

Situated at the heart
of Europe, Poland is
the natural gateway
between West and East.

In the tourism sector,
Poland offers unparalleled
opportunities - natural parks,
historical cities and a rich
culture all contribute to
making Poland *the* tourist
destination.

Poland

Polish Tourism & Tourism Investments



PAIZ

POLISH AGENCY FOR FOREIGN INVESTMENT

Thinking investment... think Poland!

PAIZ (The Polish Agency for Foreign Investment) was established to promote Poland's investment opportunities and to encourage foreign companies to choose Poland as their investment location.

PAIZ helps businesses considering investment in Poland by:

- providing information, advice and guidance to foreign investors;
- facilitating the initial stages of their investment process;
- providing legal, technical and financial information;
- assisting foreign investors in identifying potential business partners;
- maintaining a link between foreign investors and appropriate government and local authorities.

The Agency is a joint stock company, wholly owned by the State Treasury. PAIZ's role is that of an intermediary serving individual and corporate foreign investors.

Through maintaining an on-going dialogue with the Polish Authorities we constantly strive to improve the local environment for foreign investment, and ensure that potential investors have access to key players in the Polish market.

Welcome to Poland!

[1997]



8394

796.5:338.48

Table of contents

1	A brief description of Poland's tourist attractions	2
2	The role of tourism in the economy	4
3	The tourism market in Poland - development trends	5
	• Tourist activity	
	• Income and expenditure	
	• Tourist infrastructure in Poland	
4	Documents on tourism	12
	• Government documents	
	• Opinions by independent experts	
	• Research on the development of tourism	
5	Investment policy	18
	• Legal regulations	
	• Government programmes which influence the development of tourist infrastructure	
	• Allocation of budget funds and foreign aid	
	• The principal elements of the Physical Culture and Tourism Office (UKFiT) operational strategy	
6	The hotel investment market in Poland	24
7	The tourist institutions in Poland	28
A1	Annex 1	30

A brief description of Poland's tourist attractions

Geographical location

Poland's geographical location and its attractive landscapes favour the development of both domestic and foreign tourism. Its mountains, hills, lakes and coastal areas are renowned for their beauty. The wildlife is unique in Europe. Furthermore in the past few years after prolonged neglect there has been a significant improvement in the natural environment. Hence, growing demand for trips to regions of natural beauty.

Particularly important for the tourist business is the fact that Poland has: 20 national parks with a total area of approximately 270 thousand hectares, 1122 nature reserves (121,3 thousand hectares) and 102 nature parks (covering an area of over 2 million hectares).

Individual environmental specimens are also protected, special conservation measures are mostly extended to old trees which are classified as natural monuments. Existing national parks are expanding and new ones are being established. Common nature protection zones are being created in co-operation with neighbouring countries. Together with the Germans, the Poles plan to establish a number of nature parks to serve as tourist attractions on the border. On the eastern border, the Karpaty and Bug Euro-regions have already been established.

Natural beauty

Development programmes for Polish tourism place particular emphasis on the north-eastern regions of the country. The considerable natural beauty of this region means that state policy provides for environment

friendly tourism (ecotourism) to form the basis of its development. This includes various specialist tourist packages like sailing or canoeing as well as agro-tourism, which is seeing dynamic growth at the moment. Although the territory in question has the largest number of natural reserves, it is the infrastructure, and hence investments, that form the basis for the development of tourism.

Increasing improvement in the condition of the natural environment has favoured the development of specialist tourism, such as: hiking, cycling tours, skiing, canoeing and pony trekking, in other parts of the country too. Many regions of Poland offer good conditions for the development of tourist specialisations such as hunting and fishing.

Every protected region, apart from strict nature reserves, is readily accessible to tourists and nature lovers. Trekking is made easier because of the special trails prepared and marked in the national parks (covering a total of 2043 km), and shelters which are available in the mountains. A dozen or so of them are located within the boundaries of the eight national mountain parks.

Many advantages

Poland also has the following advantages in terms of tourist attractions:

- favourable transit situation;
- cultural attractions including a large number of historic towns and monuments. Among the historic relics, one can find architectural monuments and complexes of the highest artistic, historical and scientific merit on a global scale;

A brief description of Poland's tourist attractions

- large areas of unspoilt countryside;
- vast potential for the development of ethnic tourism (Polish emigrants living abroad, German nationals, people with a Jewish background);
- foreigners interested in Central and Eastern Europe and the changes taking place in this region.

The fact that Poland is a transit country, and that road transport is important for tourism, means that investment in road infrastructure is imperative. Poland is situated between the biggest European tourist market, Germany, and those countries which emerged as a result of the dissolution of the Soviet Union. We have noted a radical increase in communication between these countries. The principal goal of the state administration is to increase the accessibility of Poland. Therefore the first task to be implemented has been the organisation of new border crossings and the modernisation of existing ones. These measures not only increase Poland's attractiveness but also create new opportunities for further development of the tourist infrastructure.

Interesting cities

The majority of tourists visiting Poland head for big cities, mainly because of their cultural and historic attractions, especially urban monument complexes in large cities such as Kraków, Warszawa, Gdańsk, Wrocław, Szczecin, Poznań, Częstochowa. The lack of proper lodging facilities limits tourist visits to large cities such as Lublin, Bydgoszcz, Elbląg, Jelenia Góra, Kalisz, Białystok etc. Inadequate lodging facilities also limit the length of tourist visits, to one day excursions only in the case of towns such as Malbork (one of the largest castles

in Poland), Kętrzyn (Hitler's bunker The Wolf's Lair), Gniezno (the cradle of Poland's national history), Wieliczka (a salt mine and museum). This is in addition to the many regions which are visited by tourists who are searching for their roots.

In order to improve the country's communications network, and to provide easier access to some regions and districts, the airports in Kraków and Wrocław have been modernized. Also, a new terminal has been constructed in Warszawa, a lot of new flight connections have been established and the rail and bus networks have been developed.

Polish tourists find the Baltic coast and the mountain ranges in the south very attractive. Both regions are visited on a large scale by Poles and foreigners from the Eastern "Lander" of Germany, Czech Republic, Slovakia and Scandinavia.

The role of tourism in the economy

A growth sector

Tourism is one of the most profitable and dynamically growing sectors of the world economy. It is comparable in significance to sectors such as the automobile, chemical or oil industries.

In European Union countries the total turnover of the tourist industry is estimated at 1.1 trillion USD. The governments of the European Union countries spend over 115 billion USD on tourism.

As a result of the market economy changes in Poland, tourism has become a sector which promotes economic development and has seen significant economic results. The strength of the Tourist economy results from increased activities of companies in this sector, and the changes taking place in areas like the financial, transport and telecommunications sectors. In the period of implementation of reform, tourism has become a sector where change processes are taking place relatively quickly.

The Tourist economy has also turned out to be an effective instrument for the execution of certain aspects of the State's socio-economic policy like: restructuring and modernisation of the economy, commercialisation, support for economically weak areas, employment and the development of international co-operation. Additionally, visits by foreign tourists have a positive impact on the balance of trade and are a major source of foreign currency.

The tourism market in Poland - development trends

Tourist activity

Domestic tourism

In 1990 - 1995 the tourist activity of adult inhabitants of Poland was stable at 50%, i.e. half the Polish population which is over 15 years old made at least one tourist trip and spent at least one night away from home.

In 1995, 34.5% of adult Poles went for at least a five day holiday in Poland. This amounts to approximately 10.4 million people. In the same year 9.7 million inhabitants of Poland made nearly 44 million short domestic trips lasting a maximum of four days, which means that accommodation was required over 70 million times. The total number of domestic trips increased by approximately 12 % and the number of lodgings required increased by 29%, compared to the previous year.

According to the all-European tendency noted, domestic trips tend to be shorter nowadays, although the reasons for staying at home are different in the case of Poles and other Europeans. Economic factors are of major importance here: in 1990, 35% of Poles did not leave their permanent residence for economic reasons. In 1993 - the respective figure was 47%, in 1994 - 43%, and in 1995 - 46%. The reason why the tourist activity of Poles is below the European average, is due to the much higher proportion of farmers in the total population than in other countries. The farming population tends to leave its permanent residence less often than the urban population.

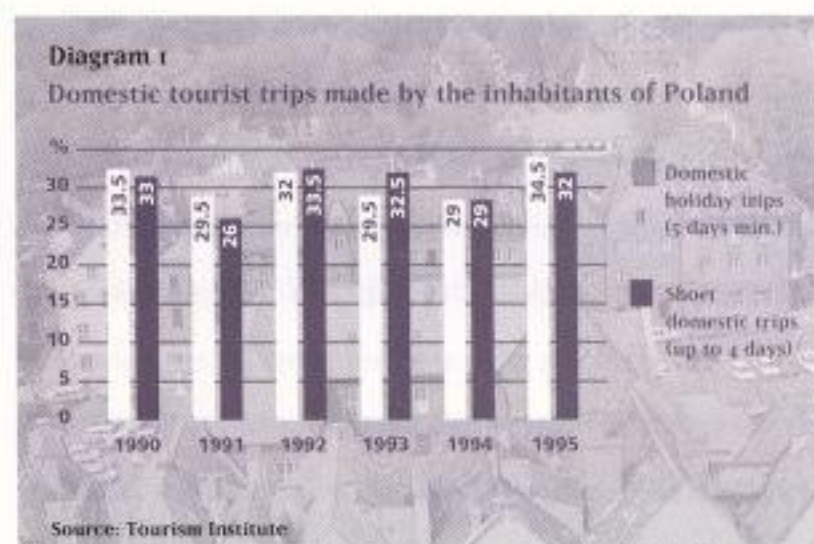


Diagram 2

Visits to Poland in the year 1991 - 1995 in thousands



Foreigners' visits to Poland

Since 1990 a radical increase in the number of foreigners visiting Poland has been noted. In the past six years the number of people crossing the border has increased nearly five times. The dynamics of tourist inflow exceeds the rate of changes in world tourism by a large margin. In 1994, 567 million tourist trips were registered in the world, representing an increase of 3.8%. In the same period, Poland was visited by 82.2 million foreigners. True, a considerable majority of foreigners visiting Poland were from neighbouring countries who came for

The tourism market in Poland - development trends

shopping and spent just several hours here, but 23% of these foreigners were tourists who spent at least one night in Poland. In 1995, their number increased by 2.1% compared to the previous year. The number of tourists visiting Poland, nearly 19 million, has placed Poland in the top ten ranking of countries most often visited by foreign tourists. Poland's position on the ranking lists is constantly improving.

Forecasts for the next few years are also favourable. It is expected that the number of tourists will continue to grow and some of today's day-trippers to shops and market places will visit Poland for their holidays too.



Among foreigners visiting Poland the following nations predominate: Germans (47.2 million), Czechs (15.1 million), Slovaks (4.4 million) and citizens of the ex-Soviet Union (12.5 million). The greatest increases in incoming tourism were noted from: Belarus (by 52.2%), the Ukraine (by 50.1%), Estonia (by 49.3%), Slovakia (by 46.4%) and the Czech Republic (by 35.5%) compared to 1994 figures.

The principal reasons for coming to Poland are shopping and typical tourist visits (nearly 58%). An increased number of business trips have also been noted (from 18.9% in 1994 to 19.1% in 1995).

Among the 19 million tourists staying overnight in Poland over 30% had chosen hotel lodgings, 39% rented private quarters or stayed in a boarding house, and only 17% were guests of relatives or friends.

Table 1
Foreigners' reasons for visiting Poland

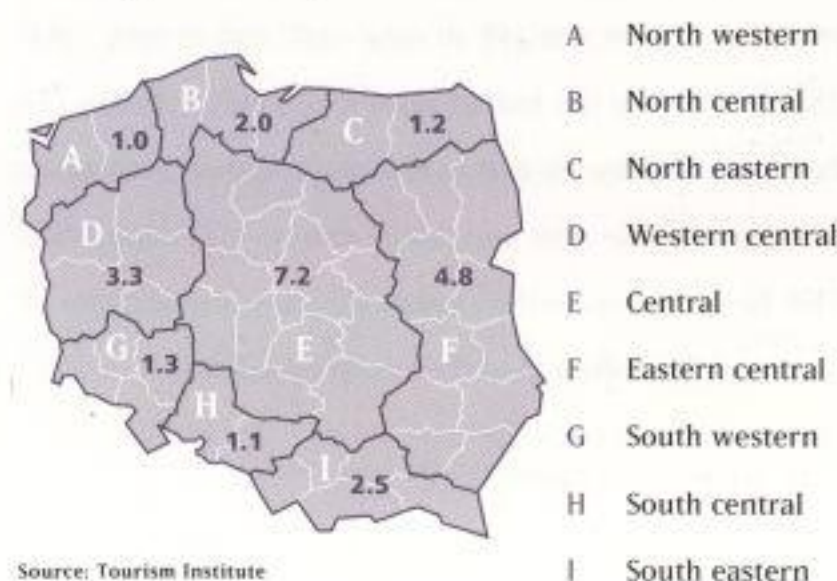
Aim of the visit	1993	1994	1995
Shopping	41.6	35.4	27.5
Typical tourist trip	29.1	29.8	30.4
Business	31.9	18.9	19.1
Visiting friends and relatives	24.7	12.6	19.2
Transit	10.5	7.1	6.4
Labour	-	5.1	9.5
Religious motives	2.8	2.9	2.8
Visiting family place of origin	7.7	2.6	3.6

Source: Tourism Institute studies

In 1994, incoming tourist activity was concentrated on the central regions of the country (41.5%), on the coast (16.5%) and the hillside regions (29.3%).

