues highlighted for the short term are:

- privatisation of state enterprise

- reform of tax and legislative frameworks

- establishment of financial institutions to support development

- creation of open labour markets

- attract foreign direct investment.

1.4 Since 1990 PHARE assistance has been used to modernise and improve production in a number of manufacturing industries and to improve basic infrastructure, in particular telecommunications and transport. No applications have yet been made for assistance for tourism projects. However, it is widely recognised that the development of the tourism sector is a most effective mechanism for aiding economic development and for securing future prosperity. The main reasons for this are:

- tourism world wide is growing at a faster rate than any other sector. Increasingly affluent tourists are seeking new destinations and operators are seeking new opportunities

- visitor expenditure and investment by external operators and developers can provide a valuable source of foreign earnings

- tourism can provide significant numbers of new jobs from relatively small amounts of capital investment

- employment opportunities arise for all sections of the workforce and in both rural and urban areas

- tourism development stimulates activity in supply industries including food, drink and equipment production and creates markets in the financial, transport and craft industry sectors.

- tourism produces resources to invest in maintaining the environment, culture and traditions of a country.

1.5 For these reasons we are optimistic that with effective planning and careful project selection tourism can play a vital role in establishing much closer integration of the economies of the region with those of the West. The advice and assistance available from PHARE and other programmes will play a critical role in releasing the enormous economic potential available within the tourism sector.

1.6 The results of the study research programmes and subsequent analysis, undertaken by PA Cambridge Economic Consultants, are presented in two documents.

The **Issues and Recommendations** report sets out the relative strengths and weaknesses of tourism in each country, clearly establishes the scope for intervention by the Commission and provides an action orientated schedule of assistance. A second volume, the **Country Profiles** contains detailed, up-to-date and comprehensive information by country and provides a unique data base upon which the Commission can draw in assessing future application for assistance under the PHARE initiative. The profiles contain information on each of the following:

- tourism infrastructure

- accommodation
- natural and cultural attractions
- administration and expansion plans.

The profiles contain information on the characteristics of visitor markets and visitor origins as they relate to the existing use of tourism resources. No detailed research was undertaken in the origin countries, to avoid duplication with other research work commissioned by DG XXIII. As a result information on existing visitor numbers is not comprehensive as the collection of tourist data was not always continued following the switch from socialist to market economies.

2. RECENT TOURISM TRENDS IN EASTERN EUROPE

2.1 It is wrong to assume that tourism in central and eastern Europe was an unimportant or underdeveloped part of economic and social life under the former communist regimes. Tourism flows between the former socialist bloc countries were very large indeed, reaching a level of more than 50 million visitors annually in the late 1980s.

2.2 In addition, some 15 million western visitors were attracted to the region in 1988 (mainly to Hungary and Bulgaria). Together with the visitors from socialist countries the region at that time received some 11% of world tourism flows. As a consequence the accommodation base, number of tourist attractions and level of infrastructure was reasonably well established before the recent moves to democracy and the introduction of free markets.

2.3 However, in spite of the large number of visitors, tourism receipts in central and eastern Europe represented only 1.4% of world tourist expenditure, due mainly to the high levels of state subsidy available. Because their tourism industries were largely directed towards high volume social tourism they were not required to pay much regard to marketing. Also with guaranteed visitors, no priority was given to improving standards of facilities or service. With a small number of exceptions, the overall quality of the man-made and service components of the tourism product in central and eastern Europe is generally below that available in the West.

2.4 Of course, in parallel with recent wideranging political and economic change, attitudes to tourism have also undergone substantial transformation. The new governments clearly recognise that tourism development is a most important mechanism by which foreign exchange can be drawn in from the richer western countries to poorer developing states. In particular they see this as valuable in boosting the supply of much needed foreign exchange. In addition, tourism development is attractive to western developers and operators, via direct investment, joint ventures or participation in state privatisation programmes.

2.5 As a result, all of the countries in this study are attempting to attract more western visitors by abolishing restrictions on visas, travel and currency exchange controls. At the same time the supply and quality of tourism facilities has been increasing with the advice and financial assistance of western tourism developers and travel companies. But as yet this involvement is merely scratching the surface and much more remains to be done to ensure that the industry realises its full potential.

2.6 This potential lies in the broad range of physical, cultural, sporting and entertainment attractions provided in abundance in central and eastern Europe. Also the region can be reached relatively easily from the growing tourism markets of western Europe and, with their low cost base, they offer genuine alternatives to the congested facilities now to be found at several established European tourism destinations at peak times.

2.7 Although all five countries share the same broadly based potential to expand their tourism industries, the specific development opportunities, projects and programmes differ considerably country by country. Thus it is important to understand fully the way in which tourism has developed in the past, the nature of the tourism product and the priority accorded to tourism within new Government economic programmes.

2.8 It is within the context of new economic systems that aid from the Community will be targeted and the main components of a successful tourism development programme established. A major change will be the effort to deal with the 'black' or secondary administered sector of which tourism is an important part. This will be particularly important in Yugoslavia and Hungary, the two countries where tourism development has expanded most in recent years. A short summary of the tourism market in each country is provided below.

Poland

2.9 Like other Eastern Bloc nations, Poland's post war tourism developed on the back of the domestic market and the thriving international tourism between socialist countries. Generally organised around official groups of various kinds the majority of trips were undertaken on the basis of bi-lateral exchanges. With visa, currency and travel restrictions imposed on visitors from the West, the volume of trips was relatively low.

2.10 These restrictions were eased during the 1970s and by 1978 Poland was receiving about 11 million visitors annually, with about 2 million of these coming from the West. However, this pattern was dramatically changed by the political events of the early 1980s and the imposition of martial law. The latter part of the 1980s represented a difficult period for Polish tourism as it attempted to retain its previous position. But in spite of the fact that tourism receipts doubled between 1983 and 1989, Poland had the lowest revenue from tourism of all eastern European countries with the exception of Albania.

2.11 Since 1989 this pattern has changed with Poland recording a 100% increase in Western visitors in 1990 over the previous year with visitor numbers approaching

5 million. While many of these visitors, from Germany and other northern European countries, find Poland easily accessible and very good value for money, there is great pressure on the accommodation base in the main cities and all types of infrastructure used by western tourists require both capacity and quality improvements.

2.12 The new Government recognises the importance of the tourism industry amongst its many urgent development priorities. Competition for state assistance is intense and as yet tourism has not benefited significantly from new investment programmes. The Government has, however, begun to reform the administration of tourism and privatisation plans are well advanced for a range of state enterprises including the national airline, national hotel chain and national travel agent. New laws covering taxation, investment and ownership have been deliberately designed to assist foreign investment in the tourism sector, many individuals have established small tourism enterprises and a Commercial Bank for Tourism set up.

2.13 In spite of this, much more needs to be done to improve the scale and standard of all of Poland's tourism facilities, in particular in areas away from the main cities. Road communications from Germany are relatively good, but the network is almost totally lacking in roadside catering or motel accommodation and information signing (of all types) needs to be improved. Work is already underway to improve passenger facilities at the principal City airports and additional capacity is urgently required to service the potential of destinations in the south and east of the country. Telecommunications upgrading is a government priority and tourism, like other sectors, will receive a much needed stimulus when the range and reliability of services is improved.

2.14 There is a strong requirement for some form of regulatory organisation to set appropriate standards in the hotels sector and for restaurants as well as for tourism training and education. Existing marketing and information activities need a higher level of funding to raise Poland's profile in international markets.

Hungary

2.15 Hungary has followed an open tourism policy for more than 20 years. It removed many of the minor and often irritating controls on visitors from the West in the 1970s and has been rewarded by a steady year on year increase in visitor numbers. These visitors included a growing proportion of visitors from the West, as well as from other socialist countries attracted by the relative abundance of consumer and luxury goods. By 1989 foreign visitors levels had passed 15 million and it is likely that the 1991 figure will reach almost 20 million.

2.16 Compared to several other eastern European countries the quality of accommodation, service, catering and transport in Hungary is high. It is worth noting, however, that the supply of tourist facilities and accommodation is heavily concentrated in Budapest. At peak times, and at the most popular destinations, the supply of holiday homes and private rooms is a most useful supplementary source of accommodation supply. Standards vary, however, and there is little coordinated marketing, both of which are issues which could be addressed via an efficient official registration scheme.

2.17 Whilst ranking amongst the most attractive of European capitals, there is much more to Hungary's tourism product than Budapest. Although lacking a coastline there are many attractive holiday destinations around Lake Balaton and the Danube is a major asset. To the south of Budapest is the 'Central Plain' offering many opportunities for riding and other activity holidays and the historic Spas have considerable health tourism potential. The cultural traditions are also an important asset, as is the world famous Hungarian cuisine.

2.18 Access to the country is excellent by all modes of transport and poses few problems. Because of this a large proportion of Western visitors travel independently to Hungary by road, rail, air and by river. The main airport in Budapest is undergoing substantial improvement and international air links are being expanded. Western assistance to the transport and communications infrastructure is already being provided and private investment from the West in tourism infrastructure exceeds that in other countries with the possible exception of Yugoslavia.

2.19 Because of the considerable importance of tourism in the Hungarian economy (some 10% of national income in 1989) it receives high priority in Government plans for the future. The privatisation programme for the very successful state tourism organisation IBUSZ and State hotel chains is well advanced and there are positive incentives to encourage Western investment. Away from Budapest the tourism product is relatively underdeveloped, but with appropriate infrastructure provision and marketing the prospects for the future of the tourism industry in Hungary are excellent.

2.20 Other major tourism development opportunities have also being identified. Based upon the already good range of international, 4 and 5 star hotels the potential for conference and incentive travel is excellent and business travel can be expected to grow further from its already substantial base. Hungary's events and festival programme is extensive offering year round attractions and the historic Spas are a major asset for both recreation and specialist medical tourism.

2.21 In spite of the widespread enthusiasm and participation by Hungarian and western investors the privatisation programme in the tourism sector has not been problem free. Also this year, due to more urgent demands in other sectors, the national fund for tourism was reduced by 50%. The lack of experience in privatisation matters, lack of sufficient internal capital resources and limitations on access to foreign exchange or lines of credit may together limit the pace of expansion of the tourism sector in the short term.

Czechoslovakia

2.22 The tourism marketing slogan of Czechoslovakia claims that it is a country at "The Heart of Europe" and in many ways this encapsulates the great potential which it possesses. Whilst it has no coastline, it can offer lakes and mountains and a wide range of historic, architectural and cultural traditions reflecting its central European location.

2.23 Even before the "velvet revolution" in November 1990 tourism was considered to be a vital industry and changes aimed at removing restrictive state controls had been underway for several years. Most of the controls on tourism, including visa requirements and currency exchange obligations, have now gone (although the official and unofficial exchange rates still differ) and there has been a large increase in the number of western visitors, replacing the traditional markets of USSR and other socialist countries. The available evidence suggests that visitors from the West will exceed 5 million this year, more than doubling the 1990 total. However this is placing enormous pressure on accommodation resources.

2.24 In Prague, which because of its range of excellent architectural and cultural attractions is the preferred destination of many of these visitors, there is a severe accommodation problem. Although the situation is being eased by a significant expansion programme involving western developers and operators, shortages still occur which has given a boost to the nascent private room sector. This system is also growing in rural areas and in Slovakia where hotel accommodation is sparse. However, the quality of private room accommodation often fails to match the high standards which western visitors demand and some form of registration, inspection and grading system is needed.