Diagram 4
Visits to Poland by foreign tourists in 1995 by regions (in millions)

Total - approximately 19.2 million tourists



The tourism market in Poland - development trends

Foreign trips by Poles

In 1995, 36.4 million Poles visited foreign countries. In the past six years the number of such trips has increased by approximately 65%. The greatest increase being noted in the years 1991 - 1992 (8.5 million).

Poles mainly visit neighbouring countries. In 1995, every second trip was made to Germany, a tendency which is lessening (45.5% of the total number of trips made in 1995, as opposed to 50% in the previous year). The number of trips made to the Czech Republic and Slovakia has increased over the past two years to 12.6 million and the share of this market has also increased in the total number of trips made (from 30% in 1994, to 35% in 1995).

Although the ex-Soviet Union countries were visited by a somewhat greater number of Poles than in 1994, the percentage share (7.4%) remained the same.

Table 2
Foreign trips by the inhabitants of Poland in 1995 by dominant target countries (in millions) - estimated figures.

German Republic	16.05	The Netherlands	0.64
Czech Republic	10.00	Belgium	0.56
Slovakia	2.60	Italy	0.32
Belarus	1.22	Denmark	0.23
Russia	0.76	Sweden	0.22
The Ukraine	0.45	Great Britain	0.18
Lithuania	0.26	Spain	0.10
France	0.85	USA	0.10
Austria	0.79	World total	36.39

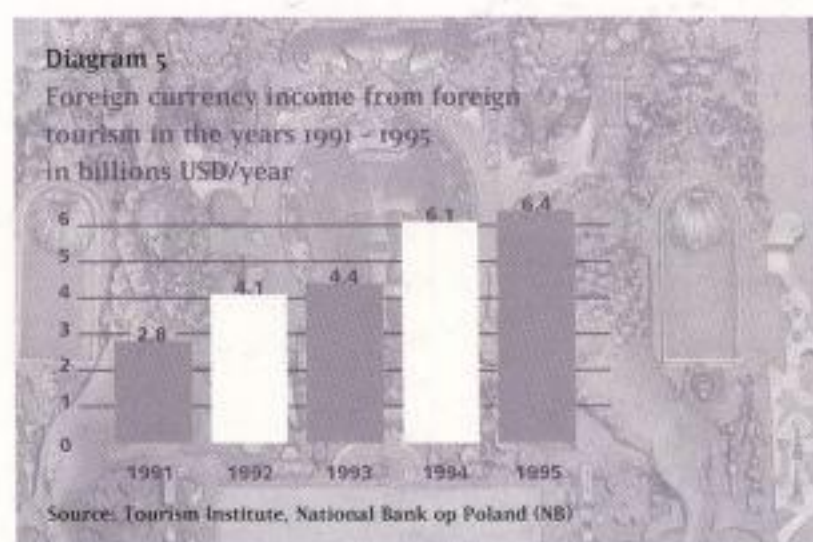
Source: Central Statistical Office (GUS) - border crossings
Estimate by the Tourism Institute

In 1995, Poles left the country mainly for holidays (48%), business (21%) and shopping (21%).

Income and expenditure

Income from tourism generates more foreign currency in Poland than any other branch of the economy. Additionally, in 1991 - 1994 there was a very rapid global increase in foreign currency income made by Poland from foreign tourism.

According to Tourism Institute estimates, foreigners spent a total of 6.4 billion USD in 1995, 5% more than in 1994. The number of visits made to Poland by foreigners in the same period increased by nearly 11%, hence the dynamics of income increase were lower than the dynamics of change taking place in tourist activity.



Over 75% of foreign currency income is generated by tourists from neighbouring countries - nearly half of it by Germans.

The tourism market in Poland - development trends

In 1995, foreigners visiting Poland spent 84 USD per person on average. The actual sum depended on the length and nature of their stay in Poland: those who stayed here one day spent over 80% more than the average daily expenditure of tourists who stayed in lodgings. However the average expenditure of one person per one day of stay has dropped, as compared to 1994, among most West European tourists polled.

An important source of income from tourism is the expenditure made by day-trippers. In 1995, this expenditure amounted to 58 USD per person. On average day-trippers

from neighbouring countries spent the following sums in Poland, in the same year:

Country of origin	USD/person
Germans	67
Czechs	35
Slovaks	25
Belarussians	74
Ukrainians	92
Lithuanians	67
Russians	79

Table 3
Expenditure made by foreign tourists in Poland in the years 1993 - 1995

Country	1993		1994		1995	
	USD/ person	USD/ man-day	USD/ person	USD/ man-day	USD/ person	USD/ man-day
German Republic	111	19	178	34	206	37
Czech Republic	71	14	72	13	88	17
Slovakia	30	7	51	11	76	15
The Ukraine	77	12	97	24	32	27
Belarus	53	12	173	31	92	28
Lithuania	128	35	93	23	66	14
Russia	443	98	225	43	176	35
France	195	29	449	59	157	27
Great Britain	470	58	509	70	265	42
Sweden	254	40	324	49	*222	*40
Denmark	311	45	338	51	-	-
The Netherlands	242	28	349	47	**237	**32
Austria	-	-	166	22	331	71
USA	942	61	982	68	928	40
Average	162	28	211	37	174	32

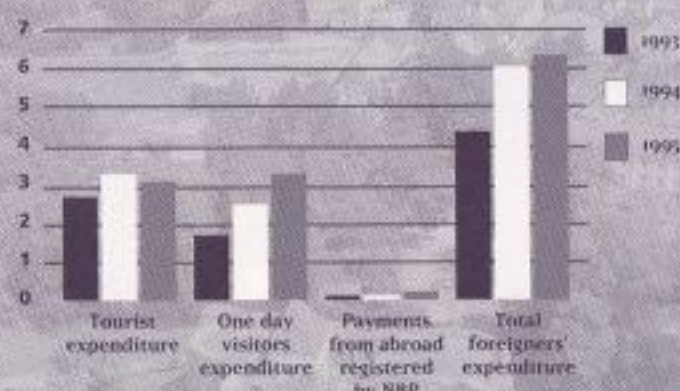
* Scandinavia ** Benelux

Source: Tourism Institute

The tourism market in Poland - development trends

Diagram 6

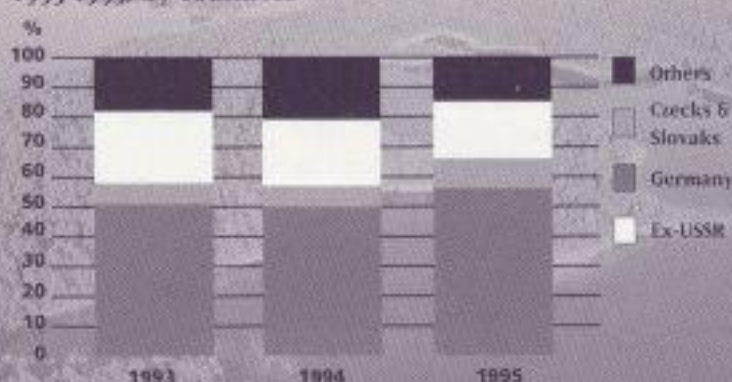
Income from tourism in the years 1993 - 1995



Source: Central Statistical Office (GUS), Tourism Institute

Diagram 7

Structure of foreign currency income in the years 1993-1995, by countries



Source: Tourism Institute

It is estimated that in 1995 over half the expenditure of foreigners in Poland (3.3 billion USD) was made by day-trippers. However, a drop was noted in the share of income from tourism (see Diagram 6). The expenditure of Poles on domestic and foreign tourism has not been studied so far. On the basis of rough estimates made by the Tourism Institute we may assume that Poles spent approximately 6.8 billion PLN (2.8 billion USD) on holiday trips (lasting five days and more) in 1995. Short trips cost them approximately 3.5 billion PLN (1.4 billion USD). The total expenditure of Poles on domestic tourism (with the exclusion of organised holidays for children and teenagers) may be estimated at 10.3 billion PLN (4.2 billion USD). Total expenditure on foreign trips amounted to 5 - 6 billion USD in 1995.

Foreign currency transfer payments on behalf of foreign business partners, registered by the National Bank of Poland, amounted to 422 million USD in 1995, i.e. nearly 34% more than in the previous year. We suspect that these figures stand for just a small margin of the actual expenditure, like the figures for foreign currency income from tourism.

Tourist infrastructure in Poland

Accommodation

According to data provided by the Central Statistical Office (GUS) the number of lodging facilities in Poland was 9345 in 1995. These facilities provided a total of nearly 714.8 thousand beds. 41% of the registered facilities are holiday centres. More than 1000 hotels, motels and boarding houses provide approximately 93.4 thousand beds.

Table 4
Lodgings registered in Poland 1993 - 1995

Type of facilities	Number of facilities		
	1993	1994	1995
Hotels	675	626	668
Motels	75	81	95
Boarding houses	304	291	305
Tourist hostels ¹	503	459	421
Shelters	74	75	86
Youth hostels	593	573	560
Holiday centres ²	4 141	3 970	3 827
Campsites ³	556	577	592
Tentsites	388	360	388
Private quarters	1 107	1 366	1 760
Other facilities	485	502	643
Total	8 901	8 880	9 345

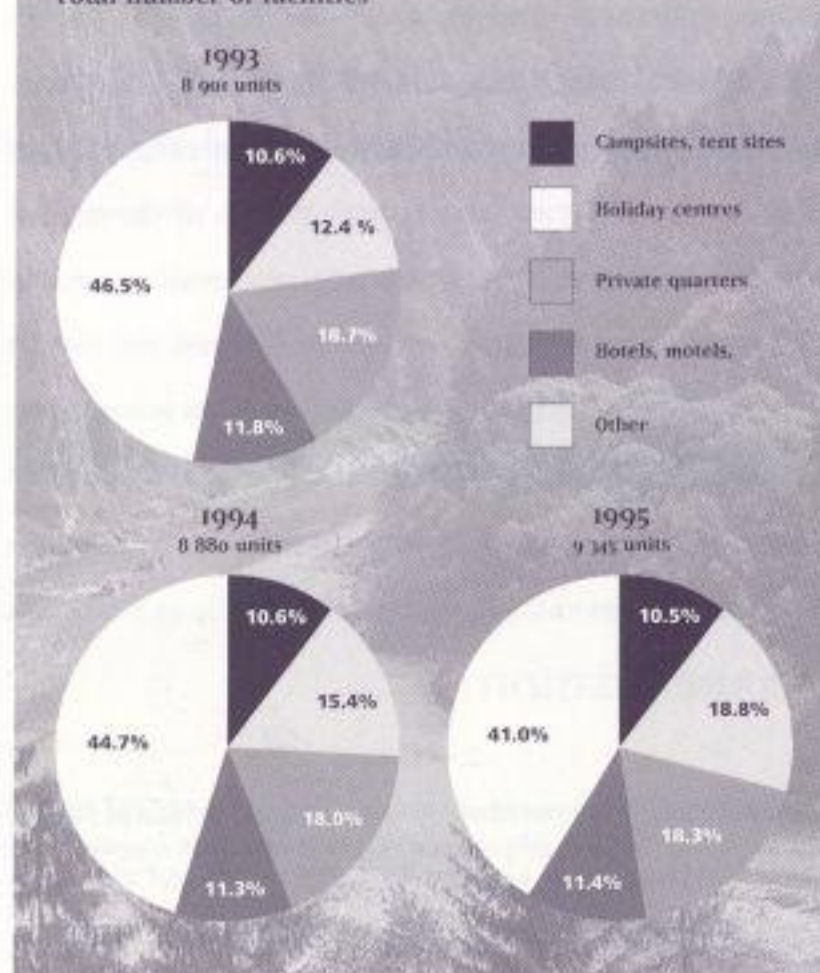
¹ including weekend excursion centres

² including children's holiday centres, training and recreation centres and creative arts centres

³ including complexes of cottages available to all tourists

The tourism market in Poland - development trends

Diagram 8
Structure of lodgings infrastructure 1993-1995
Total number of facilities



In 1995, there was an increase on the previous year in the number of lodging facilities of over 5%, including an increase of: registered private quarters by nearly 29%, campsites by 3%, hotels by 7%. The rapid changes underway in Poland, and the absence of an enforced system for registration and classification of lodgings, have resulted in a situation where the size and structure of the registered infrastructure only roughly correspond to the actual state of affairs. Particularly significant errors are possible in the case of lodgings of inferior category, where registered figures may be much lower than they are in actual fact.

The ownership structure of lodging facilities is undergoing constant changes too. Information on these tendencies is presented in diagrams 9 and 10.

Diagram 9
Tourist lodging facilities by ownership status

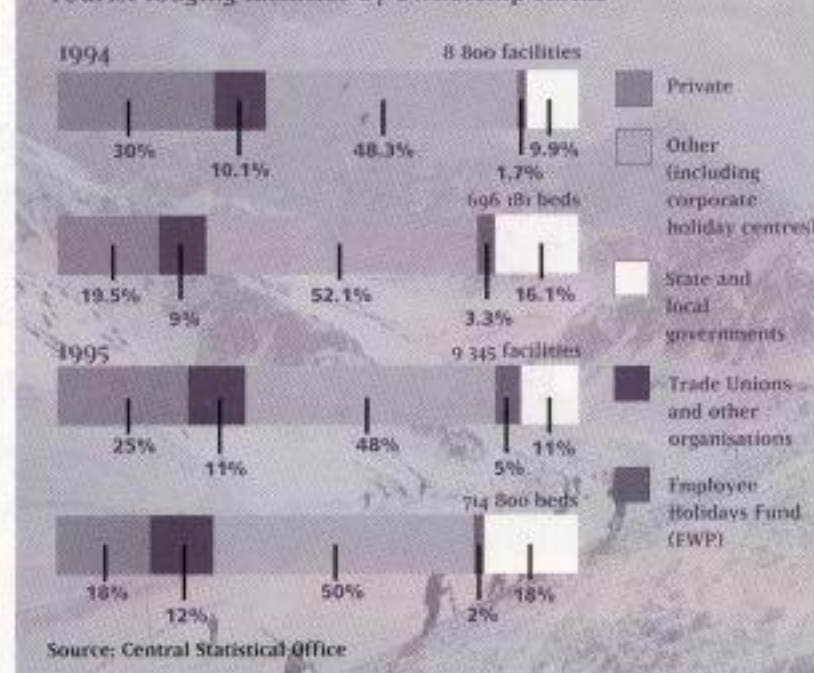
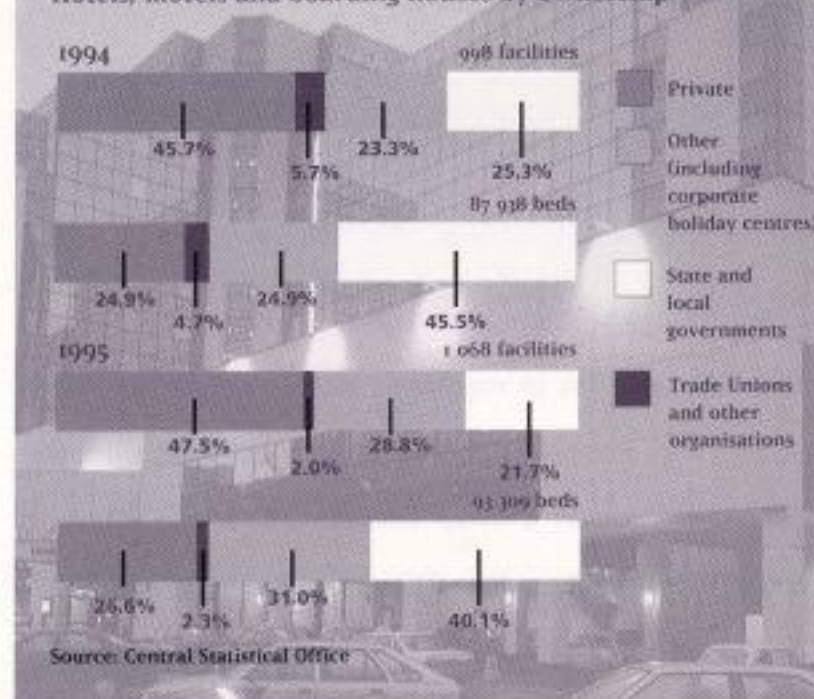


Diagram 10
Hotels, motels and boarding houses by ownership

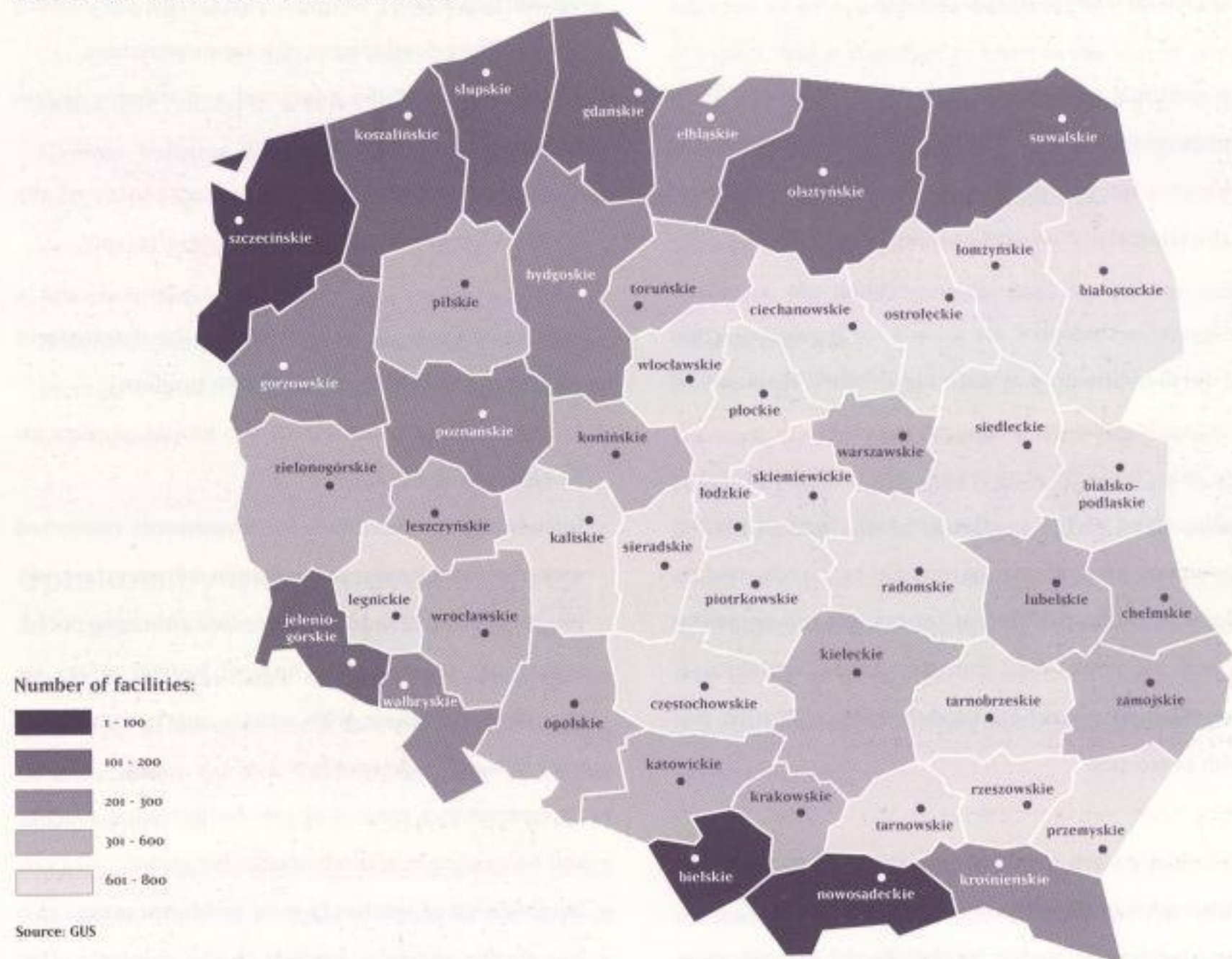


Nearly half of all hotels, motels and boarding houses, are in private hands. Although they are usually smaller than the average facilities.

The location of lodging facilities by region indicates a large concentration of them in the following provinces: Bielsko Biala, Nowy Sącz, Szczecin and the northern zone provinces, while there are relatively few facilities of this sort in central Poland (see Diagram 11).

The tourism market in Poland - development trends

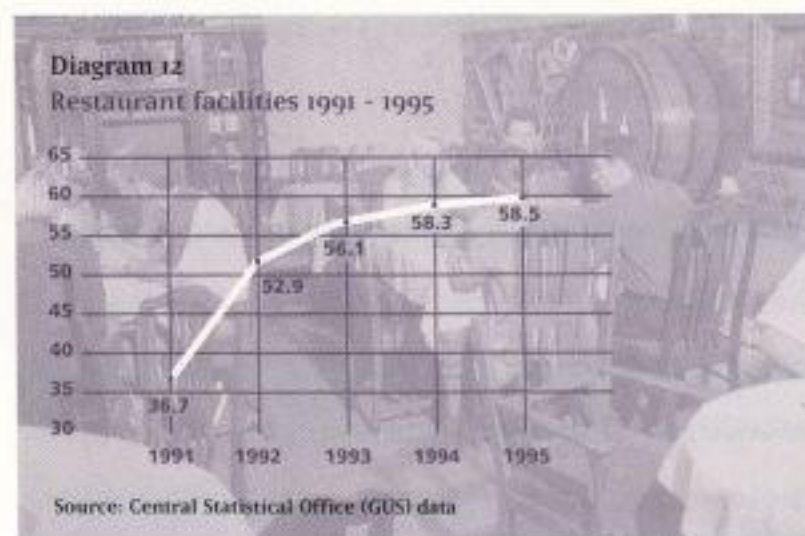
Diagram 11
Tourist lodging facilities by provinces in 1995



Restaurant facilities

It is estimated that in 1995, there were 58 500 restaurant facilities in Poland. The majority (86%) of these businesses were small units employing less than 5 staff.

A radical increase in the number of restaurant businesses has been noted since 1991. By 1995, their number had increased by over 50%. At the same time, the privatisation processes of restaurant businesses are proceeding very rapidly. In the period under consideration the number of restaurant facilities in the private sector increased by more than 100%.



Documents on tourism

Government documents

The principal government document presenting long-term development forecasts for the tourist sector is The Guidelines for Tourist Economy Development approved by the Council of Ministers in September 1994.

The guidelines adopted are a basis for legislative action and further attempts at defining detailed elements of government policy on the tourist sector.

This particularly concerns activities involving development of the tourist product, foreign tourist promotion programme, scientific research, not to mention activities in different sectors which may involve tourism like transport, industry, trade, agriculture, environmental protection, foreign trade, education and health protection.

The following are the principal strategic goals of the Polish tourist business:

- 1 Improvement of tourist legislation and its unification with European standards (within the scope of international trade agreements, consumer rights protection, operations of business entities which provide tourist services and international passenger transport).
- 2 Increasing the transport and telecommunications accessibility of Poland, particularly its tourist regions.
- 3 Carrying on permanent activities aimed at the development of the domestic tourist economy, co-establishment of active financial institutions which could support the development of the tourist market.
- 4 Preparation of a development strategy for tourism and its promotion to the domestic and foreign markets.

- 5 Supporting tourist business enterprises particularly the resulting development of local communities.
- 6 Modernisation of the education and training system for tourist services personnel.
- 7 Organisational and financial strengthening of the agencies for tourist promotion and development.