2.25 Its geographic location and relatively well developed main road system gives easy access from the major tourist markets of the West and more than 80% of western visitors reach Czechoslovakia by road. Thus continued upgrading of the main highway network, roadside services and accommodation must be a priority as must extension and upgrading in the rural areas. Rapid improvement to the telecommunications network is also vital to successful development of the Czech tourism industry.

2.26 Excellent opportunities exist for winter sports and other activity sports. Whilst the Tatras do not match the Alps in scale or in the sophistication of their facilities, they offer great potential for relatively inexpensive family and group skiing holidays. However, investment must be made in the quality of the accommodation stock and improvements made to lifts and support facilities such as bars and restaurants. Like Hungary, the Spas in Czechoslovakia are numerous and have considerable tourism potential. A varied programme of festivals and events attracts visitors throughout the year, although there is a pronounced summer peak which puts great pressure on existing resources. Winter congress or conference tourism and short city breaks could help boost occupancy levels in the low season.

2.27 Compared to Hungary and Yugoslavia, no clear market profile was achieved during the 1970s or 1980s. Marketing programmes are generally thought to have lacked effectiveness and were fragmented. Assistance in mounting a well coordinated marketing and promotional campaign would be particularly helpful at this time.

Yugoslavia

2.28 Of all the central and eastern European countries Yugoslavia possesses the highest profile as a tourist destination. Its principal feature is its attractive Adriatic coastline which has come to rival many of the Mediterranean resorts in popularity in recent years. It is a favourite destination for German summer holiday visitors who represent about 40% of the total of more than 10 million foreign visitors. The major part of Yugoslavia's coastline is in Croatia, although Slovenia and Montenegro and a small part of Bosnia and Herzegovina also have coastline. These areas attract more than 60% of foreign tourists.

2.29 These areas have been the locations of considerable hotel building in the last 20 years and, with only a few exceptions, the quality is high and their environmental impact has been carefully controlled. The majority of visitors arrive by road and the construction of the Adriatic highway in the early 1960s helped considerably in opening up the coastal areas. However, in summer this route suffers from considerable congestion and a new high capacity road is considered important for further development. In addition to international airports at Zagreb and Belgrade five airports have also been built along the coast giving good access for charter flights.

2.30 In spite of growing numbers of visitors inland tourism has not developed to the levels anticipated in previous development planning strategies, although until this year the Plitvice Lakes area was drawing in excess of 1 million visitors. Many 'visitors' to Yugoslavia travel along the central highway from and to northern Europe, from Greece and Turkey. Much of this is non-tourist transit traffic, but there are opportunities for development if some of these visitors can be encouraged to stay longer and visit some of the many attractive inland tourist areas which Yugoslavia offers.

2.31 Some limited, but good quality, winter sports areas offer further scope for development and there are many opportunities for climbing, hiking and canoeing in the lakes and mountain areas. Some Spa development is also a possibility, but the area of greatest potential is in sailing/yachting development on the Adriatic coast.

2.32 At the present time, of course, there are very serious political problems in Yugoslavia which have had a disastrous impact upon tourism and incomes this year. Because tourism accounts for more than 20% of the country's hard currency earnings, there will be long term implications for investment in the maintenance and extension of tourism facilities. Hopefully the current conflict will be resolved quickly at which point Yugoslavia will need significant financial assistance for investment in the fabric of its tourism facilities and infrastructure, but perhaps most importantly in rebuilding its image as an attractive and safe holiday destination.

Bulgaria

2.33 Several recent commentators have described Bulgaria as one of eastern Europe's best kept secrets. In terms of its potential, along the Black Sea Coast and in the mountainous interior, this conclusion is undoubtedly true. But there is much that needs to be done to realise this potential.

2.34 Bulgaria's traditionally close links with the Soviet Union have greatly influenced many aspects of the country's economic and political development, including its tourism industry, which has been dependent to a large extent on subsidies of various kinds. There are still visa regulations in operation for all western visitors and, although changes appear imminent, complex currency exchange controls remain in place. Recent devaluations have reduced the official exchange rate from the previous high levels bringing the 'official' and 'unofficial' rates more into line.

2.35 For some years the UK has been the largest western visitor market with 20% of the total, followed by Germany with 14.5%. The majority of these are package holiday groups using charter aircraft. However, whilst independent travel to Bulgaria is now easier than in the 1970s and 1980s, the availability, quality and efficiency of services needs substantial improvement before it can rival Greece or neighbouring Yugoslavia. Group travel to Bulgaria has grown in popularity during recent years, for both summer and winter holidays, and total visitors are now approaching 10 million per year, although up to 30% are from other eastern Bloc Countries and some 40% represent transit traffic to and from Turkey.

2.36 This year a new Tourism Development programme has been introduced by the Committee of Tourism and is progressing through the Council of Ministers. It acknowledges the importance of tourism as a priority within the Government's aim to create a much more flexible mixed economy. In particular it allows for private initiatives in the tourism sector and recognises the need for incentives to raise standards of development and services. There are opportunities within this for the involvement of western development capital and for assistance with tourism training.

2.37 With its previously strict adherence to orthodox socialist principles there was little scope for private initiative in the tourism field and commercial management skills and an appreciation of the concepts of service which western visitor require were generally lacking. The quality of newer hotel developments on the Black Sea coast is adequate, but often lacks the supporting retail, entertainment and other services found in competing Mediterranean resorts.

2.38 Bulgaria has substantial foreign debt which coupled with the relative limited experience of operating in Bulgaria on the part of western investors and operators, will make funding future improvement and expansion difficult. Assistance in programming and financing new development should be a priority, which coupled with the current economic and legal reforms should lead to a soundly based and profitable industry.

2.39 There is, however, a strong sense of realism on the part of the Tourism Committee who are charged with overseeing these reforms. They have already begun to arrange for technical assistance in education and training, but much more could be done with additional assistance. A most useful additional programme would be the secondment of western tourism experts to work cooperatively with the tourism organisations in Bulgaria to produce a short term Tourism Action Development Programme.

3. SCOPE FOR EUROPEAN COMMISSION INTERVENTION

3.1 There is substantial scope for the Commission to assist in tourism development in central and eastern Europe through the PHARE programme. Based upon the conclusions of this study it is recommended that the key Directorates, DG 1, DGVIII, and DGXIII should be aware of the opportunities to reintegrate the region's tourism facilities back into the wider European tourism and travel market. The research and analysis undertaken has demonstrated that substantial demand exists in the West's large, dynamic and easily accessible visitor markets and that there is enormous potential in the supply of tourism facilities throughout eastern Europe.

3.2 The task facing the Commission, therefore, is to determine how best to use its expertise and resources to remove any identified development constraints in the tourism market and to deliver the wider employment, income and image enhancing benefits which tourism can provide. This may be achieved at the regional, local or project level. For example, to help raise standards across the central and eastern Europe as a whole, consideration should be given to the prospects of extending the Commission's on-going work on best practice in the tourism sector. Of particular importance in the context of tourism development in central eastern Europe at the present time would be:

- the extension of initiatives to secure common standards for accommodation to those countries which attract large numbers of visitors

- the extension of Eurostat's current Community wide study programme to develop comprehensive tourism statistics (a programme which already includes a contribution from EFTA countries)

- the selective use of conference and congress facilities in the region as venues for major EC events to help promote recognition of the high quality and wide range of facilities which are available

- help to integrate specialist youth, sports, cultural and other special interest groups and their visitor facilities into the established European network of such organisations.

3.3 Support for specific tourism studies should also be considered, particularly where the projects or initiatives appear to provide major opportunities for development and mutual benefit to the Community and to its eastern neighbours. Included in this programme might be:

- a detailed study of the health tourism sector; based on the growing demand for hydrological treatments in the West and the large number of spas and health resorts in the East

- a study of the tourism potential of Europe's inland waterways; which as a result of recent canal improvements in Germany now provides a direct link between the North and Black Seas via the Danube.

3.4 It is also important to support the continuation of existing aid programmes and to encourage further extension of bi-lateral aid for the improvement and extension of the region's transport and telecommunications infrastructure. This will provide benefits to the tourism sector as well as contribute significantly to improving the flow of goods and information between the Community and its eastern neighbours. Whilst almost all aspects of infrastructure and all parts of the tourism sector in central and eastern Europe require some improvement, it is not the case that its potential can only be released by large, sustained levels of western investment.

3.5 Much can be done on the regional or local level through support for specific projects. Many tourism sectors already work well, while others merely require small amounts of selective 'pump-priming' assistance to launch them on the road to successful development and expansion.

3.6 Resources available from the PHARE programme, although substantial, will be subject to many competing demands, from other sectors of the economy. As a result tourism's share is unlikely to be sufficient to tackle all of the problems and potential which exist. For this reason it is recommended that a selective or

priority tourism development programme is adopted which focuses on specific sectors, issues and geographical areas resulting in the creation of a series of EC sponsored 'Demonstration Projects'.

3.7 This will require close cooperative working with the tourism authorities in each country and the use of specific selection criteria which should include:

- easy access from strong western markets
- capacity to accommodate increases in the volume of visitors
- potential to achieve (or maintain) a high profile international reputation
- potential exploitation of excess demand (which may be lost permanently if capacity or quality improvements are not provided).

3.8 By such selective targeting the effectiveness of the Commission's assistance will be increased, attention will be focused on the potential which exists for successful project development and the economic benefits stream can be highlighted. The study's recommendations for the areas and projects which are capable of achieving these objectives are summarised in the final section of this executive summary. This lists the specific targets for Community assistance, with the recommendations grouped by broad category of development.

4. KEY ACTIONS AND INITIATIVES

Accommodation:

- provision of financial and help with the creation of a short term action programme to expand hotel capacity in all categories in Prague

- encouragement and assistance to western investors to open up Poland's 'closed' accommodation sector in the Mazurian Lakes area of N.E. Poland

- major upgrading and quality improvements to hotel accommodation in Bulgaria's Black Sea resorts

- advice and assistance in encouraging development of a system of small hotels/pensions/farm accommodation in Hungary's rural areas

Attractions

- assist Hungary in mounting its major international 'Expo' event in Budapest in 1996

- assist and help coordinate international efforts to rebuild world heritage attractions on Yugoslavia's Adriatic coastline

- encourage expansion of winter sports facilities in Czechoslovakia's High Tatra mountains, for family and organised group holidays

- encourage expansion and promotion of natural health Spas at locations in western Hungary

- assist in the expansion of support facilities, restaurants, sports and, entertainments in selected Black Sea resorts in Bulgaria

- support the creation of an international equestrian centre in Hungary's central plain

Access and Infrastructure

- support a programme of improvements to Black Sea resort airports at Burgas and Varna to improve passenger comfort and convenience

- provide assistance and encouragement to joint ventures partners to improve roadside visitor facilities on main tourist routes in Poland

- provide financial and other assistance for upgrading the capacity and facilities at Kracow airport to improve access to tourism areas in southern Poland

Training

- support major manpower development and training programmes for all tourist occupations and skills (management, language, operations, and catering) in Bulgaria

- promote stronger links between centres of excellence in catering and other hotel/tourism skills in western Europe with organisations and higher education institutes and colleges in Czechoslovakia

Marketing

- provide advice and assistance as part of a Commission sponsored tourism development Master Plan for a coordinated and more focused international marketing strategy for Poland

- support a major image rebuilding programme for Yugoslavia's shattered tourism industry

Planning

- encourage and provide advice on sustainable tourism development

- fund and assist with the preparation of a tourism development masterplan for Poland

Administration and Organisation

- prepare a resource document outlining best practice in tourism development organisation in the West, indicating mechanisms for successful public/private sector cooperation and make available to all PHARE countries

- create an EC sponsored task force to work in cooperation with new administration in Yugoslavia to oversee the vital task of rebuilding Yugoslavia's tourism industry

To provide the 'encouragement' and practical 'advice' needed to stimulate tourism development and ensure that it is soundly based, the various directors of the Commission (DG 1, and DGVIII, should be made aware of the recommendations of this study. They could then adopt a pro-active approach using existing mechanisms for technology transfer such as exchange programmes, conferences and on the job training. Consideration might also be given to making available grants for special project feasibility or other studies in addition to those provided under PHARE for direct pump-priming projects.

CONTENTS

ISSUES AND RECOMMENDATIONS

1. INTRODUCTION

1. INTRODUCTION

1.1 Background and study objectives

1.1.1 This final report, comprising two volumes, presents the results of a study of the tourism facilities in central and eastern Europe. It provides a comprehensive analysis of the principal tourist attractions in the region, including details of the quality and scale of facilities. Subsequent analysis of the data has produced a series of recommendations for European Commission assistance in developing the tourism sector as a whole and at specific locations.

1.1.2 The study is one of a series of research projects on key European tourism issues sponsored by the Tourism Division of the European Commission, located in DG XXIII. The results of this, and other ongoing research projects, will provide a comprehensive and sound basis for the Commission's future tourism policies, programmes and initiatives in this increasingly important and expanding European industry.

1.1.3 The study brief called for a systematic inventory and analysis of the level and quality of tourism infrastructure, attractions and support facilities in five central and eastern European countries, namely :

Poland
Hungary
Czechoslovakia
Yugoslavia
Bulgaria

1.1.4 In addition the study was required to look closely at the historic pattern of tourism development in each country. The purpose of this being to identify opportunities for, and constraints upon, future expansion of the tourism sector which may be addressed by the Commission's aid programme to support development and economic liberalisation in eastern Europe. Currently this assistance is principally channelled through the PHARE programme.

1.1.5 The peaceful revolutions which have taken place throughout eastern Europe are regarded by the Community as amongst the most significant events of the post war period. They represent both a challenge and an opportunity, requiring a positive and immediate response, a process begun at the G7 summit in Italy in 1989 when the first aid programme for Poland and Hungary was established. Later this was expanded, during 1990, to include Czechoslovakia, Bulgaria and Yugoslavia. To date no direct requests for assistance has been made by the tourism industry, although aid already granted for transport and telecommunications infrastructure will be of considerable benefit to travel and tourism companies of all types.

1.2 Context for tourism development

1.2.1 The dramatic changes, which occurred recently in the political, economic and social conditions in central and eastern Europe, have already brought about fundamental changes in the pattern of tourism. The visitor market in the region is no longer dominated by flows of tourists between the countries of the socialist bloc and the previous restrictions on travellers from the west have now largely been eradicated. With easier access there has already been a notable increase in the volume of tourism from western countries.

1.2.2 The single minded pursuit of free enterprise and a market economy has brought about rapid change in the travel and tourism sectors and there are a wide range of visitor development opportunities which could contribute significantly to economic growth. The region's considerable potential, in its natural and cultural attractions has been recognised, as has the opportunity for securing foreign exchange benefits. The new Governments have encouraged the creation of many new enterprises, which provide much needed job opportunities and have also provided financial advice and assistance to help release the sector's full potential.

1.2.3 It is misleading, however, to regard all existing facilities as inferior to those in the west. Several countries, including Yugoslavia and Hungary, have shared fully in the expansion of international tourism during the 1980's and have already progressed much further in satisfying the requirements of western visitors than have Poland, Czechoslovakia or Bulgaria, which are only now beginning to catch up.

1.3 Scope of the study

1.3.1 The study included all of the main tourism destinations in the region with the exception of those in the USSR and Romania. Whilst Romania is now eligible for European Commission assistance (on the same basis as those countries included in the study) for technical reasons it was excluded from the PHARE programme until after our work commenced in early 1991.

1.3.2 For entirely different reasons the Soviet Union was also excluded, but the pace of democratic reform there is such that the situation is being reviewed and will undoubtedly lead to enhanced community assistance in the future. At some point, therefore, research also needs to be undertaken in both these countries as they start to be absorbed into the European tourism market.

1.3.3 This will leave Albania as the only remaining hard line communist regime in Europe which continues to restrict free travel across its borders.

1.4 Study organisation

1.4.1 The study programme was organised around a team of tourism experts in each of the five countries. Working in cooperation with state organisations and new private tourism companies the study was able to secure the most reliable and up to date information and identify emerging opportunities and development constraints. A full list of the study team and acknowledgements of the organisations and individuals contacted is given in Appendix I.

1.4.2 Team members were briefed at the beginning of March 1991 and as far as possible were required to work to a detailed timetable. At the same time an initial meeting was held in Brussels with the Head of the Tourism Unit, Mr. Georges Tzoanos to finalise the details and content of the work programme. An Interim report was submitted and a short presentation made on the study's preliminary findings in July 1991.

1.4.3 In almost all respects there was little deviation from the original study timetable. Despite the very serious political situation which emerged in Yugoslavia, the research work and analysis was able to proceed. However, our statements regarding the future pattern of tourism to that country remain in doubt without an early resolution of the current conflict.

1.5 Approach and methods

1.5.1 The country experts worked to a common framework, which was designed to be sufficiently flexible to allow for the varying scale of individual tasks. The data checklist/questionnaire was divided into four sections and is reproduced in summary form in Figure 1.1 below; the more detailed version used by the research team is included as Appendix II.

1.5.2 In addition, a review of the principal issues currently influencing the future development of tourism was also undertaken. Based largely upon interviews with representatives of key organisations, this assessment sought to anticipate the types of requests for external aid likely to be made by the changing tourism sector in each country.

1.5.3 Thus, considerable effort was placed on the investigation of current tourism development planning proposals and the organisational, legal and financial

FIGURE 1.1: DATA CHECKLIST

SECTION ONE

- AIRPORTS AND AIR TRAVEL
- RAILNETWORK AND PASSENGER FACILITIES
- ROAD ACCESS AND BUS SERVICES
- TELECOMMUNICATIONS
- PORTS AND MARINAS

SECTION TWO

- HOTELS AND HOSTELS
- PRIVATE ROOMS AND SELF CATERING
- CAMP AND CARAVAN SITES
- HOLIDAY VILLAGES
- RESERVED HOLIDAY COMPLEXES

SECTION THREE

- NATURAL RESOURCES
- HISTORIC AND CULTURAL SITES
- FESTIVALS AND EVENTS
- SPORTS AND LEISURE FACILITIES
- ENTERTAINMENTS
- SUPPORT FACILITIES

SECTION FOUR

- ADMINISTRATION AND STATE TOURISM ORGANISATIONS
- MARKETING
- FUNDING
- PRIVATISATION AND EXPANSION PLANS

framework within which development will take place. Amongst the topics highlighted were assistance with advertising and promotion, tourism management, skill training, environmental protection and the socio-economic and cultural impacts of tourism.

1.5.4 In the future there will be a need for the Commission to work closely with both the public and private sectors in each country in targeting assistance to appropriate projects and areas. As far as possible therefore the study has sought to ensure that the recommendations for Commission action and assistance closely reflect the objectives of the organisations currently responsible for tourism development in each country.

1.6 Report presentation

1.6.1 Because of the large volume of data produced and in order to meet the Commission's objectives in prompting the study, this final report comprises two volumes:

Volume 1: Issues and Recommendations
Volume 2: Country Tourism Resource Profiles

1.6.2 The first volume is concerned with the principal findings and recommendations of the study. It identifies a series of common issues relating to the integration of European tourism markets and broad development issues, as well as pinpointing their relative strengths and weaknesses and providing a series of specific short term priorities for action in each country.

1.6.3 Volume two provides a comprehensive tourism information data base providing a country by country inventory of tourism resources, details of their main attractions and up to date descriptions of the structure of the tourism industry, its administration, funding and marketing.

2. TOURISM INFRASTRUCTURE AND SUPPORT FACILITIES

2. TOURISM INFRASTRUCTURE AND SUPPORT FACILITIES

2.1 Background

2.1.1 Very often international comparisons of the attractiveness and development potential of tourist destinations focus solely upon their physical attributes, weather, accommodation or range of attractions. Unfortunately they pay much less attention to the critical role of supporting tourism infrastructure. In this current study the analysis included assessment of transport links by road, rail, air and sea, as well as the means of communication between operators and visitors by post, telephone, fax and increasingly by electronic means. Our main emphasis was upon accessibility, and therefore excluded more basic infrastructure items such as water, sewerage and power as these are generally available to reasonable standards throughout the region.

2.1.2 All of the key aspects of tourism infrastructure were investigated and the 'Country Profiles' presented in Volume Two provide full details of current provision and future development programmes. In this section we provide an overview of tourism infrastructure generally throughout the region and summary comparisons of the relative level and quality of provision in each country. With respect to visitor access we have produced an 'Index of Accessibility' indicating the extent to which existing provision and future programmes will assist in encouraging new tourism development at specific locations.

2.1.3 It is perhaps understandable that insufficient attention is often given to tourism infrastructure, after all, visitors do not go to a country to experience its motorways or visit its stations or airport terminals. Yet, if the capacity of these is insufficient to meet demand or does not reach certain standards of quality and efficiency, it can deter visitors and reduce the likelihood of return visits.

2.1.4 Unfortunately this basic lesson is often ignored in the rush for expansion and there are many examples of failure to provide the infrastructure to support ambitious tourism development programmes. Usually this is because of underestimates of cost and construction times, but all too often the mistakes appear to be made at the planning stage, when market forces are allowed to operate without the support or coordination of public investment. It is vital, therefore, that good quality high capacity infrastructure is provided to ensure the long term success of the tourist industry.

2.2 Measures of accessibility for western visitors

2.2.1 In the proposal for the study we indicated that a useful indication of the need for external assistance for tourism could be obtained by constructing an **'index of accessibility'**. This we have developed as a means of comparing the relative ease with which western visitors are able to reach destinations in each of the five central and eastern European countries included in the study. The principal determinants of such a measure being the **level** and **quality** of the transport infrastructure within the country.

2.2.2 We have not attempted to incorporate the direct, or time costs, incurred by visitors in reaching the destination, as to a large extent these are included in the choice of transport mode by which western visitors reach their destination. For example, air services to all countries in eastern Europe are important for visitors living outside continental Europe, while road transport links are more important for the French, German and Italian markets. Thus, in developing the index the various values produced for each method of travel have been weighted to reflect the modal split of visitors to the country.

2.2.3 Normally, measures of accessibility concentrate upon changes in time/costs brought about by the provision of new infrastructure. Indeed this concept is the basis of 'cost-benefit' assessments of transport investment proposals. In this instance we have not attempted to measure change, but produced an absolute measure of relative accessibility, which allows comparison between the countries of the region. We have not made any attempt to rank the relative attractiveness of the region compared to competing destinations, focusing instead upon the influence of accessibility in the choice of country once the decision to visit eastern Europe has been taken. In this way we are able to indicate how infrastructure provision and relative accessibility might influence the choice of a particular destination.