The following goals have been set for the development and promotion of the domestic tourist product:

- Increased competitiveness of the tourist product on foreign tourist markets;
- Introducing tax incentives for investments connected with the development of recreation infrastructure (ski lifts, tennis courts, outdoor and indoor swimming pools);
- Increasing the attractiveness of tourist offers by complementing them with artistic, sports, recreation, scientific and trade events;
- Implementing a central system for servicing tourists and connecting it to international networks;
- Development of tourism in rural and forest areas;
- Introducing specialist tourism to the domestic offer with the aim of making it a Polish speciality.

Past trends noted in international, particularly European tourism, give grounds for assuming that the development of the tourist product will proceed in the following directions:

- Domestic tourism will remain the basis for tourist business operations. It is predicted that there will be more demand for active forms of recreation;
- Foreign tourism will be dominated by tourist visits from neighbouring countries and Scandinavia;

Documents on tourism

The growing trend in tourist visits from Western Europe, the United States of America, Canada and Israel will remain at a level of approximately 5%. Likewise business trips will also remain at a similar level. It is expected that there will be an increased demand for specialist tourism;

- Activity in the border zones and transit will be the dominant form of visits to Poland. There will be an increased demand for services on border crossings and highways.

Opinions by independent experts

In 1994, consultants Arthur D. Little of Brussels prepared a Plan for the Development of Domestic Tourist Product commissioned by the State Sports and Tourism Administration (UKFIT). The project is part of the TOURIN I programme financed from the PHARE European Union Programme. The Plan contains a review of the state of the tourist infrastructure in Poland. The principal trends for the development of tourism in Poland are also presented, including the resulting economic advantages.

The consultants assumed in the report that demand for, and supply of, domestic product will continue to grow in Poland as the economy grows stronger and the buying power of money increases. They predict that Poland will have a proportional share in the growth of foreign tourism forecasted for Europe.

The economic gains from the servicing of one foreign tourist greatly exceed the gains from servicing one domestic tourist. This is the result of a classification

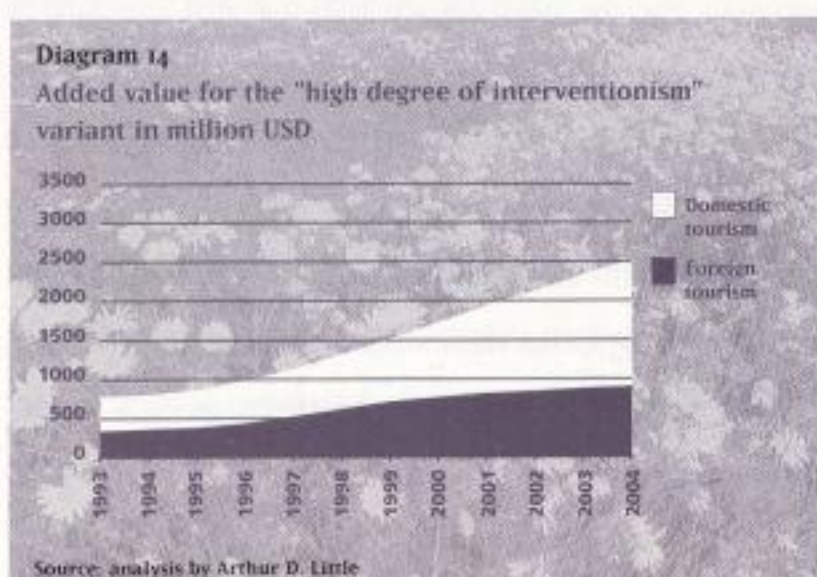
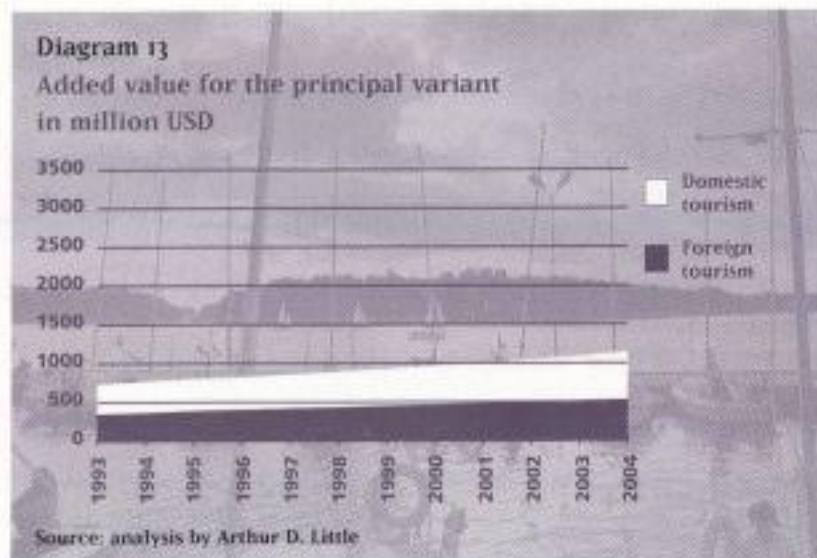
whereby all money spent by foreigners in Poland counts as export, and is classified as spent in the tourist sector. In the case of domestic tourists, not all their expenditure on trips is classified since a large part of all expenditure made on trips, including food, beverages etc. would also be made if the domestic tourists stayed at home. Therefore, the Polish economy does not achieve added value in this case.

Forecasts for the next decade indicate that the buying power of Polish inhabitants is going to increase to such an extent that 50% of the population will be able to afford foreign vacations. If those people go abroad their expenditure will be lost to Poland. If, on the other hand, they decide to spend their vacation in Poland the costs of their holidays will bring additional income to the Polish economy.

Working on the above assumptions, Arthur D. Little estimated the potential added value for the tourist sector. The added value effect is understood as the difference between total sales (gross production) and the value of services and goods purchased. Added value also covers salaries of personnel directly and indirectly employed in the tourist business.

The added value change analysis has been prepared in several variants. In order to prepare further development programmes the most important are: the principal variant (Diagram 13) and the variant which provides for a "high degree of interventionism" (Diagram 14).

Documents on tourism



The "high degree of interventionism" variant foresees the necessity of constructing a minimum of 170 facilities at a total value of 1.5 billion ECU in the years 1996 - 2004. To complete these ventures it will probably be necessary to establish a Tourism Investment Fund which will concentrate the dispersed domestic funds and increase the credibility of consecutive project developments. The activities undertaken in this respect seem to indicate that the fund will be established by 1997.

It is expected that additional income from newly constructed accommodation will start being visible after 2004. The accessibility of high class holiday centres will reduce the demand by Poles for foreign tourism.

The experts analysed various categories of visits to Poland and various source markets. The following trends were defined in connection with foreign tourist visits:

- the number of tourists going on urban tours and mountain holidays is going to increase in a relatively short time;
- in the next two or three years the construction of sewage treatment plants will result in the development of lake side tourism;
- by 2002 foreign tourism will achieve stability while domestic tourism will still be noting a growth tendency;

It is expected that until 2004, in the case of domestic tourists, the relative level of tourism expenditure will be growing at the same rate as in Western Europe.

The consultants stated that:

- domestic tourism will remain the main feature of the Polish tourist market. In spite of the fact that in the total market the share of domestic tourism will increase, foreign tourists will continue to provide greater economic advantages in the nearest future;
- the accommodation facilities development programme is extremely important since it provides the impulse for the development of the whole tourist sector, including the creation of new jobs;
- the possibility exists of doubling the added value in the economy prior to 2004.

Summing up, Arthur D. Little noted that, in spite of the fact that in the year 2004 domestic tourism will predominate in Poland, the government cannot concentrate on that aspect of the business as the main development factor. Although domestic tourists are still

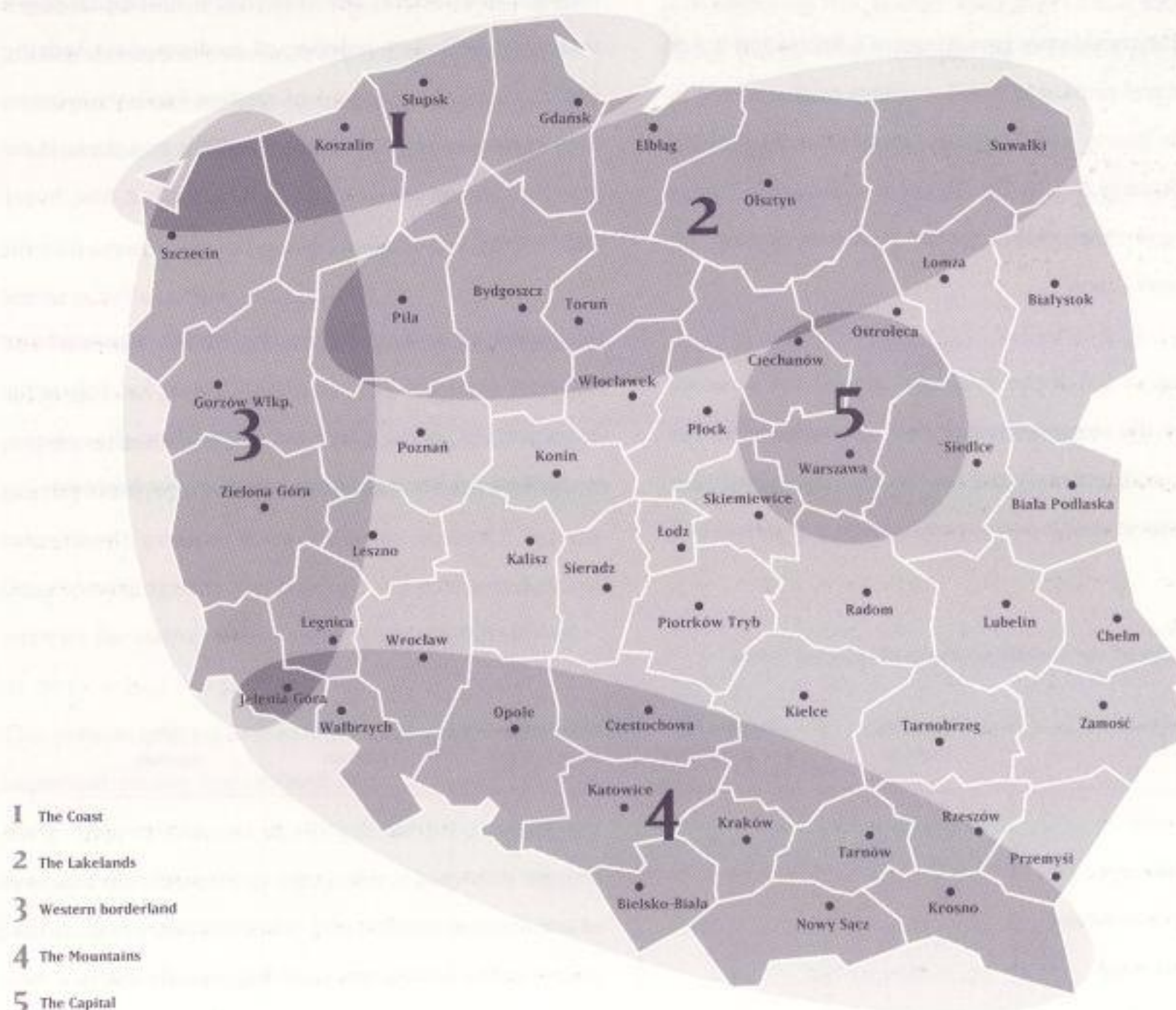
Documents on tourism

going to be twice as numerous as foreign ones and the economic advantages from domestic tourism will be greater than from foreign tourism, government policy should not distinguish between domestic and foreign tourists. The standard of services provided should match international standards expected by both foreign and domestic tourists.

The development strategy provides for the distinction of

five principal development zones for the tourist product, as marked on Diagram 15. Government administration is going to support the development of selected product groups in these zones as well as the infrastructure used by the dominant tourist forms. The proposed strategy provides for selective support of these regions and settlements where the development of the tourist product may bring the greatest economic effects.

Diagram 15
The principal tourist product development zones



Source: Arthur D. Little

Documents on tourism

Arthur D. Little defined a selection of the most important groups of tourist products including:

- travelling tours
- tourism for special interests
- transit and border zone tourism
- recreation tourism
- agrotourism

For each of the zones, groups of products which are to be supported by the government have been selected as set out in diagram 16.

In 1996, the consultancy group Leisure & Recreation (L & R) prepared and presented two documents commissioned by the State Sports and Tourism Administration (UKFiT): Poland, Strategy for the Development of Domestic Tourist Product and International Tourist Marketing Strategy for Poland, 1996 - 2000.