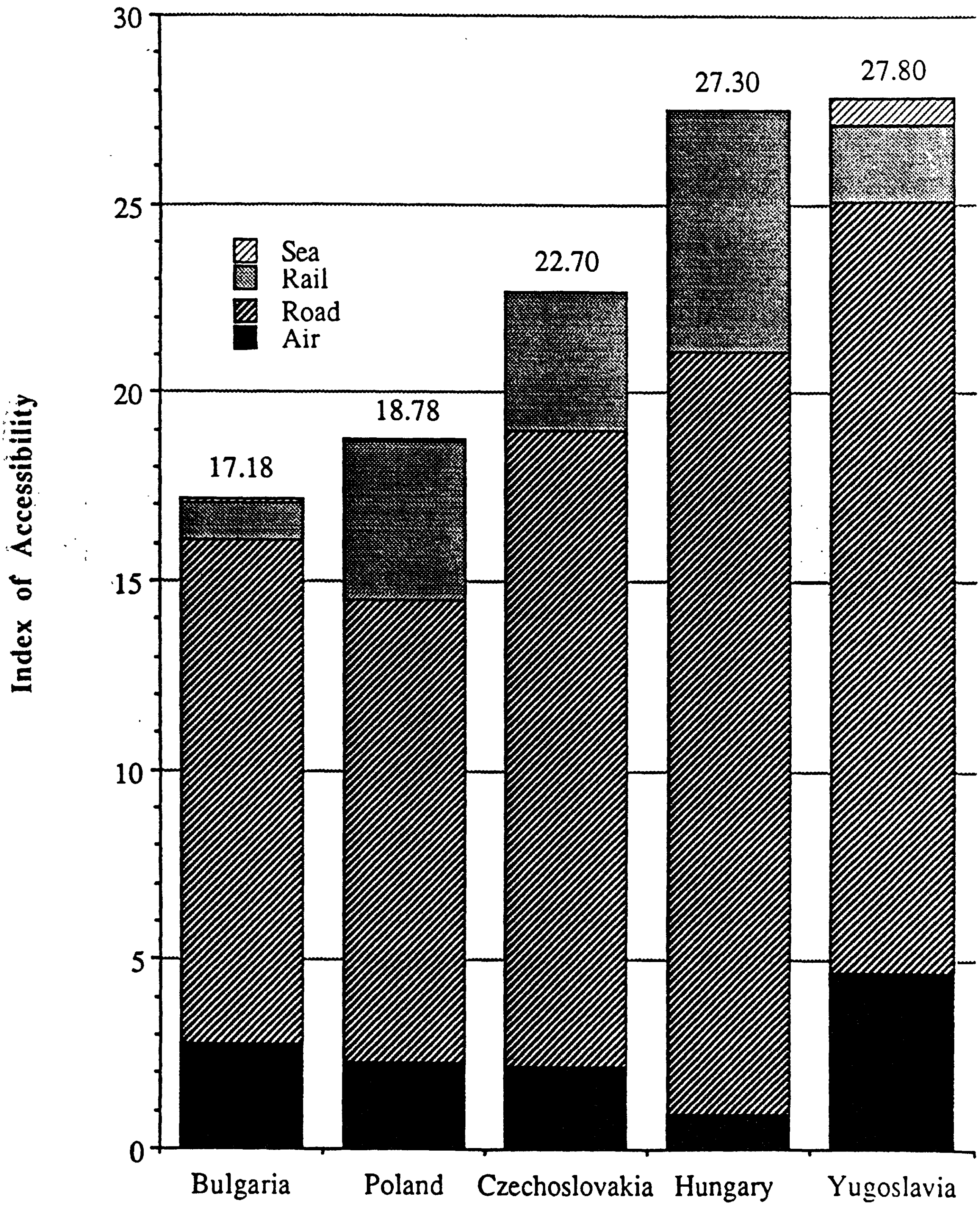
2.2.4 Our starting point for the process was to utilise the comprehensive information gathered on all modes of tourism transport in the course of the survey work. The data base created is extensive and provides details of frequency of services (air, rail, bus and ferry) as well as information on the capacity and extent of existing roads and terminal facilities, and of programmed improvements.

2.2.5 Although there are issues relating to more subjective or qualitative factors (such as speed of immigration at airports, number of roadside services or comfort of railway carriages) our data was sufficiently detailed to allow us to make informed judgements based upon the teams' direct experience in each country. We have used a scoring system in which we have established a 'national ideal' based upon the very best facility or practices in the west and assumed that such a standard would have a score of 10. The facilities in each east European country are then judged in relation to this standard.

2.2.6 As a check upon the robustness of our estimates we also undertook a series of sensitivity tests to determine whether or not the overall results are altered significantly by changing these subjective estimates. In tables A1 to A6 we illustrate how the index was compiled in relation to each transport mode. These are presented in Appendix III. Figure 2.1 shows the final result of the accessibility index, incorporating all aspects of infrastructure.

2.2.7 The significance of the index of accessibility is that relative to other countries, Bulgaria has the most urgent need of improvement to its transport infrastructure

Fig. 2.1: Index of Accessibility



closely followed by Poland. The situation in Czechoslovakia is better, but does not yet match the two leading countries, Hungary and Yugoslavia. Yet even here there is a need for further investment. In particular to ease problems of congestion in the peak summer months and to open up the more remote rural areas of the country to enable them to take advantage of the anticipated growth in the tourism sector.

2.3 Infrastructure Development Recommendations

Airports

2.3.1 Notwithstanding current problems, the tourism markets of Yugoslavia and Hungary are relatively well served with air transport links. With two large international airports in Belgrade and Zagreb, and a network of regional airports serving the main tourist destinations, there is no strong case for Commission assistance in Yugoslavia. Similarly, Hungary's principal international airport in Budapest is already undergoing a major improvement programme and with the cooperation of western investors will extend its internal air services without the need for additional aid.

2.3.2 Poland's network of airports is also relatively extensive with a major international airport in Warsaw and facilities for both domestic and international flights at Gdansk, Kracow, Sczecin and Poznan. Whilst there are no absolute constraints at any of these, overall the levels of passenger comfort and convenience could be improved. This is particularly the case at Kracow, which is the key airport serving the visitor markets in the south of Poland. We believe that without major airport improvement the potential of important tourist destinations in the Tatra mountains, and in the historic capital city of Kracow itself, will be constrained and it is recommended that:

- HIGH PRIORITY IS GIVEN WITHIN THE COMMISSION'S AID ASSISTANCE PROGRAMMES TO THE IMPROVEMENT OF PASSENGER FACILITIES AT KRACOW AIRPORT

2.3.3 The principal international airports of Czechoslovakia (Prague and Bratislava) are also undergoing improvement and the current investment programme at Prague will increase capacity from around 2 million to more than 5 million passengers annually by 1995. Regional airports serve the mountain areas in the east and whilst they will need to be improved in the long term they are adequate to cope with existing and forecast visitor flows and should not be regarded as an investment priority.

2.3.4 Because of its relative remoteness, Bulgaria receives a higher proportion of visitors by plane than any other country in the region. There are five main airports at Sofia, Varna, Bourgas, Vidin and Plovdiv providing a reasonably good network of destinations and serving all of the main tourist areas. However, the previous dominance of visitor flows from eastern bloc countries resulted in an emphasis on the overall capacity of the airports rather than quality of the facilities. Consequently, they are of a lower standard than most western European airports. For the future expansion and realisation of the tourism potential of the Black Sea coastal resorts in particular we recommend that:

- THE AIRPORTS AT VARNA AND BOURGAS, WHICH SERVE THE COASTAL RESORTS ON THE BLACK SEA, SHOULD BE GIVEN PRIORITY ASSISTANCE TO UPGRADE THE OVERALL QUALITY OF PASSENGER AND AIRCRAFT SERVICING FACILITIES.

Roads

2.3.5 With respect to road access for visitors there are relatively few constraints on car-borne visitors from the West to Yugoslavia, Hungary or Czechoslovakia. All possess a well established strategic road network, with a large proportion (by eastern European standards) of Express routes. Even so, with only about 10% of their networks constructed to motorway standard, they are well below the north European average, currently estimated at about 25% to 30%.

2.3.6 At the present time, although there is some road congestion at peak times at the main destinations, there is no evidence that this exerts any constraint on tourism development potential. However, the research has shown that this is not the case in Poland, and operates to a lesser extent in Bulgaria.

2.3.7 Poland's road network is reasonably good close to the main border crossing points, although with recent increases in trade flows there is extensive use by heavy goods vehicles. Historically, there has been very little investment in roadside accommodation or catering facilities and vehicle servicing and garage facilities are less extensive than in other countries. Whilst some limited improvements are being made, with the assistance of western oil companies, major improvements are required to encourage visitors to travel from the relatively close markets of the West to tourism facilities throughout Poland. We recommend, therefore, that:

- THE COMMISSION ACCORD HIGH PRIORITY TO PROJECTS WHICH WILL INCREASE THE SUPPLY OF ROADSIDE FACILITIES ON POLAND'S PRINCIPAL TOURIST ROUTES, IN PARTICULAR FROM THE GERMAN BORDER TO WARSAW, MAZURIAN LAKES AND TO KRACOW AND THE TATRAS IN THE SOUTH.

Rail and Port Facilities

2.3.8 Compared to western Europe all of the countries included in this analysis have extensive rail networks, which carry a high proportion of their domestic freight and residents on both business and leisure trips. In spite of the extent of the services, rail transport is often slow and levels of passenger comfort are relatively poor.

2.3.9 However, there are a number of exceptions to this broad conclusion. For example the number and frequency of express services between Budapest, Prague, and Belgrade (and on to Greece and Turkey) have expanded in recent years and offer reasonably good levels of comfort. Rail travel remains popular for a large number of independent travellers and young tourists. Also with the exception of travel in Bulgaria, Euro-rail and other European fare structures and booking arrangements now apply throughout the region.

2.3.10 Port and ferry services are of importance to the development of the tourism sector only in Yugoslavia. Traffic from the Italian ports across the Adriatic is facilitated by a large number of ferry services which also carry visitors between Yugoslavia's main coastal resorts. At the present time it is not known if there has been any major damage to ferry facilities as a result of recent hostilities or whether services will be reintroduced at the same level when current problems have been resolved.

2.3.11 With the proviso that planned improvements to the region's rail services continue, and that ferry services in Yugoslavia can be restored to something like their previous level, then we do not feel there is a need for priority treatment for rail or port services from PHARE resources from a tourism perspective.

Telecommunications

2.3.12 Not only is it vital for all of those providing accommodation and other tourist services or facilities to be easily contacted by travel agents and independent visitors before their visit, visitors will often find it necessary to contact home or business during their stay. Compared with the speed and reliability of telecommunications in the West, all of the countries of eastern Europe have lower standards. Also, facilities for dealing quickly with credit card sales invoicing are very slow.

2.3.13 For the convenience of visitors many hotels can offer satellite TV, at relatively low cost, and most 3,4 and 5 star hotels throughout the region have or are planning to install this system. Most also now have Fax as well as Telex facilities and there is generally a facility for direct international dialling, though not necessarily from the room.

2.3.14 The phone systems in all countries still rely upon outdated equipment and exchanges. Obtaining a satisfactory connection is difficult from Bulgaria, Poland and Czechoslovakia and services are only marginally better in Hungary and Yugoslavia where phone lines are readily available from the main tourist areas. However, considerable technical assistance is already being provided by national governments aid international and agencies to improve telecommunications. In addition, substantial investment is forthcoming with direct investment and joint venture arrangements from major private communications companies.