According to L & R the principal aim of the strategy should be the improvement of Poland's standing on the domestic and international tourist markets. Significant investments in development programmes will strengthen

the competitiveness of the Polish tourist product and increase the role of tourism in the Polish economy.

The consultants stated that it was necessary for the Polish government to play a key role in the development of the Polish tourist business by guaranteeing investments in this sector. They also assume that, with Polish government support and the aid of International Investment Organisations, an efficient mechanism for investment promotion can be established.

While reviewing the strengths and weaknesses of the Polish tourist sector, the consultants noted that there was an insufficient number of medium class lodging facilities, and the standard of existing facilities is lower than corresponding European standards and there is no reliable system for standard classification and hotel reservations.

It should be stressed that the Polish government received aid from the European Union for initiating programmes which are to eliminate the above mentioned weaknesses of the Polish tourist business.

Diagram 16
Development of the tourist products in selected zones

Forms of tourism/ Regions	Travelling tourism	Tourism for special interests	Transit and border zone tourism	Recreation tourism	Agro tourism
1 The Coast	•		•	•	•
2 The Lakelands		•	•	•	•
3 Western borderland	•		•		•
4 The Mountains	•	•	•	•	•
5 The Capital	•			•	

Documents on tourism

Research on the development of tourism

The most important institution responsible for systematic study of the tourist sector is the Tourism Institute in Warsaw. The principal studies available to interested investors and consulting firms cover:

- analyses of domestic and foreign tourist activity, including short-term forecasts;
- analyses of the size and structure as well as distribution of lodging facilities in Poland;
- analyses of foreign tourist markets;
- studies on tourist activity in Polish society - prepared using the standard methods applied by EUROSTAT;
- tourism development programmes in specific regions of the country.

Over 60 reports and analyses, prepared annually by the Institute, are available at its library.

The Tourism Institute can prepare commissioned studies based on both primary and secondary data. The Institute prepares feasibility studies and business plans for various tourist developments, and prepares commissioned investment prospectuses with the Polish Tourism Development Agency. The Institute also performs demand analyses for various tourist services and market studies.

The provincial authorities and local governments in important tourist regions and districts usually have at their disposal tourist development programmes or regional development programmes which also discuss tourist development issues. The most important towns and regions also commission studies of existing and potential tourist activity.

Many of these studies are commissioned with the Tourism Institute by the State Sports and Tourism Administration (UKFiT), provincial authorities and local governments.

In the past few years, many studies on tourism have been financed from Western European funds under the PHARE programme. The following are the most important programmes implemented in 1996 - 1997: programme TOURIN II, STRUDER and the programmes for Polish agriculture. These programmes also cover the promotion of tourist investments. Some activities, aimed at establishing the Tourist Investment Fund mentioned earlier on, are financed under the TOURIN II programme.

Investment policy

Legal regulations

Just as in other sectors involving tourism, the processes connected with tourist investments are regulated by general laws governing design, construction and utilisation of tourist facilities, and in particular:

- The Act of July 7, 1994 - Construction Law (Dz. U. no. 89, item 414) which provides:
 - definitions of building facilities, buildings, structures, small architectural units, construction work, specific types of authorisations and building documentation;
 - rights and responsibilities of the parties in the building process;
 - the procedures required prior to initiating the actual construction work;
 - the construction and delivery procedures for buildings;
 - powers and jurisdiction of the State Construction Supervision;
 - scope of professional responsibility in the construction industry;
- The Act of July 7, 1994 - On Physical Planning (Dz. U. no. 89, item 415) which provides the scope and procedures for classification of land by type and defining the rules for its utilisation, as well as the procedures for settling disputes arising in connection with these matters between citizens, the local governments and the state. The Act increases the role of local land utilisation plans as district regulations;
- The Act of February 15, 1962 - On Cultural Heritage Protection (Dz. U. no. 10, item 48; no. 38 of 1983, item 173, no. 35 of 1989, item 192, no. 34 of 1990, item 198, no. 56 of 1990, item 332) which provides the rights and

responsibilities of the users and inhabitants of historic monuments, the proper authorities and their powers within the scope of utilisation and renovation of historic monuments and state involvement in the financing of reconstruction of monuments;

- of particular importance to all who wish to adapt historic monuments for tourist services is the Resolution by the Minister of Culture and Fine Arts - dated January 11, 1994 on the Principles and Form of Granting Licence for Historic Monument Reconstruction Work and Archaeological and Excavation Work, the Conditions Involved and Qualifications Required from the Persons Licensed to Perform the Above (Dz. U. no. 16, item 55). The Resolution obliges all interested parties to obtain the proper licence from the Provincial Monuments Conservator and defines the conditions for obtaining such licences and qualifications required from the people who are to supervise design and conservation work;
- the regulations set out in Acts on Environmental Protection:
 - the Act of October 24, 1974 - Water Law (Dz. U. no. 38, item 230, amended);
 - the Act of January 31, 1980 - On the Protection and Cultivation of the Environment (Dz. U. no. 3, item 6, amended);
 - the Act of October 16, 1991 - On Environmental Protection (Dz. U. no. 114, item 492, amended). These acts provide for the principles and scope of human interference, including parties in the investment processes, changes of the ecosystems and define the powers of the proper administrative organs;
 - the Act of June 10, 1994 - On Public Contracts (Dz. U.

Investment policy

no. 74, item 334; no. 130, item 645) providing the principles and form for awarding public contracts, the proper administrative organ for public contracts and the procedures for settling disputes and complaints. The Act adheres to all standards in force in the European Union countries.

At the moment, the public finances crisis makes it impossible to construct a serious (central or regional) programme for supporting tourist investments out of the state budget. As inflation is suppressed, the system development stimulators are being successively activated. They are not fully adjusted to the differentiated needs of the consecutive branches (including tourism - a specific services complex) but tourism and associated sectors tend to benefit increasingly from it. This mainly involves:

- the Resolution by the Council of Ministers of January 25, 1994 - On the Deduction from Income of Investment Expenditure and Reductions in Income Tax (Dz. U. no. 18, item 62) and particularly the new amended version of this resolution of July 13, 1995 (Dz. U. no. 89, item 445) introducing:
 - tax reductions as a result of purchasing, construction and extension of recreation facilities (swimming pools and tennis courts);
 - tax reductions as a result of servicing foreign tourists (group and individual);
 - lowering of the required return break even point from 8% to 4%;
- the Resolution by the Council of Ministers of January 24, 1994 - On Deduction from Income of Investment Expenditure and Reductions in Income Tax in Areas Particularly Threatened by High Structural Unemployment (Dz. U. no. 14, item 63);

- the amended Act on Lotteries and Mutual Bets of August 19, 1994 (Dz. U. no. 98, item 472) which introduced 20% tax-like fees on lotteries organised by the Totalizator Sportowy State Enterprise. According to the programme for the administration of funds obtained from this source, 70% (approximately 34 million USD in 1995) is transferred to the local governments for the purpose of supporting local recreation facilities' construction;
- The investment funds from PHARE programmes which have common objectives with tourism, such as: "Transport Infrastructure", "Agricultural development" and "STRUDER";
- Under the state policy for providing state credit guarantees, the Government Office for Classification of Credit Applications gives preference to the following branches, among others: pro-export projects, telecommunications, banking, sea- and airports construction, border crossing check points construction and railway modernisation projects.

Government programmes which influence the development of tourist infrastructure

The question of tourism is also taken into consideration in government programmes which indirectly influence the development of tourist infrastructure, including the Strategy for Poland Guidelines adopted by Parliament. The document proposes, inter alia, that unemployment problems be addressed by strengthening pro-investment policy favouring the creation of new jobs and preference

Investment policy

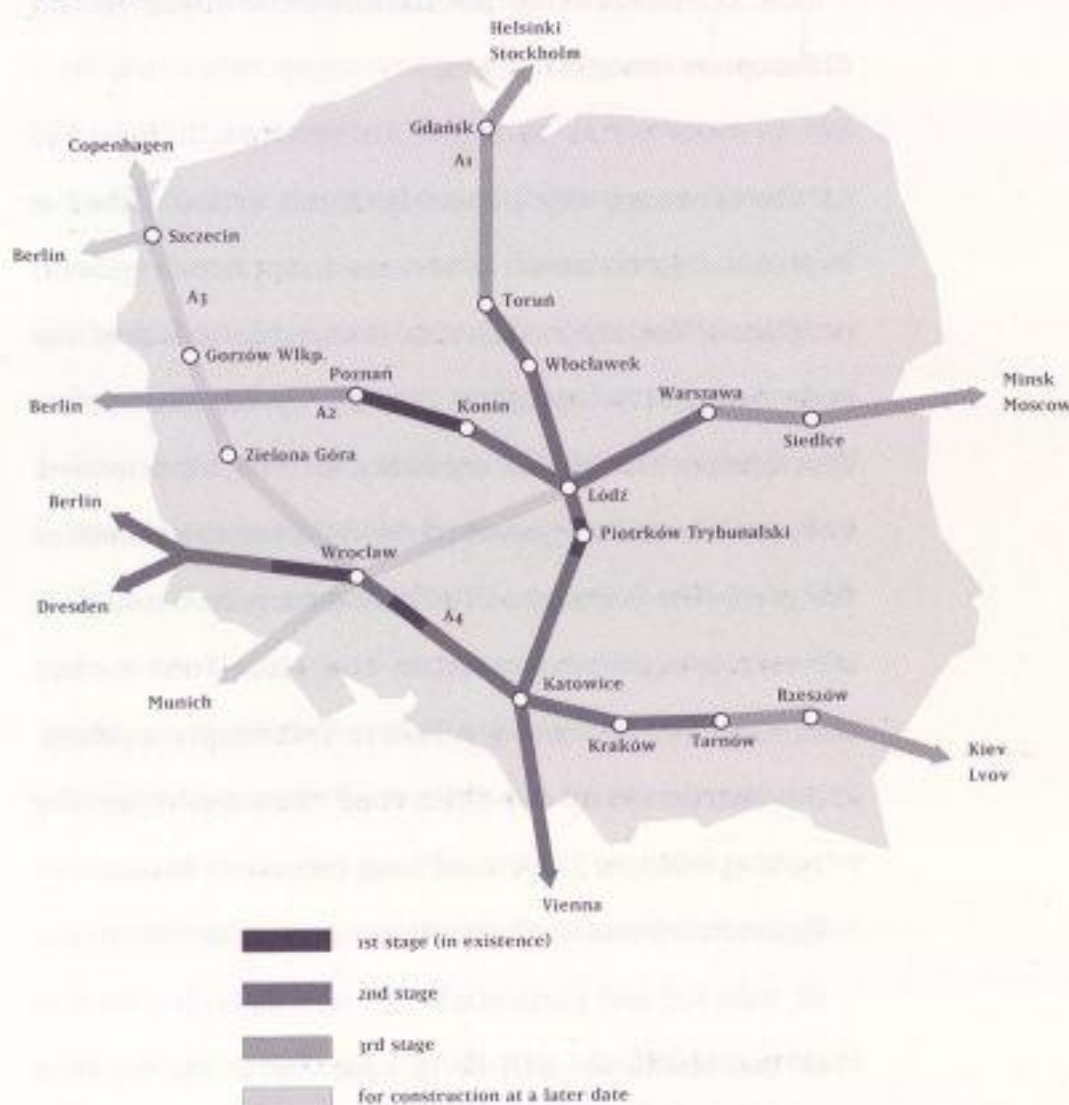
for industries which require larger labour input in those areas particularly threatened by high structural unemployment (typically tourist coastal areas, for example). It also proposes stricter links between modernisation and restructuring programmes and the situation on the local job markets and the creation of conditions for generating alternative sources of income in the rural areas of the country (agrotourism, for example).

The following big investment ventures initiated by the Government indirectly connected to the development of tourism and connected with the modernisation of the country's technical infrastructure, will serve to increase the demand for labour: modernisation of the road network and highway construction, as well as telecommunications development. Detailed government implementation projects are being prepared and initiated for this purpose.

Particular progress has been noted in the implementation of programmes connected with: ecological policy, telecommunications development (also in rural areas), development of the network and capacity of border crossings, modernisation of passenger train transport and adaptation of rail tracks on transit routes to the high speed of Euro and Intercity trains.

The most important venture initiated is the Government highway construction programme approved by Parliament, in an Act dated October 27, 1993 - "On Toll Highways". The programme provides for four principal communication routes with a length of 2561 km (compare Diagram 17).