2.3.15 The anticipated benefits of these improvements will accrue in all business sectors, including tourism, although none of the existing programmes was designed specifically with tourism development in mind. As several projects to improve telecommunications systems are now underway there is no justification for further assistance from the PHARE programme to improve telecommunications in the tourism sector.

2.4 Infrastructure and physical planning

2.4.1 The most important objective in programming the development of tourism infrastructure is to ensure that <u>all</u> components are effectively coordinated. Whilst seemingly self evident, there are many examples of visitor dissatisfaction and loss of market share from otherwise attractive tourist destinations, through failure to ensure infrastructure compatibility with the capacity of the accommodation facilities. To an extent, this is a feature of the high volume of hotels on Bulgaria's Black Sea coast and in the large amounts of accommodation in the 'closed' sector (ie facilities owned by Government, trades unions and other state organisations) in Poland.

2.4.2 It should also be remembered that major items of infrastructure provision also serve the resident population and other sectors of the economy. These may demand different investment priorities than those required by the tourism industry, a fact which emphasises the need for any tourism development programmes to be undertaken cooperatively with the appropriate national and regional agencies. Such an emphasis on cooperation and coordination is essential if the full range of economic benefits which tourism can bring are to be realised. The Commission could play an important role in this respect particularly in Poland. It is recommended:

- THAT THE COMMISSION AS PART OF A COMPREHENSIVE TOURISM DEVELOPMENT MASTER PLAN FOR POLAND, HELP DEVELOP APPROPRIATE AREA PRIORITIES AND INFRASTRUCTURE PROGRAMMES TO FACILITATE THE EXPANSION OF THE TOURISM INDUSTRY

3. ACCOMMODATION RESOURCES

3. ACCOMMODATION RESOURCES

3.1 Background

3.1.1 Across central and eastern Europe as a whole the supply of accommodation of all types currently exceeds demand. On closer inspection, however, it is apparent that there are significant local shortages in several cities, and in some rural areas, with substantial amounts of underutilised capacity in others. There is also great variation in the quality and type of accommodation available. The factors which have shaped the current market situation are as follows:

- the development of large hotels and hostels to accommodate a high volume of subsidised domestic and eastern bloc visitors at peak times

- the absence of any commercial incentives or requirements to ensure appropriate levels of maintenance or investment in either facilities or quality of service

- low priority and low levels of investment by state tourism organisations in creating better quality accommodation for the western market

- the inclusion in government estimates of accommodation stock of hostel rooms, campus bedspaces, campsites and private rooms.

3.1.2 More recently, however, there have been a number of positive and encouraging changes including:

- the emergence of a more favourable climate for hotel investment, due largely to the lifting of previous restrictions on the participation or ownership of accommodation by western developers and international hotel chains

- the implementation of privatisation programmes of state hotel groups and mechanisms to channel domestic capital into the accommodation sector

- the return of property by the state to its previous owners (many of these buildings are historic houses, palaces and chateaux and may be restored relatively easily to use as hotels

- the removal of restrictions on enterprise and the development of private businesses and freedom to rent accommodation

- the recent availability of a substantial amount of previously 'closed' accommodation (normally reserved for the exclusive use of government organisations, trades unions, military etc).

Against this background, there are a series of opportunities for the Commission to help eliminate some of the remaining imperfections in the accommodation market and stimulate the successful long term growth in provision of new accommodation.

3.2 International and luxury hotel sector

3.2.1 The supply of luxury (5 and 4 star) accommodation in all of the capital cities of the region has been expanded to some extent in the recent past. The favoured locations for investment by the major international operators have been Budapest, Belgrade and Zagreb, although their involvement is growing significantly in Warsaw and Prague. Only in Sophia is their participation proving slow to materialise.

3.2.2 Current favourable market conditions in this sector seem set to continue for some time, in all of the capital cities and at some second tier locations. For example, the Marriot Hotel in Warsaw is currently operating at 85% occupancy, well above the level that would normally trigger additional investment and there is a high level of interest in sites by companies not yet represented. Against this background it would be inappropriate to use Community assistance as the market is buoyant and development will occur without intervention.

3.3 Medium quality and budget hotels

3.3.1 The research has revealed that the principal shortfall in the hotel sector in the region is in the 3 and 2 star hotels and in the 'budget' category. Whilst cheaper accommodation can be found in several towns and cities, across the region as a whole it does not generally provide the quality of service, comfort or convenience which these sorts of hotels offer in the West.

3.3.2 It is in Poland, Czechoslovakia and Bulgaria that the shortages are most apparent. In particular Prague remains relatively disadvantaged compared to other capital cities. One of the reasons for this was the reluctance of potential development partners from the West to commit capital in the absence of a clearly defined legal framework which offered long term guarantees on ownership and profit retention. This framework is now in place and in view of the high levels of unsatisfied demand in Prague it is recommended that:

- COMMUNITY ASSISTANCE IS MADE AVAILABLE TO ENCOURAGE AND STIMULATE THE DEVELOPMENT OF MEDIUM QUALITY AND BUDGET HOTEL ACCOMMODATION IN PRAGUE

3.3.3 In Poland's major towns and cities the capacity problems are not so acute, although 'motel' type accommodation is lacking along the major tourist routes. This problem has been recognised and in cooperation with a western partner suitable sites are being sought to overcome the problem. There also appears to be scope for integrating new accommodation with the roadside visitor facilities recommended for receipt of Commission assistance in section two.

3.3.4 There is also evidence of over provision of bedspaces in Bulgaria's Black Sea resorts, particularly as their largest market, the USSR, goes into further decline. In order to encourage a switch to a more western orientated market it will be necessary to upgrade the quality of facilities and service provided. The area possesses the same attractive ingredients of 'sun and sand' as many Mediterranean resorts and has potential to attract more western visitors seeking this type of holiday. For these reasons we recommend that:

- COMMUNITY ASSISTANCE IS MADE AVAILABLE TO UPGRADE THE QUALITY OF HOTEL ACCOMMODATION ON BULGARIA'S BLACK SEA COAST TO ENCOURAGE WESTERN VISITORS TO ITS BEACH RESORTS.

3.4 Other accommodation

3.4.1 All five countries included in the analysis possess substantial amounts of supplementary accommodation outside the hotel sector. Although the composition of the stock varies between its main components, it comprises hostels, campuses, campsites and private houses or rooms.

3.4.2 Hostels in eastern Europe generally provide very basic facilities for youth groups, students and other independent travellers. Whilst many hostels do not match the standard of those in the west, the encouragement given to organised activities and sports by the former socialist regimes has resulted in a wide distribution of hostel accommodation. This is now generally available to western visitors.

3.4.3 The provision and quality of campsites is at its highest level in Yugoslavia, although sites are available in the main tourist areas in Hungary, Poland, Bulgaria and Czechoslovakia. The problems of low standards and limited capacity in these latter countries are already being overcome, as the expansion and improvement of campsites requires relatively little investment and is an attractive option for those wishing to start their own private tourism businesses. However, as

Yugoslavia learned to its cost, too many sites or uncontrolled 'free' camping can pose a threat to the sensitive environments of many mountain and coastal areas. There is a need, therefore, to control campsite development if the most attractive areas are to remain unaffected and continue to bring in visitors. With this reservation, and assuming continued upgrading of both hostel and campsite facilities we see no requirement for major assistance from the Commission in this area.

3.4.4 As in many areas of tourism activity, Yugoslavian can be regarded as the 'lead' country in the provision of private rooms. For more than 20 years private renting to summer visitors has been allowed to take place without restriction and became a vital part of the Country's accommodation supply. There is also potential for the development of a more extensive system of private room renting in the other countries particularly in Czechoslovakia and Poland, while in Hungary the large number of holiday homes in the Lake Balata area are now becoming available to the western tourist market.

3.4.5 The establishment of an efficient private renting system requires the close cooperation of many participants. Firstly, there needs to be some form of regular inspection and grading system to ensure that both safety standards are met and value for money is provided. Secondly, the potential economic benefits of private renting or bed and breakfast schemes will only be maximised if the level of utilisation is high, an objective which may be achieved by advertising rooms through a local bureau or tourist information centre. Western expertise and knowledge gained through the operation of these schemes would be most useful in central and eastern Europe at the present time and in this regard it is recommended that:

- THE COMMISSION LENDS ITS SUPPORT TO THE PROGRAMMES AND SCHEMES TO MAKE AVAILABLE TOURISM EXPERTS FROM THE WEST TO ADVISE ON AND

HELP ESTABLISH THE FRAMEWORKS FOR THE DEVELOPMENT OF AN EFFICIENT PRIVATE RENTING SECTOR

3.4.6 The availability of previously 'closed' accommodation sectors presents a major opportunity to build up an attractive stock of accommodation at reasonably low cost in some of eastern Europe's most attractive tourist areas. The quality and range of facilities offered at several of these attractions is very good, as a result of relatively high levels of investment over a long period. With the ending of state subsidies and various types of privileged access, these facilities are seeking to open up to commercial markets.

3.4.7 Such facilities provide opportunities for joint ventures with western operators, particularly when they have available good quality sports, activity and countryside pursuits of various types. With a growing market for this type of holiday there exists an excellent opportunity to increase the number of visitors to a number of attractive rural locations. The best facilities likely to appeal to western markets exist in Czechoslovakia and Poland, with some additional facilities available in Bulgaria and in Yugoslavia. Our investigations have indicated that several opportunities exist in the Mazurian lakes area of eastern Poland and it is recommended that:

- COMMISSION ASSISTANCE BE PROVIDED TO WESTERN OPERATORS AND INVESTORS TO OPEN UP RURAL HOLIDAY FACILITIES WHICH WERE PREVIOUSLY PART OF POLAND'S CLOSED ACCOMMODATION SECTOR.

3.4.8 As noted earlier one of the existing constraints on the efficient operation of the accommodation market in eastern Europe is the geographical pattern of the distribution of bedspaces. This is a particular problem in Hungary where some 63% of the total stock of tourist accommodation is at just two locations: Budapest and Lake Balaton. Accommodation is in very short supply in large areas of the south and east of the country, yet there are many physical and cultural attractions in these areas of interest to tourists. One way of releasing this potential would be to:

- MAKE COMMISSION ADVICE AND FINANCIAL ASSISTANCE AVAILABLE TO DEVELOP A NETWORK OF SMALL HOTELS/PENSIONS AND FARM BASED AND OTHER FORMS OF RURAL ACCOMMODATION IN THE SOUTH AND EAST OF HUNGARY

3.5 Accommodation classification systems

3.5.1 A critical issue which will require early resolution if the tourism sector in central and eastern Europe is to fulfil its potential, is that of classification. At present there is no common basis for categorisation and this causes confusion and ambiguity for the tourist when moving between countries and visiting different locations within the same country.

3.5.2 This is not an unfamiliar problem, however, and it has taken many years to develop the relatively well known and sophisticated systems which now operate in the West. Indeed the progress is still going on to harmonise the various voluntary and compulsory systems which still exist within the Community. It is recommended that:

- THE COMMISSION INVESTIGATES THE WAYS IN WHICH ONGOING INITIATIVES TO SECURE COMMON STANDARDS OF CLASSIFICATION IN THE ACCOMMODATION SECTOR MIGHT BE EXTENDED TO CENTRAL AND EASTERN EUROPE

3.6 Conclusions

3.6.1 These sorts of actions and forms of assistance made available by the Commission would help the accommodation sector expand in a way which will provide a sound basis for successful long term development. The Commission can also exert influence in a number of less formal and intangible ways through the provision of background advice and recommendations; for example through the publication and wide promotion of research documents such as this.

3.6.2 With respect to the economic development opportunities in eastern Europe which might be met in part by the expansion of tourism and creation of suitable accommodation, there are four key issues that should be considered. These are drawn from recent experience of the development of the hotel and accommodation sectors in western Europe in the past twenty years. They are:

- that in several capital cities a disproportionate amount of investment went into the luxury sector, placing restrictions on the availability of cheaper accommodation for a large part of the tourist market

- that in conditions of excess demand, such as in Spain's coastal resorts in the 1970s and more recently in Turkey, the opportunity to create large amounts of new bedspaces took precedent over quality, satisfying short term demand, but failing to provide a sound basis for long term development

- that the more successful operations have been those which have invested in new technology, such as computerised reservation systems and linked effectively with other sectors of the travel trade

- that to ensure future competitiveness all accommodation operators, (whether chains or independents), need to give high priority to maintaining the quality of their facilities and to give high priority to skill training and levels of service.

3.6.3 Thus research has indicated that there appears to be relatively few absolute or irreconcilable constraints on the expansion of the region's accommodation sector at the present time. Much will be achieved by working in partnerships with western developers and operators, although many small hotels, hostels and private room accommodation could be created by local enterprise.

4. ATTRACTIONS

4. ATTRACTIONS

4.1 Background

4.1.1 From a tourism perspective it is incorrect to regard the visitor attractions of central and eastern Europe as a single coherent product. In spite of the fact that all of the countries in the region have been bound together by common ideology for more than 40 years they possess enormous diversity. There is a rich variety of ethnic groups, culture, history, architecture, scenery and climate, which needs to be developed and marketed effectively so that the region can reach its full potential.

4.1.2 In this section we draw together the results of our analysis of central and eastern Europe's visitor attractions. It provides an overview of the broad diversity of the region's tourism product as well as indicating the relative strengths of individual areas. It also comments upon how these might be developed and promoted in the West to increase and maintain a high volume of visitors as a basis for long term economic integration and development.

4.2 Natural resources

4.2.1 The natural resources of eastern Europe incorporate lakes and mountains, rivers and seashores, forests and open plains. Many of these areas offer outstanding and unspoiled natural beauty. The critical issue with respect to tourism development is not **how many** sites or **what area** is available, but how can they be **developed and managed** so that they can contribute to the development of the tourism sector as a whole.

4.2.2 The availability of more leisure time and steadily rising incomes in the West has resulted in increasing pressure on natural resources; from the mountains, forests and lakes of the Alps in the north of Europe, to the beaches of the Mediterranean in the south. One effect has been an increase in congestion at peak times, rising prices and falling standards. Whilst the more affluent visitors can seek alternatives elsewhere in the world, others cannot, and are seeking cheaper alternatives within Europe or its near neighbours. The anticipated continuation of these trends will provide an important stimulus for the development, for tourism use, of the physical attractions of large parts of central and eastern Europe.

4.2.3 To develop its natural resources in a sustainable manner the region will be dependent upon the provision of advice and financial assistance from the West. In addition to the resources which the private sector, governments and development agencies can bring to bear in generating new activity, it will also be important to pass on experiences gained in conservation and protection of the natural environment, which after all is the basis of their continued attractiveness. Of particular benefit, in all five countries, would be advice on 'low impact' and 'green tourism'. Thus the Commission might:

- EXTEND INVITATIONS TO TOURISM ORGANISATIONS IN EASTERN EUROPE TO ATTEND ANY CONFERENCES, WORKSHOPS OR OTHER EVENTS ASSOCIATED WITH CURRENT ISSUES AND BEST PRACTICE IN TOURISM DEVELOPMENT

4.2.4 All of the countries included in this analysis have already established protected areas, or more formal National Parks, within which they can effectively manage their natural resources and visitor demand. At the present time we found no evidence to indicate that the scope for expanding visitor numbers will be constrained if basic visitor management and environmental controls continue to be applied. Indeed in some areas there is potential to take a more pro-active approach to expand tourist activity.

4.2.5 There are many opportunities for development of outdoor activities, ranging from sailing in the Adriatic, Baltic and Black Seas, to mountain climbing, walking and skiing in Bulgaria, Czechoslovakia and Poland and to equestrian activities in

Hungary. Prior to the current conflict in Yugoslavia, a significant amount of marina development was underway for some time allowing for the expansion of offshore sailing. The demand for this remains and it should be a priority to attract these visitors back to the area when the current conflict ends.

4.2.6 Opportunities for board sailing and kayaking on the region's lakes and rivers are extensive and require very little public investment to secure their expansion. This is not the case with skiing development, however, which needs substantial amounts of investment in access roads, parking facilities, lifts, accommodation, catering and entertainment facilities. It is also a substantial generator of employment in rural areas in winter when agricultural activity is at a low level and attracts relatively high spending visitors.

4.2.7 The popularity of skiing has increased dramatically in recent years and many of the existing destinations in western Europe are intensively used. Environmental considerations prevent large scale expansion, as does the capacity of existing access roads and accommodation. Whilst the ski areas of eastern Europe do not have such reliable snow conditions, or such extensive terrain, as the Alps they possess considerable potential. At present the resorts in Poland, Bulgaria and Czechoslovakia cater largely for domestic demand, although the interest of western operators and visitors has been growing in recent years.

4.2.8 The analysis has revealed that the ski resorts of eastern Europe appear to offer potential for the development of reasonably priced ski holidays for families and for organised groups such as schools. Poland has a ski area around Zakopane catering largely for domestic tourism and there is relatively little scope for major expansion in the short term. This is also true of resorts in the Dinaric Alps and in the Balkan ranges in Bulgaria. The best opportunity at the present time is in the high Tatra Mountains in Czechoslovakia. It is recommended, therefore, that:

- THE COMMISSION SUPPORT THE EXPANSION OF SKIING AND WINTER SPORTS FACILITIES (INCLUDING INFRASTRUCTURE,

ACCOMMODATION AND SUPPORTING SERVICES) IN THE TATRA MOUNTAINS IN EASTERN CZECHOSLOVAKIA.

4.3 Cultural tourism

4.3.1 The range of cultural facilities in eastern Europe is as diverse and offers as much, if not greater, development potential than the region's natural resources. The current and historic capitals contain a wealth of architecture and cultural attractions which are readily accessible to visitors from the West.

4.3.2 Historic building restoration work and the refurbishment of museums and galleries continued under the former communist governments, although this was often at a very slow pace. Considerable assistance has also been provided by private trusts and foundations as well as by organisations such as UNESCO and directly from individual Governments. The majority of this assistance has been focused upon the most important heritage projects of international significance and it is hoped that this process will be continued and accelerated as a result of recent improvements in international relations.

4.3.3 Other cultural resources, historic artifacts and art treasures remain largely unknown to visitors from the West. In several instances some of these are displayed under less than ideal conditions. The Commission should be alert to these issues and give favourable consideration to the provision of expert advice and assistance in modern techniques of display and interpretation wherever possible.

4.3.4 One important difference between the galleries, museums and historic sites in eastern Europe, and those in the West, is that charges for entrance in the East remain very low, if they are made at all. With the ending of state subsidies many cultural sites are now desperately short of resources to maintain their collections. If a start was made to charge for entrance at a realistic level, then their attractiveness could be improved and additional visitors brought in.

4.3.5 These are important issues in which the Commission might use its influence and expertise. We do not, however, recommend that this type of support should be given high priority under the PHARE programme as there are more significant targets for aid in the tourism sector which will have greater impact. Also, as the analysis in volume two indicates, there are a very large number of cultural attractions and it would be extremely difficult to select priorities for special assistance.

4.3.6 We conclude therefore that the new Governments be encouraged to take advantage of all existing sources of assistance and to participate in international seminars and cultural exchange programmes. This will assist greatly in the management of the region's considerable cultural heritage and ensure that it becomes attractive to very large numbers of visitors.

4.4 Festivals and Events

4.4.1 There is great interest in visiting eastern Europe at the present time as a consequence of the dramatic events of the past two years. However, while many visitors have an interest in visiting the region they may not wish to commit themselves to taking their main holiday there. Often a first step is to make a short visit to experience what the region has to offer. Making available short or weekend breaks to the major cities, to visit festivals or events is an excellent way of opening up a visitor market.

4.4.2 Visitors are also exposed to what a country has to offer by a business trip or by attendance at a conference or exhibition. Promotion of the many opportunities for congress and incentive tourism within the region should be a priority. One way in which these facilities can be promoted is to use them for major international meetings of various kinds. The Commission sponsors many conferences and exhibitions and might consider hosting a limited number of these in eastern Europe. It is recommended, therefore, that:

- THE COMMISSION MAKE SELECTIVE USE OF CONFERENCE AND CONGRESS FACILITIES IN THE REGION AS THE VENUES FOR MAJOR EC EVENTS, TO PROMOTE RECOGNITION OF THE HIGH QUALITY AND WIDE RANGE OF FACILITIES WHICH ARE AVAILABLE.

4.4.3 There is a strong musical and theatrical tradition in eastern Europe and again as the resource profiles reveal, there is already a comprehensive range of festivals and events of high quality which will appeal to western visitors. The concert halls and theatres available also rank amongst some of the best in Europe and offer excellent value for money.

4.4.4 During the summer, large international events of many types can be held at the region's Universities, most of which have accommodation available. There is already an indication that as professional and other organisations in the East become more involved with colleagues in the West, the European conference venue network is expanding to the benefit of central and eastern Europe. During the winter and shoulder months, when occupancies are often low, the capacity of the hotel sector can also be exploited for this important component of international tourism.

4.4.5 Of all the capital cities in the region, Prague and Budapest currently have the highest profile and largest number of 'events visitors'. The proposal to host a major international 'Expo' event in Budapest in 1996 is well underway and has the potential to raise the tourism profile, not just of Hungary, but of the whole region. For this reason we recommend that:

- THE COMMISSION PROVIDE APPROPRIATE ASSISTANCE TO HUNGARY IN MOUNTING ITS MAJOR INTERNATIONAL 'EXPO' EVENT IN BUDAPEST IN 1996

4.5 Sports attractions and Spas

4.5.1 As indicated previously the natural resources of eastern Europe provide many excellent opportunities for sports and activity holidays. The recommendations for major tourism developments have been described in section three. There are, however, other smaller scale activities which also possess considerable potential, with opportunities for expansion spread across the whole region.

4.5.2 Sailing is a rapidly growing activity for which there are many excellent opportunities. These extend from small sailing boats, to canal cruising and offshore yachting in the Adriatic, Baltic and Black Seas. The latter two are likely to experience an increase in this activity in the long term with demand for specialised marinas and services; it is premature however, to consider major investment or specific support from the Commission.

4.5.3 The best developed off-shore sailing area, up to the disastrous events of this year, was Yugoslavia. There remains tremendous scope for this activity in the area and when the conflict has been resolved the Commission may wish to investigate if any serious damage has occurred to existing marinas and other facilities as a result of recent conflict. The need for Commission support for refurbishment and repair should be considered at this time.