Diagram 17
Highways - Construction Priorities



- A1 from Gdańsk via Łódź, Katowice to the border with the Czech Republic
- A2 from Świecko via Poznań, Łódź, Warszawa to Terespol - on the border with Belarus
- A3 from Zgorzelec via Wrocław, Katowice, Kraków, Tarnów to the border with the Ukraine
- A4 from Szczecin via Zielona Góra, Wrocław to the

Investment policy

border with the Czech Republic

The total cost of the programme is estimated at 8 - 10 billion USD, not counting the infrastructure for servicing travellers: hotels, restaurants, fuel stations, automobile service stations etc., which have reserved locations on the highway intersections.

Two sections of the A4 highway Katowice - Kraków and Gliwice - Wrocław will be constructed by traditional methods, whereby the Government applies for credit with the European Investment Bank, PHARE funds and designates funds from the state budget. The rest of the programme will be implemented on the basis of the licensed financing system BOT (Build Operation Transfer). The licences will also cover the accompanying infrastructure constructed at the same time as the highways. Additionally, the licence system provides for the construction of a public road from Elbląg to the border with Russia with a toll - express route status.

Allocation of budget funds and foreign aid

State budget

The sum of 1.36 million USD budget expenditure on tourism in 1995 covered only 1% of total tourist investments in Poland. The rest was covered by business entities and individuals investing in tourism from their own funds, domestic and foreign credit facilities.

The target structure of expenditure from the state budget in 1995 - the sum of 15.4 million USD - is the following:

- a) The responsibilities that the state transfers on to private contractors who are awarded contracts, under the Resolution of the Council of Ministers no. 76/92, for the promotion of qualified tourism, training of volunteers as tourist personnel, conservation of tourist trails, classification of tourist infrastructure - 1.4 million USD (9%)
- b) Tourist promotion of Poland - 5.53 million USD (36%)
- c) Activities involving the popularisation of tourism, including marketing, expert opinions, reviews, seminars etc. - 5.94 million USD (39%)
- d) Financing the operation of school youth hostels - 2 million USD (13.5%)

The conditions for reception and realisation of income are also dependent on budget expenditure allocated to other sectors of the economy, which are complementary to tourism. Some of this expenditure directly serves to create a tourist image of the country, increase the accessibility and heighten the quality of the tourist product on offer. The following expenditure from the budgets of ministries, central administration offices and provincial governor's offices have particular significance for tourism:

- 1 The sum of 23 million USD was allocated mainly for nature protection projects in the forestry department - additional financing of the operations of national parks, reserves and nature park complexes, conservation of endangered forests and protection of the ecosystems at national parks as well as land purchases aimed at the creation of protected areas;
- 2 The following sums have been allocated in the transport department:
 - 11 million USD for the protection of sea side zones;

Investment policy

- 23 million USD for the adaptation of a railway track from Kunowice to Warszawa for high speed trains;
 - 34 million USD for the development and modernisation of border crossings, including: airports in Warszawa and Kraków - 6.4 million USD and the ferry port in Świnoujście - 4.9 million USD.
- 3 The most significant funds allocated for the purpose of environmental protection are provided by the National Fund for Environmental Protection and Water Economy (255 million USD per annum). These funds are supplemented by budget expenditure for major projects, for example, this year the sum of grants for the construction of seven large water reservoirs amounted to 57 million USD (including a sum of 30 million USD for the construction of the Czorsztyn-Niedzica-Sromowce Wyżne reservoir);
- 4 The following sums have been allocated in the culture and fine arts department:
- 30 million USD for the protection of architectural monuments;
 - 54 million USD for additional financing of museums;
 - 10 million USD for national cultural institutions;
 - 3 million USD for the organisation of regional festivals, music contests etc.
- 5 The expenditure which is important for tourism in connection with health protection funds allocation involves the extension of state grants to the purchase of sanatorium services - 94 million USD of consumer demand transferred to 35 spa resorts;
- 6 Holiday trips for children and teenagers receive grants of 10 million USD and 18 million USD, earmarked for sport camps for teenagers and hiking holidays organised by school youth hostels.

Local government budgets

In 1994, local governments directly allocated a sum of 6.4 million USD for tourism. It is a negligible amount if we take into account the significance of the local tourist economy in the total tourist organisation system. It is, however, 37% of all public funds (from the central, regional and local government budgets) allocated for tourism.

The following provincial districts noted the highest expenditure in connection with tourism: Gdańsk, Szczecin, Jelenia Góra, Nowy Sącz, Olsztyn and Toruń.

Analysis of the financing streams, for fields of local activities connected with tourism, indicates that the position of local government budgets, as the principal financing institutions for physical culture and recreation, is getting stronger.

The high investment rate noted for the past three years in tourist districts is significant for the development of tourism. The investment indicator, calculated as the ratio of investment value to total income, is getting close to, or even exceeds 100% in many cases. The extreme example in this case is the sea side resort of Rewal where the indicator is 366%.

Infrastructural investments, which constitute the basis for future investments in hotel and complementary services predominate.

Investment policy

The following non-budget public funds also play an important role in the development of tourism:

- the sum of 9.4 million USD, left over from the ex-Central Tourism and Recreation Fund, which was allocated to credit lines for the construction of tourist facilities by the Minister of Finance who received the proper authorisation in the Budget Act;
- company social benefit funds which have financial assets of up to 1.3 billion USD at their disposal and mainly allocate these sums for the extra financing of tourist consumption by employees and their families;
- the Nature Protection and Water Economy Fund which presently has a sum of 255 million USD at its disposal.

The principal elements of the State Sports and Tourism Administration (UKFIT) operational strategy

The government guidelines and strategy define the Office's policy in terms of investments. This policy evolves around the following goals:

- creating incentives for the investment of foreign capital in the tourist economy;
- activities aimed at allocating investment funds for the development of border crossings, airports, sea ports, development of expressways and highways as well as the international and domestic railroad system;
- modernisation of district and tourist resorts' infrastructure with the purpose of servicing foreign tourists;
- co-organisation of active investment institutions which would support the development of the tourist market;

- activities aimed at extending the list of income tax reductions for business entities providing tourist and recreation services, involved in the construction and development of indoor and outdoor swimming pools, ski lifts and tennis courts;
- support of investment activities aimed at natural environment conservation in areas which are particularly rich in tourist attractions;
- activities aimed at directing investments towards the introduction of innovations and technical progress;
- connecting the domestic systems for tourist services to the international network;
- making proposals for activating credit lines for the development of small business in complementary sectors and investment in modernising facilities and technical infrastructure.

The hotel investment market in Poland

In this period of rapid changes we lack precise figures for many aspects of economic activity underway. As is the case in the hotel investment sector in Poland, where official statistics do not provide a lot of information about the small hotels, boarding houses and roadside motels which are opening up on a massive scale. Hence, the data below are incomplete and basically representative only of typical large hotels.

In 1994, 1380 new beds were provided in newly opened hotels. In 1993, 2250 new beds were registered and in 1992, the respective figures were 3660. Hence, the trend dynamics may be illustrated as follows:

1992 - 100.0 1993 - 61.5 1994 - 37.7

The registered value of investments has also been falling in the past few years, although to a lesser extent. In the years 1989 - 1993 the real dynamics of tourist and recreation investments amounted to 65%, including not much more than 70% for tourist investments only. At the same time, the real value indicator of investments in culture was 180%.

The small hotels' sector has been extremely active in the past few years and it is this sector which is probably dominant in the total tourist investments portfolio. Due to the difficulties in obtaining bank credits, this sector draws on family resources as well as unconventional methods for obtaining financing by concluding contracts with clients (including foreign clients). Domestic investors are particularly active in the western border regions of Poland and the Mazurian Lakes District. Most of these facilities are prepared with the aim of attracting the average German client. The unregistered, but increasingly numerous, lodging facilities also include some buildings adapted for hotel purposes and intended for servicing the mass tourist population from across the eastern border.

Among the big hotel investments by domestic entities in the past few years, one should mention "Demel" Hotel in Kraków and "Gołębiewski" Hotel in Mikołajki.

The scale of 1994 investments in tourism (hotels, restaurant and tourist offices) as well as some supporting sectors, is illustrated in Table 5.

Table 5
1994 investments in the tourist sector as compared to some selected departments (in thousands USD).

Section/ Department	Specification	Total investments	Share in %	Buildings & structures	Machines & transport facilities	Interest on credits equipment
H	Hotels and Restaurants	142 700	1.1	108 190	39 050	2 440
I-63	Offices and Agencies	9 150	0	3 060	6 020	60
I-62	Air Transport	4 400	0	3 410	980	-
O-92	Culture, Physical Culture	194 360	1.3	111 840	78 520	480

Source: Investments in 1994, Central Statistical Office (GUS), item I-63 - rough estimates.

The hotel investment market in Poland

The past two years have seen a noticeable reduction in those elements limiting interest in tourist investments, namely the following:

- the list of tax reductions has been extended (the above mentioned Resolution of the Council of Ministers dated July 13, 1995) and they can now be applied with respect to less profitable services sector;
- tourism has a preferential 7% VAT rate (with the exception of five star hotels) and additional preferences for the export of tourist services and the organisation of recreation trips for children and teenagers;
- the speed of clearing up issues involving ownership titles to land and preparing local and regional physical planning maps has increased;
- out of over 200 permanent and temporary municipal associations all included co-operation in the tourist sector in their statutes;
- the role of state subsidies and grants is diminishing in local budgets in favour of using personal funds for financing enterprises, which forces local governments to seek investors, and creates incentives for business activities in the district. Hence, inter alia, the increase in the speed of investments in the principal municipal infrastructure by local governments;
- analysis of household budgets indicates that the domestic tourist market is gaining in strength, and the scale of expenditure on holiday trips increasing, especially in the group of independent entrepreneur households.

As for hotel investments with the participation of foreign capital, it needs to be stressed that the official

statistics only provide a general view of the process. As opposed to the situation at the beginning of the nineties, the official data analysis indicates that there is slight interest on the part of foreign capital in major tourist investments in Poland albeit limited to individual cases. However, it cannot be ruled out that in the case of minor hotel investments the share of foreign capital may be significant. Most of the hotels and motels run by joint venture partnerships are located in big cities: Warszawa, Poznań, Kraków, Szczecin and Jelenia Góra (Diagram 18). Many of these facilities are currently under construction.

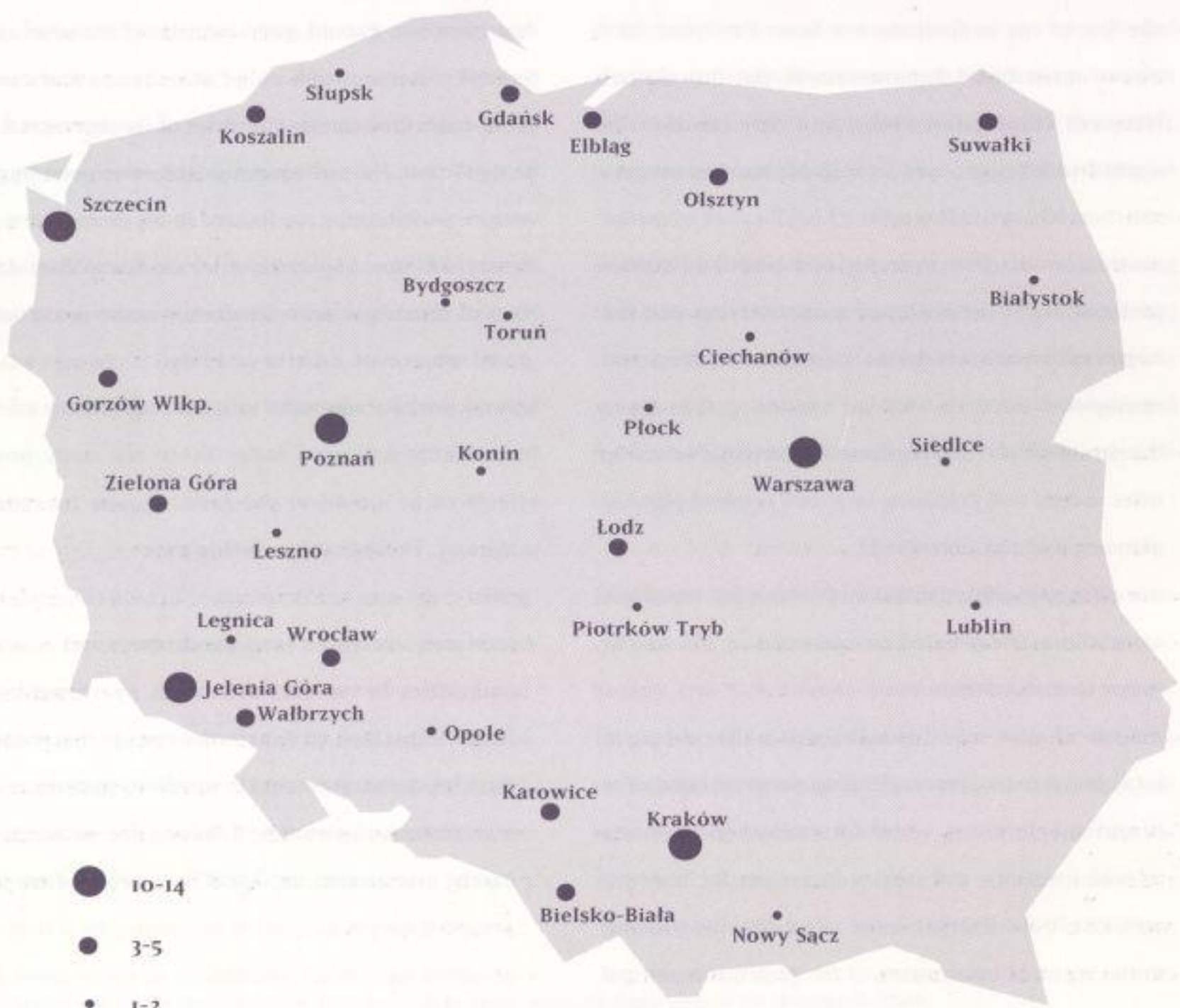
Several positive elements influence the future of hotel investments and even today there are many positive effects to be noted in the form of new investments underway. These positive elements are:

- increased interest by local governments and provincial authorities in tourist investments, evidenced by the fact that they prepare tourist infrastructure development strategies, specific locations and investment programmes, financing the promotion of tourist investments etc. Local fund projects are being prepared for the purpose of supporting local investors;
- activities have been undertaken at government level to create a tourist development fund which would fulfil, in future, the role of a guarantor for investments and credit applications;
- the interest of land owners and potential investors in enterprises suggested by Arthur D. Little experts in their report Strategy for the Development of Domestic Tourist Product 1995 - 2004 and investments in the tourist centres, in particular;

The hotel investment market in Poland

Diagram 18
Joint venture partnerships - hotels and motels

Hotels and motels (joint ventures): a total of 116 (109 with and 7 without restaurants)



The hotel investment market in Poland

- calls for tender for a tourist utilisation programme of monuments which are the property of the Agricultural Property Agency of the State Treasury and the promotion of tourist investments in various regions of Poland;

Analysis of the needs and interests of potential foreign investors indicates that the greatest chances for the realisation of investment projects will involve the following ventures in future;

- holiday villages with supporting facilities which promote active forms of recreation (horses, water);
- water tourism centres (marinas) situated on lakesides;
- medium class facilities with expanded supporting facilities situated along the new highways under construction;
- two or three star hotels in urban downtown areas;
- congress and exhibition halls;
- suburb and weekend recreation centres (game and recreation parks etc.);
- tourist infrastructure around attractive nature spots.

Several investments recently completed, or still underway, can be enumerated as examples here in Warszawa (Sheraton Hotel), in Leszno (hotel and swimming pool complex), in Mikołajki (Hotel "Gołębiowski" with its systematically developed recreation infrastructure), in Kadyny and Sztynort (rebuilding of the Palace and the outbuildings into a hotel and restaurant complex), in Lubniewnice (recreation complex), in Giżycko (the MARINA project).

The authorities of big cities are also showing an interest in tourist investments: in Gdańsk (Spichrzów Island), in Warszawa (Congress Centre, Recreation Park, several

large hotels), in Wrocław, Poznań and Szczecin. The same applies to foreign investors in Gdańsk and Wrocław (Agip Euro Invest), Warszawa and Gdańsk, among others.

It is expected that a large percentage of the financial aid granted to Poland under the PHARE programmes will be allocated to the support of tourism investments. Apart from the TOURIN programme (tourism) the following programmes have more funds for tourism proposals at their disposal: STRUDER, FAPA, CROSSBORDER. In the case of the latter, special funds were reserved for the development of tourist investments in the eastern provinces of Poland.

Additionally, increased interest has been noted in the utilisation of monuments for tourist purposes and improvement in the standard of the existing lodging facilities by finding investors ready to finance rebuilding of these facilities, among others. The programmes' legislative and formal framework should bring positive results in the nearest future in the form of new hotel investment projects. The "Orbis" S.A hotel chain is awaiting privatisation along with hundreds of corporate recreation centres.

The tourist institutions in Poland

State Sports and Tourism Administration (UKFIT)

00-916 Warszawa, no. 12 Świętokrzyska St.

fax (48-22) 826 21 72, 827 95 85, telex 81 65 60 ukfit pl

The Office is a state body in charge of tourism and recreation. It answers to the Prime Minister.

There are six national tourist information centres operating under the Office's auspices: in Amsterdam (with a branch office in Brussels), Cologne, London, New York, Rome and Stockholm. There are plans for organising more of these units in the nearest future, in Paris among others.

Tourist associations and Organisations

Natural Tourism Promotion Agency (PAPT)

00-052 Warszawa, no. 9, Mazowiecka St.

tel. (48-22) 826 64 48, fax (48-22) 826 62 04

A government agency in charge of the promotion of Poland to foreign markets. It also provides tourist information through a Poland-wide computer network information system, publications, films, cassettes, slides and various promotion materials distribution.

Tourism Institute (IT)

02-511 Warszawa, no. 9 A Merlini St.

tel. (48-22) 44 63 47, fax (48-22) 44 12 63

A scientific research institute which is responsible for scientific research and analysis of all the social and economic aspects of tourism. The institute has five branch offices: in Bydgoszcz, Kraków, Poznań, Toruń and Wrocław. In Warszawa, apart from the scientific departments, there is a library and printing facilities.

Polish Tourism Development Agency S.A. (PART)

00-389 Warszawa, no. 4 Smulikowski St.

tel. (48-22) 826 04 16, (48-22) 826 04 17, fax (48-22) 826 04 15

The company is involved in preparing programmes for the support of the tourist sector development, preparing a catalogue of lodging facilities in Poland and their promotion on local and foreign markets, organisation and implementation of investment programmes, organisation of financial consortia for the construction of hotel facilities, organisation and management of a lodgings information data base, utilisation of up-to-date corporate recreation centres for tourist purposes, financial tourism support and promotion as well as commercial activities involving hotel supplies.

Polish Youth Hostel Association (PTSM)

00-791 Warszawa, no. 28 Chocimska St.

tel. (48-22) 49 83 54, (48-22) 49 81 28

The Society is mainly involved in the development and organisation of youth hostels, management of own hostels, organisation and marking of routes for hiking camps, popularisation of youth tourism, enables Poles (with PTSM Identity Cards) to use youth hostel facilities (5 500 hostels) in 68 countries of the world.

The tourist institutions in Poland

Polish Country Lovers Society (PTTK)

00-075 Warszawa, no. 11 Senatorska St.

tel. (48-22) 826 57 35, fax (48-22) 826 25 05

PTTK is the oldest, and largest, popular tourist organisation. The Society's principal role is the popularisation and development of popular, qualified and sightseeing tourism and the utilisation of its informative, recreational, health care and educational functions. The other aims of the society are dissemination of knowledge and activities aimed at the protection of Man's natural and cultural environment as well as the promotion of Poland to foreign tourists.

Polish Federation of Camping and Caravaning (PFCC)

00-060 Warszawa, no. 331 Grochowska St.

tel./fax (48-22) 10 60 50

The Federation groups corporate entities (campsites) and individuals (tourists) who are at the same time the Federation's social activists. The Federation also supervises the activities of camping and caravaning clubs. Its main aims are the popularisation and development of camping tourism, training of personnel, provision of information and publishing.

Polish Tourism Chamber (PIT)

00-499 Warszawa, no. 9/11 Wierzbowa St.

tel. (48-22) 827 01 66, (48-22) 826 82 71 ext. 317

tel./fax (48-22) 827 01 27

PIT is a an organisation grouping corporate entities operating in the tourist sector - mainly tourist offices. It represents the business interests of its members.

Polish Hotel Association (ZPH)

00-522 Warszawa, no. 28 Krucza St. (Grand Orbis Hotel)

tel. (48-22) 622 69 92, (48-22) 622 69 93,

fax (48-22) 622 69 91

ZPHT is an association of (regular) corporate entities; grouping hotels, boarding houses, PTTK tourist hostels and corporate recreation centres. Its statutory goal is to represent the Polish hotel industry at home and abroad, initiating activities aimed at improving the quality of hotel services, organisation and management in the hotel business, personnel training, activities aimed at improving the security, hygiene and general work conditions of hotel employees.

Polish Automobile & Motorcycle Federation (PZM)

02-518 Warszawa, no. 66 Kazimierzowska St.

tel. (48-22) 49 93 61, fax (48-22) 48 19 51

PZM is a union of sports and tourist clubs such as automobile clubs, motor, speedway and carting clubs and sections. The union's principal goals are the promotion of mass and competitive sport and tourism, as well as protection of the interests of vehicle owners.

Various reports prepared by the Tourism Institute have been used in this study, including: Polish Tourism 1994, final report by Arthur D. Little experts: Strategy for the Development of Domestic Tourist Product 1995 - 2004, as well as materials prepared by the Central Planning Office (CUP).

Annex I

A list of sector programmes concerning tourism and supporting sectors, approved by the Council of Ministers or the Council of Ministers Committees as of 15.09.1995.

	Name of the Programme	Approved by	Date			
1	Guidelines for the development of the tourist economy	RM	09.1994	12	Pro-export state policy including the schedule for activities connected with implementing the pro-export state policy	KERM 05.1994
2	Directions for state policy with respect to qualified tourism development	KSPRM	08.1995	13	Socio-economic policy guidelines for rural Sejm of the areas, agriculture and food economy until the year 2000	PR 09.1994
3	Programme guidelines for projects based on the utilisation of additional funds from lotteries organised by "Totalizator Sportowy" State Enterprise	KSPRM	04.1995	14	Executive programme for the state ecological policy until the year 2000	RM 09.1994
4	State cultural policy guidelines	RM	08.1993	15	Government programme for the development of economic co-operation with eastern and Baltic countries	RM 10.1994
5	Programme for the prevention of unemployment and reduction of its negative effects	RM	09.1993	16	Highway construction programme	RM 09.1993; 1994
6	A good and modern school - continuation of educational transformations	RM	03.1993	17	Policy towards small and medium-size businesses in the years 1995 - 1997	RM 06.1995
7	Main directions for the improvement of the education system in Poland	RM	05.1994	18	Guidelines for the development of telecommunications in rural areas until the year 2000	KERM 06.1995
8	Higher education and scientific research perspectives and plans	-	09.1994	19	Principles of the state regional policy	RM 06.1995
9	The National Health Programme	RM	08.1994	20	Strategy for the strengthening of the banking sector	KERM 07.1995
10	Industrial policy guidelines	RM	09.1993	21	A schedule of activities aimed for adjusting the Polish economy and its legislative system to the European Union requirements in the years 1995 - 1996	KERM RM 08.1995-09.1995
11	Polish telecommunications development policy until the year 2000	RM	10.1993	22	Transport policy	RM 08.1995

RM - Council of Ministers
KSPRM - Socio-Political Committee of the Council of Ministers
KERM - Economic Committee of the Council of Ministers
SEJM RP - Sejm of the Polish Republic
(Lower Chamber of Parliament)



This report was prepared by the Tourism Institute and commissioned
by the Polish Agency for Foreign Investment, Poland
Photographs courtesy of the Polish Agency for Tourist Promotion

For further information please contact:



Barbara Grabowska, Project Manager,

Polish Agency for Foreign Investment (PAIZ)

Al. Róż 2, 00-559 Warszawa, Poland

Tel. (48-22) 621 62 61, 621 89 04, 629 57 17

Fax (48-22) 621 84 27, Comertel (48) 3912-0444

ISBN 83-87328-03-0

Tourism

Basic Indicators

	1993	1994	1995	1996	III 1997
<i>Annual growth rates</i>					
GDP	3.8	5.2	7.0	6.0	6.7*
Industrial sales	6.4	12.1	9.4	8.5	7.8
Hotels and Restaurants**	1.6	3.2	2.0	2.2	N/A
<i>Employment ('000, end of the period)</i>					
Industry	3318	3245	3278	3255	3265
Hotels and Restaurants	64	77	85	84	86

Source: Polish Central Statistical Office (GUS).