4.5.4 Inland cruising on canals and rivers is a major tourist growth area; on both larger passenger craft such as those operating on the Danube and also smaller family leisure boats. Recent improvements to canal/river links in Germany and Austria now means that it is possible to travel by boat across the whole of Europe from the North Sea to the Black Sea, a distance of over 3000km. Because of this potential a special study of opportunities and specific projects would be particularly useful at the present time in view of the regional benefits which it offers. These would affect Hungary, Yugoslavia and Bulgaria, as well as opening up the currently limited tourism market in Romania. It is recommended therefore that:

- THE COMMISSION SPONSOR A STUDY OF THE TOURISM POTENTIAL OF EUROPE'S INLAND WATERWAYS, IN THE EUROPEAN COMMUNITY COUNTRIES AND THEIR NEIGHBOURS IN CENTRAL AND EASTERN EUROPE.

4.5.5 Specialist riding holidays are available in Poland, Czechoslovakia and Yugoslavia, although in each of these, it is unlikely to become a major tourist activity. The situation is different in Hungary, however, where the Magyar traditions and large areas of unspoiled countryside offer potential to develop a range of specialist equestrian activity holidays. It is recommended that:

- THE COMMISSION SUPPORT THE DEVELOPMENT OF EQUESTRIAN TOURISM IN HUNGARY VIA THE CREATION OF AN INTERNATIONAL RIDING CENTRE IN HUNGARY'S CENTRAL PLAIN

4.5.6 Throughout eastern Europe there are abundant spas. The use of thermal waters for health purposes has been a popular activity since Roman times and its importance has not diminished during the last 40 years, with significant use by tourists from all of the socialist block countries. Unfortunately, at many locations the quality and range of facilities was not maintained to a good standard.

4.5.7 At the present time there is renewed interest in the use of Spa waters, not just for cosmetic purposes, but also as health cures. Insurance companies in the West pay out substantial sums for water treatments of all kinds for their clients, and suitable facilities are in short supply and are becoming very expensive. Up to now health insurance companies have viewed the opportunities in the region with some scepticism and have been reluctant to send patients to the East. This attitude is slowly beginning to change, but a detailed investigation of patients' specific needs and of the wider economic and social benefits appears appropriate at the present time. At present there are opportunities throughout the region, but Hungary and Czechoslovakia in particular, have the most extensive facilities and scope for development. We recommend therefore that:

- THE COMMISSION SPONSOR A DETAILED STUDY OF THE HEALTH TOURISM SECTOR TO ASSESS THE DEMAND FROM WESTERN VISITORS AND THE EXTENT TO WHICH THIS FITS WITH OPPORTUNITIES IN HUNGARY AND CZECHOSLOVAKIA.

4.5.8 Finally, there are opportunities for golf course development in all countries in the region. However, it is our belief that these projects should not be given high priority. The reasons for this are that there is already a good supply of golf courses throughout western Europe and the number is growing as land is taken out of agricultural production. Many golf courses also rely heavily upon local clientele and in those countries such as Spain and Portugal where courses and accommodation have been purpose built for tourists, many are not commercially successful. Finally, golf course development is expensive and there are long lead times for their construction. The diversion of scarce development resources to this sector does not appear to be justifiable at the present time, although it should not be ruled out in the longer term.

5. TOURISM ORGANISATION AND DEVELOPMENT

5. TOURISM ORGANISATION AND DEVELOPMENT

5.1 Political and economic context

5.1.1 The speed and direction of reform in central and eastern Europe has significant implications for the administration, funding and development of their tourism products. In pursuit of a market economy all of the countries included in the study have launched economic stabilisation programmes which have had varying effects upon prices, output and inflation. Whilst this has opened up a wide range of business opportunities in the tourism sector, the last two years have not been without difficulty for those operating in the travel and hotel sectors.

5.1.2 All of the countries of the region and all business sectors are facing the economic shockwaves of the sharp decline in the levels of trade with their socialist neighbours. Whilst some producers and manufacturers have been able to switch to new western markets, for others this has proved very difficult. As a result of limited investment and technical advance in recent years in both services and manufacturing processes, the region's products often lack the sophistication of those in the West. Even though costs (and prices) are low, so is quality and productivity. In all of the countries in the region it is these issues which are being addressed as a matter of priority i national economic programmes at the present time.

5.1.3 There is already evidence that several countries are being successful in attracting higher levels of foreign direct investment, often encouraged by the acceleration of their privatisation programmes. In the last year, 1990, Hungary has been the most successful country in moving its economy towards a western style market system. In 1990, Hungary accounted for some 50% of all direct foreign investment in the region and a substantial proportion of this went into the tourism sector via the privatisation of state travel companies and hotel chains.

5.1.4 Other countries have been slower to create the appropriate legal and financial frameworks to secure western involvement and have been faced with more difficult economic problems. Costs of raw materials, particularly fuel, have risen sharply and with the ending of state subsidies many companies, including those in the tourism sector have had to fight hard for survival. This has been most noticeable in Poland and in Czechoslovakia. In Bulgaria there is still relatively tight government control of the economy and the slow pace of economic reform has limited the level and impact of price rises.

5.1.5 All of the countries do recognise, however, the economic benefits which tourism development can offer. It is perceived as an opportunity to attract western investment, increase foreign exchange earnings and maintain a relatively high labour force. In Poland for example, a 'Commercial Bank for Tourism' has been established and is making credits available for tourism development projects and staff training. Government assistance for joint ventures in the tourism sector is provided in Bulgaria and in Czechoslovakia, while the Hungarian privatisation initiatives are placing the tourism industry on a sound commercial footing.

5.2 Events in Yugoslavia

5.2.1 As noted earlier Yugoslavia's tourism industry was much more developed and closer in its basic structure to a western market orientated system than the other countries in the region. This allowed for the development of a large and successful tourism sector. In 1990 the tourism sector represented about 10% of the country's GNP, almost all of which has been lost in the 1991 season as a result of the current conflict.

5.2.2 These disastrous events have seriously damaged Yugoslavia's reputation and image as a major tourist destination and special help will be required to revitalise the industry as quickly as possible when the current conflict is brought to an end. Because of the considerable economic importance of the tourism sector and the key role it can play in restoring an air of normality to the country it is recommended that at the appropriate time:

- THE COMMISSION ESTABLISH A TOURISM DEVELOPMENT TASK FORCE; SUPPORTED BY ADEQUATE FUNDING IT SHOULD MOVE QUICKLY TO REPAIR THE DAMAGED TOURISM INFRASTRUCTURE AND RESTORE THE IMAGE OF THE COUNTRY AS A SAFE AND ATTRACTIVE HOLIDAY DESTINATION.

5.2.3 The approach recommended is for the Commission to establish a strategic development programme for tourism, similar to those already in use by the Community to promote new economic activity in the most disadvantaged areas in member states. This is known as the CSF (Community Support Frameworks) and comprises a series of linked initiatives. The first step involves a thorough inventory or audit of the challenges and resources likely to be able to tackle them. In the case of Yugoslavia, the first stage would focus upon assessment of what damage has been done to its tourist infrastructure.

5.2.4 The second stage would involve the production of an action programme indicating the priorities and location for reconstruction and investment. For example, this might include targeting assistance towards early restoration of key world heritage attractions, such as Dubrovnik, and a major international marketing campaign to counter the very negative perceptions which have built up in the last 12 months.

5.2.5 Such an approach would also seek to identify the broad costs of the restoration and revitalisation programme and the potential sources of funding. In particular it would highlight the need to involve the private sector. This part of the programme typifies the CSF approach, which attempts to avoid isolated or piecemeal development by bringing all the players at national, regional and local level into an effective and coordinated team.

5.3 Tourism administration and development funding

5.3.1 As indicated above, there is no doubt that the development of the tourism industry can play a vital role in the switch towards more market orientated economies. Not only can tourism contribute significantly to capital investment and foreign exchange, but it can also guarantee long term jobs and incomes. At the present time, however, the new Governments are faced with a range of urgent social and economic problems. While they see the need to undertake fundamental restructuring of their administrative, legal and financial systems, tourism is only one amongst many sectors in which action is needed. Also many other sectors will be competing with tourism resources to fund expansion and development.

5.3.2 Throughout the region strategic frameworks for tourism have been prepared as a matter of urgency. It has been clearly acknowledged that without well established systems to coordinate the activities of the public and private sectors, tourism development would be likely to be piecememal, fragmented and prevent the industry from achieving its full potential. Also in preparing the objectives for tourism there has been a strong economic planning development dimension. This has focused upon the needs of specific areas upon projects, and the important linkages with other sectors and manpower planning requirements have been identified.

5.3.3 One of the roles of the Commission, as well as of national Governments and other aid or development organisations, should be to influence the adoption of best practice, based upon experience in the West. The integration of the aims and objectives of private travel operators, hoteliers, workers and administrators is a most difficult task, but is essential for successful long term development. While others cannot specify how any country should structure its tourism industry the experience and expertise which the West possesses should be made available. One way in which the Commission could assist would be to:

- PREPARE A COMPREHENSIVE RESOURCE DOCUMENT OUTLINING EFFICIENT SYSTEMS, STRUCTURES AND BEST PRACTICE IN TOURISM DEVELOPMENT ORGANISATION AND ADMINISTRATION

Such a document could also provide information on the most effective models for securing the active cooperation and participation of the private sector as well as advice on the appropriate monitoring mechanisms and establishment of practical tourism data bases.

5.4 Manpower planning and skill training

5.4.1 Working together with hoteliers and operators the new Governments need also to ensure that sufficient labour is available and equipped with the right skills to allow the industry to grow. At the national level, manpower planning will reflect a range of economic development aims, covering all sectors of activity, and the tourism industry will need to given sufficiently high priority in future programmes to enable it to fulfil its potential. This is a matter for the new Governments themselves and there is little that outside agencies can, or should, do to influence these programmes.

5.4.2 However, much can be achieved at the sectoral level with the assistance of other countries, particularly in education and skill training. Places could be made available on appropriate courses at western universities and colleges, or western assistance could be directed towards the East's further and higher education institutions. Similarly, groups and individuals could be provided with on-the-job training, either in host countries or in the domestic tourism sector. The successful future expansion of tourism will be dependent to a significant extent on improvements in the quality of service, which is itself dependent upon improved skill levels across all catering, hotel and travel industry occupations. At the present time the country in which training and skill development requires most urgent attention is Bulgaria, although both Czechoslovakia and Poland's tourism industry will benefit from increases in the supply of appropriately trained workers. Two principal recommendations are made with respect to tourism training:

- THE COMMISSION SHOULD ASSIST IN THE PREPARATION OF A COMPREHENSIVE MANPOWER TRAINING AND DEVELOPMENT PROGRAMME FOR THE TOURISM SECTOR IN BULGARIA, COMPRISING MANAGEMENT LANGUAGE, PROFESSIONAL AND TECHNICAL SKILLS.

- THE COMMISSION SHOULD ENCOURAGE AND PROMOTE STRONGER LINKS BETWEEN CENTRES OF EXCELLENCE IN CATERING AND OTHER TOURISM HOTEL SKILLS USING RESOURCES AVAILABLE FOR EXCHANGE PROGRAMMES, SHORT COURSES AND IN-SERVICE TRAINING.

5.4.3 One particularly cost effective approach which has been used successfully in the training field by DG I, External Relations, has been to encourage the participation of the private sector in the job skill development programmes. In partnership with particular companies, skilled workers and managers have been seconded to work in developing countries to pass on specific skills and expertise. Such an approach appears to offer potential with respect to eastern Europe, particularly in view of their need to improve skill levels across large numbers of people in the short term.

5.5. Tourism, marketing and promotion

5.5.1 There is currently considerable interest in the countries of central and eastern Europe as a result of the high profile recent events have had in the western media. Unfortunately, many potential visitors retain negative perceptions of the region with images of food shortages, indifferent service, and strict controls on visitors movements. This is no longer true and the key marketing task is to change this image so that perceptions match the new reality.

5.5.2 Because of the previously large dependence upon visitors from other socialist countries there was relatively little need to accord high priority to promotion and marketing. Although all of the countries in the study have state tourism organisation representatives based in Europe and in the USA, resources were strictly limited and the quality of the advertising campaigns and promotional literature were relatively poor.

5.5.3 It is only very recently that attempts have been made at sophisticated niche marketing and promotion of specialist holiday activities or areas. The benefits, and indeed the necessity, of such approaches in highly competitive western markets have been shown to be significant. For example they can be critical in raising awareness about a particular area, developing opportunities or in helping to tackle problems such as seasonality.

5.5.4 Also, certain countries, in particular Poland, have not been able to develop a strong tourism marketing identity. While this is true to an extent for other countries (for example Yugoslavia and Bulgaria are well known for their beach holidays and Hungary and Czechoslovakia for their capitals and rich cultural heritage) Poland evokes no clear image. This is in part a result of the enormous diversity and variety of activities and experiences which it offers. For this reason we recommend that to ensure that Poland achieves a high international profile as a tourism destination that:

- THE COMMISSION PROVIDE ADVICE AND ASSISTANCE FOR A COORDINATED AND FOCUSED INTERNATIONAL MARKETING STRATEGY FOR POLAND

5.6 Tourism development planning

5.6.1 The key to successful tourism development planning is coordination, which experience in the West has shown comes from partnership between all of the principal participants in the tourism industry. As indicated earlier, in relation to the adoption of an action programme for Yugoslavia, the need to identify broad strategic objectives at an early stage is essential, to ensure that appropriate facilities come on stream at the right time and are of a scale and quality that match market demand.

5.6.2 Ideally, such an approach would also be linked with local and regional infrastructure development programmes, effective manpower improvement and skill training programmes and sophisticated marketing campaigns. At the present time the country which would benefit most from assistance in preparing a comprehensive tourism development programme is Poland. Although, as the supply side assessment reveals, the country possesses substantial potential it is in many different areas and spread across a wide range of potential markets. As a result there exists a danger than uncoordinated tourism investment and expansion in different areas, in the short term, will reduce its long term economic development potential.

5.6.3 For this reason it is recommended that:

- THE COMMISSION FUND AND ASSIST WITH THE PREPARATION OF A TOURISM DEVELOPMENT MASTER PLAN FOR POLAND

It will provide the strategic development framework for tourism in the short, medium and long term. The components parts of the approach should be as follows:

- a tourism education and manpower development programme

- a hotel development programme specifying category and location
- a priority investment programme for key attractions
- coordinated national and local marketing strategy
- physical planning guidelines and area priorities
- strengthening of tourism institutions and administration.

5.7 Next steps

5.7.1 This supply side study has revealed that the countries of central and eastern Europe possess considerable development potential. However, there remain many challenges for those involved in developing areas, attractions and facilities. To help in the process there is much that the European Community can do to assist in the process and this report makes 28 recommendations for action.

5.7.2 The recommendations are restricted comply with the study's explicit objective to consider and identify appropriate responses targeted on the countries' tourism resource base. There is, of course, much that can be done in respect to stimulating demand and this has been the subject of a separate study.

5.7.3 In some respects the division between supply and demand factors is blurred, not least in the area of marketing. Thus, the recommendations of this study do not attempt to specify the content of marketing campaigns, but to indicate the importance of promoting the international visibility of the regions' products.

5.7.4 The recommendations also introduce the possibility of the Community becoming more pro-active in the provision of assistance to the tourism sector in eastern Europe. Several proposals will allow the Commission to respond appropriately to requests for assistance under the PHARE programme. However, there is a clear need to engage in a dialogue with the government organisations responsible for tourism to offer assistance for the sorts of programmes and initiatives included in this study.

5.7.5 The Commission is also skilled in providing assistance to developing countries through the transfer of expertise and advice, principally through DG.1, and DG XIII. These directorates and particularly the task forces for the PHARE countries in DGI should be made aware of these recommendations and the ways in which ongoing programmes can help in releasing the regions' tourism development potential.

APPENDICES

APPENDIX I

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Thanks are also expressed to the following, who provided considerable advice and assistance in the completion of this study.

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APPENDIX II DATA CHECKLIST

PART I TOURIST INFRASTRUCTURE

1. **Airports** Names of Airports servicing international tourism market

Location and distance from main cities and tourist destinations and details of frequencies and principal international destinations served.

Facilities available at Airports including aircraft maintenance fuelling and level of air traffic control. Also passenger facilities, duty free, place to eat & drink and information Services.

Capacity of Airport details of day and night operation, seasonal variation, Number of terminals, runways, Ability to handle large Aircraft, expansion plans, surface links to tourist destinations - road - rail - taxi - time and costs

2. **Rail Services** Network of international destinations and frequency of flights. Names of Cities with stations handling international services

Facilities available including: Exchange Bureau Information Services, Frequency and availability of services to main tourist destinations

3. **Road Access** Extent and quality of highway network

		Motorway/Expressway connections to other European Countries Facilities on road network, Food/Drink - Information - Fuel Plans for extension/expansion
4.	**Telecommunications**	Extent and quality of communication facilities available to tour operators and tourists, including: • Fax • Telex • Telephone • Satellite Links Plans for extension/expansion
5.	**Ports**	Poland and Yugoslavia only: • International ports • Range of services • Facilities
6.	**Origins of Visitors**	• Eastern Bloc • Western Visitors • Domestic Tourism

PART II HOTELS AND OTHER TOURIST ACCOMMODATION

1.	**Hotels/Hostels**	Classification of number of existing bedspaces by:- • Location • Quality • Open/Closed Season • Other Facilities, Casino, Pool International Booking System Ownership Association with International Operators
2.	**Private Rooms/ Self Catering**	Classification of known supply for independent travellers by: • Location • Quality • Seasonability • Availability/Marketing • Potential for Expansion
3.	**Camps Sites**	Classification of known supply by: • Location • Range of Facilities • Seasonability • Availability/Marketing • Expansion Plans

4.	**Holiday Villages**	Classification of known supply including group facilities which may previously have been used for particular industrial/occupation groups. • Characteristics of facilities • Capacity • Location • Availability and marketing
5.	**Private Hotels/ Holiday Complexes**	Number of facilities used exclusively by groups and organisations eg: trade unions, youth organisations
6.	**Estimates of use by**	• Eastern Bloc Visitors • Western Visitors • Domestic Visitors

PART III ATTRACTIONS

1.	**Natural/Resources**	Characteristics of principal tourist location by visitor/activity type: Mountains/Lakes Historic Cities Sea and Sun Business/Conference/Exhibition
2.	**Historic & Cultural Attractions**	- Listings of principal Historic sites and attractions classified by: • Date/Origins • City or Remote Location • International (UNESCO) or • National or Regional Significance • Capacity/Current Visitors

		• Seasonality
3.	**Festivals/Events** -	Listings of principal International/National Festivals and Events by: • Date • Theme • Existing Visitor Numbers • Organiser
4.	**Sports/Leisure Facilities**	Listings of principal sites attractions of International/National significance including National Parks for: • Water Sports • Winter Sports • Walking. Climbing • Equestrian/Golf etc
5.	**Entertainments/ Restaurants, Cafes/bars**	Review of extent of support facilities at each major location to identify weaknesses in: • Quality • Variety • Availability
6.	**Estimates of use by**	• Eastern Bloc Visitors • Western Visitors • Domestic Visitors

PART IV TOURISM ORGANISATION MARKETING AND DEVELOPMENT

1. **Organisation** - Listings and description of roles of State Tourism organisations and of regional/local devolution

- Extent of development of Private Tourism Companies and organisations

- Involvement/Participation of International Tour/Hotel operators

- Assessment of characteristics and adequacy of Tourism Information Services

- Review of National Tourism Development Programmes and description of key programmes. Prospects and flow of change

2.	**Marketing**	- Identification of National/Regional Tourism Marketing Organisations
		- Links with Overseas Tour operators
		- Extent of Overseas Marketing Organisation
		- Perceptions of competitive tourism strengths and nature of future marketing campaigns
3.	**Funding**	- Review of nature of funding arrangements for tourism marketing and Development
		- Scope for joint ventures with international companies
		- Nature of any requests for development assistance to CEE or other organisations

- Inward Investment Controls - current practise and scope of change

APPENDIX III

Table A.1 **All countries Air accessibility index**

	International connections	Inland conncections	Land Links	Terminal Quality	Capacity/service Provision	Proximity to Touristy Areas	Index Total	Mode Weighting	Air Access Index
Poland	3	3	7	3	3	4	23	0.10	2.3
Hungary	4	2	8	4	4	5	29	0.03	0.9
Czechoslovakia	3	3	7	3	3	6	27	0.08	2.2
Yugoslavia	5	3	7	4	4	8	31	0.15	4.7
Bulgaria	2	3	7	2	3	6	23	0.12	2.8

Table A.2 **Road Accessibility Index**

	Extent of Network	Extent of Express ways	Roadside Facilities	Signage & Information	Border Crossings	Index Total	Mode weighting	Road Access Index
Poland	5	1	1	3	7	17	0.72	12.2
Hungary	7	3	4	4	8	26	0.77	20.0
Czechoslovakia	6	2	2	4	7	21	0.08	16.8
Yugoslavia	8	4	4	5	7	28	0.73	20.4
Bulgaria	5	1	1	2	7	16	0.83	13.28

Table A.3 **Rail Accessibility Index**

	Extent of Network	Extent of Express ways	Roadside Facilities	Signage & Information	Border Crossings	Index Total	Mode weighting	Road Access Index
Poland	8	4	5	5	6	28	0.15	42
Hungary	7	6	6	6	7	32	0.20	64
Czechoslovakia	8	5	5	6	7	31	0.12	37
Yugoslavia	7	5	5	6	6	29	0.07	2.0
Bulgaria	7	4	5	4	5	25	0.04	1

Table A.4 **Sea Accessibility Index**

	Cruise/Passenger/Ferries	Yachting Facilities	Index Scare	Mode Weighting	Sea Access Index
Poland	3	1	4	0.02	0.08
Yugoslavia	6	7	13	0.05	0.70
Bulgaria	5	5	10	0.01	0.10

Table A.5 **Index of Accessibility**

	Modal Scores				Score
	Air	Road	Rail	Sea	
Poland	2.3	12.2	4.2	0.08	18.78
Hungary	0.9	20.2	6.4	-	27.30
Czechoslovakia	2.2	16.8	3.7	-	22.70
Yugoslavia	4.7	20.4	2.0	0.7	27.80
Bulgaria	2.8	13.3	1.0	0.10	17.20

Table A.6 **Modal Split (%) 1989**
(Estimate Wester Visitor Arrivals)

	Air	Road	Rail	Ship
Poland	10	72	15	2
Hungary	3	77	20	0
Czechoslovakia	8	80	12	0
Yugoslavia	15	73	7	5
Bulgaria	12	83	4	1