*First quarter of 1997 GDP forecast by The Gdańsk Institute for Market Economics.

** Estimate GIME

Employment figures and sales growth rates in 1997 cover enterprises over 5 employees.

The transition to a democratic and market economic system has provided new opportunities for the tourist industry. Many factors stimulate the development of tourism in Poland. Strong economic growth leads to a more affluent society and promotes business conferences and travel - both domestic and foreign. Improved transport systems and more cars have given the Polish people greater opportunity to travel whether for a visit to friends and relatives, an excursion to the city or a touring trip.

Poland's geographic location provides extensive possibilities for an active holiday. The landscape which includes forests, water, legally protected park areas as well as historical and cultural sites offers a variety of attractions year-round. These advantages, however, must be supported by a developed infrastructure.

The economic recession at the beginning of the 1990's resulted in a drop in the number of tourists. Lower revenues forced many tourist facilities to be sold or liquidated. The ownership structure of the tourist industry has dramatically changed - 99.2% of the firms operating in the industry were from the private sector in 1996.

The increasing number of tourists since 1992 has improved the financial results of the industry. Higher revenues and higher profitability (3.9% in 1996) have led to the modernisation and expansion of tourist facilities in Poland. Demand continues to grow, mainly for high-end accommodation open year-round.

Polish firms have started investing heavily in the hotel industry. Companies such as Budimex, Stalexport, Exbud and Elektrim (all listed on the stock exchange) are buying hotels from regional tourist organisations with the intention of establishing hotel chains. The only chains with significant market share today are Orbis and Gromada.

The outlook for the industry is optimistic. Research carried out by the Institute of Tourism in Warsaw indicates that the Polish tourist industry has strong growth potential. Domestic travel will continue to dominate, mainly because of the high costs of foreign travel. The length of stay will increase and more families will be able to afford several trips a year.

1. Characteristics of the sector

Because of the specific characteristics of the industry, an analysis of tourism must encompass a wide range of aspects. Apart from businesses closely related to tourism such as travel agencies, hotels, campgrounds, restaurants, bars etc., the tourist industry also includes services related to sport and recreation. In this sense, the tourist industry is a significant part of the economy providing services to people temporarily changing their place of residence for rest or recreation, visiting relatives or friends, business travel, health or religion related travel.

Chart 1. Structure of the tourist market



A diverse range of service industries participate in the tourist industry. As a result, revenues from tourism will not only rise as the number of tourists increases but also as the Polish economy grows. Economic growth is followed by increased foreign business travel to Poland and more international conferences and seminars.

2. Development of the tourist industry in Poland

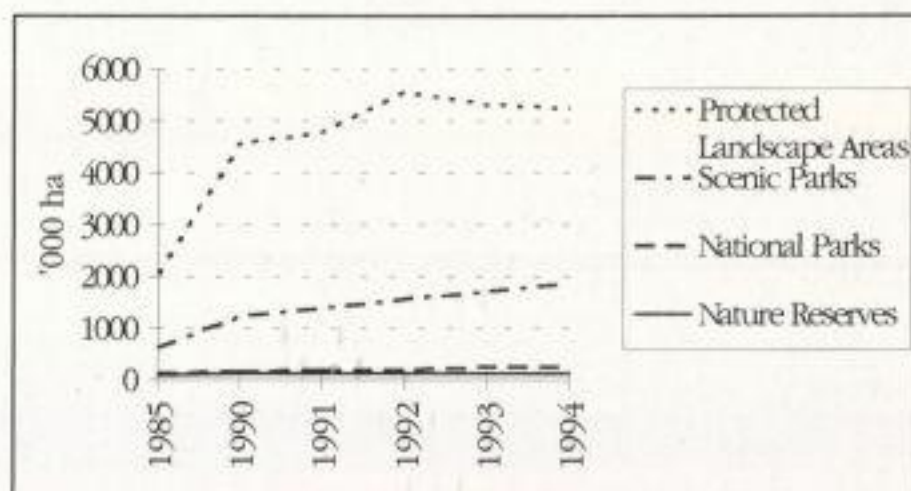
Many factors influence the development of the tourist industry in Poland. The most important are:

- natural environment - mountains, forests, lakes, parks, beaches, caves,
- monuments - castles, churches, cemeteries, statues, historical sites,
- cultural elements - folklore, artisans, art, literature, museums, etc.,
- other - sports arenas, hobbies, nature adventures.

Poland is a country rich in tourist regions owing to its geographic location. Access to the Baltic Sea in the north provides the opportunity for beach and sun holidays. For sailing aficionados, two lake districts are available: Mazurian and Pomorskie. The mountain ranges in the south of the country are ideal for mountain climbing and skiing. As a result of the landscape's diversity, ranging from mountains and highlands to lowlands and the seaside, just the protected regions cover an area of almost 7.5 thousand

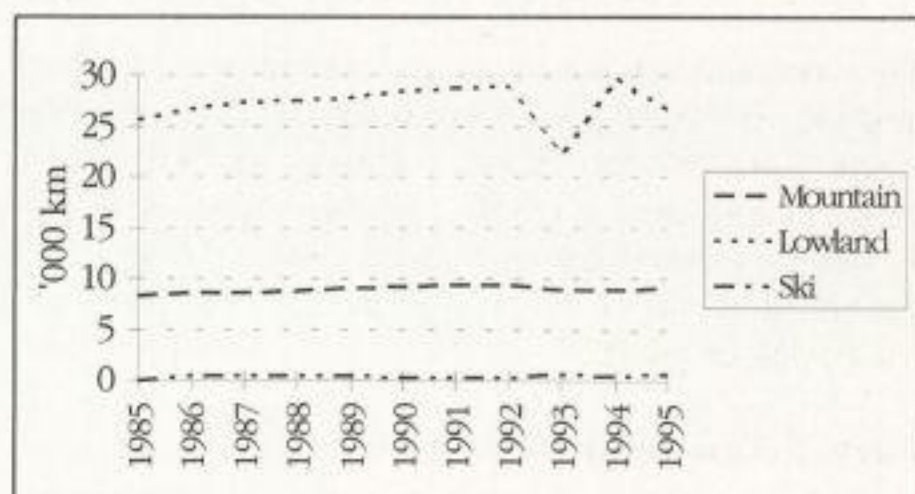
hectares - 24% of the country's area. This includes national parks, nature and wildlife reserves, and forests.

Chart 2. Protected areas 1985 -1994



Active holidays in scenic regions are made possible by the ever increasing tourist trails. The number of ski trails is also on the rise.

Chart 3. Tourist trails in Poland 1985 -1994



The legacy of Poland's turbulent history are the castles, churches, monuments, national landmarks found throughout the country. Every region offers tourists a variety of attractions tied to Polish history or culture. The immense heritage of Polish culture, folklore or artisanship is an important factor motivating people to spend their free time outside their homes.

3. Tourist infrastructure in Poland

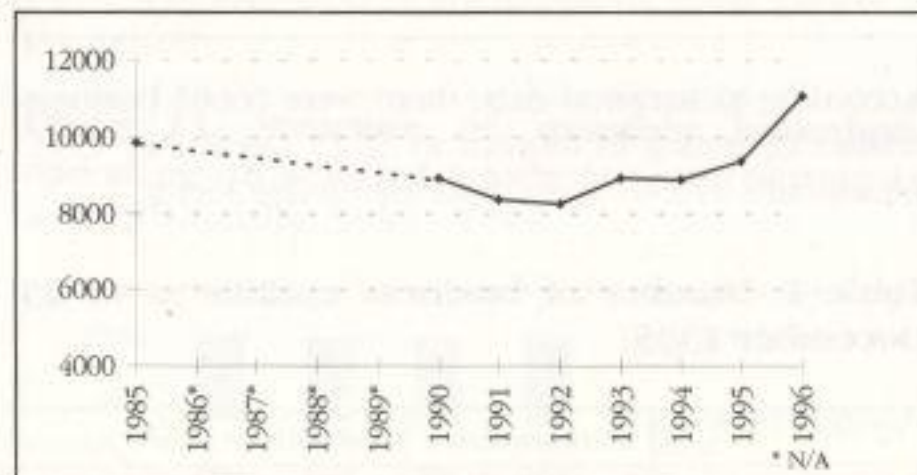
Despite a region's natural advantages, its popularity is dependent on its infrastructure which includes accommodation, restaurants, sanitary conditions. The state of the natural environment is also of increasing importance.

The social and economic changes taking place in Poland in recent years have had a direct influence on the possibility of travel. Positive changes regarding foreign travel include the introduction of new regulations easing trips abroad (i.e. keeping passports at home, elimination of visas, internal convertibility of the zloty), expansion of border crossings as well as facilitation of travel (agreements on small border traffic) etc. Furthermore, tourism benefits from the

improving transport system, more cars and expanded tourist facilities.

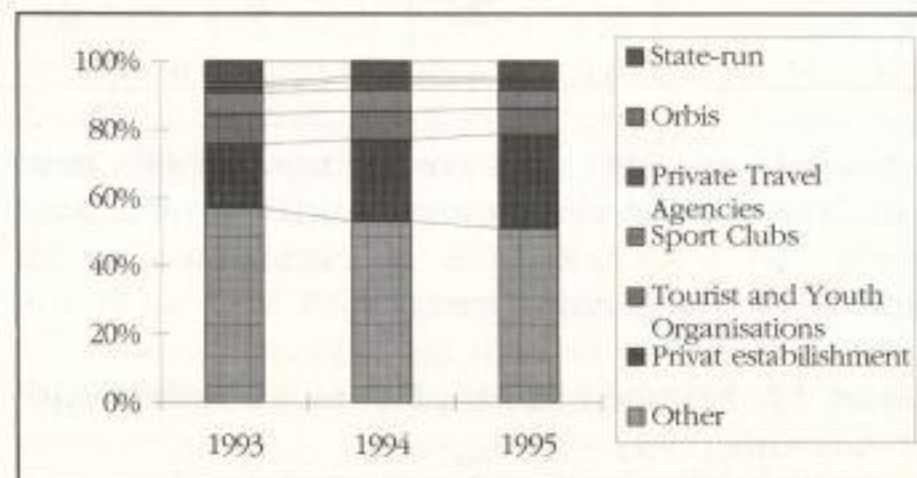
The number of hotels and other types of accommodation in Poland fell by 10% between 1985 and 1991. State-owned enterprises were frequently the owners of holiday resorts and had difficulty in upkeeping them. Since 1991, the number of accommodations - especially private establishments - has been steadily rising.

Chart 4. Number of hotels and other types of accommodation in Poland, 1985 -1996



The ownership structure in the tourist industry has changed in that the majority of entities offering accommodation are now privately owned. State organisations are managing tourist facilities to a decreasing extent. The result of these changes are intensified efforts of owners to increase the standard and quality of service.

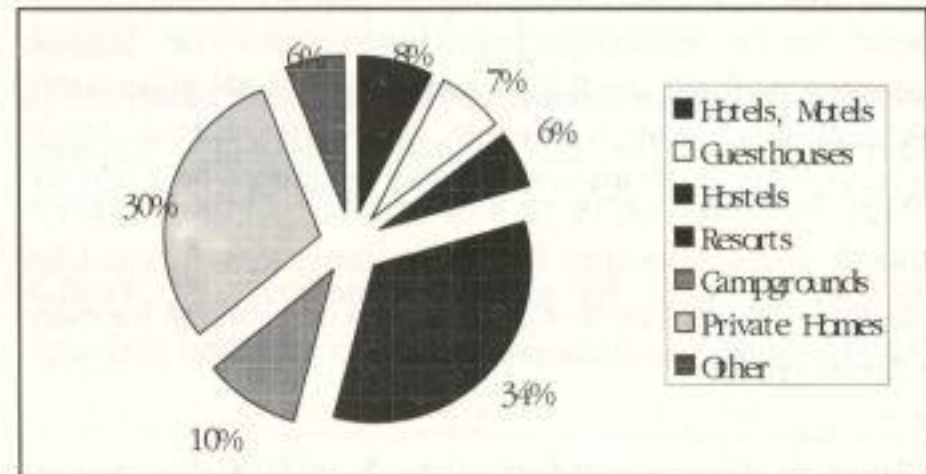
Chart 5. Tourist facilities by type



With 53 well-located hotels, Orbis is the biggest chain in Poland. It is still state-owned but is set to be privatised in the current year. 20% of shares are slated to be sold to a strategic investor and 30% in a public offering. Orbis generated a net profit of 19.9 m in 1995 up from 10.9 m in 1994.

The majority of available accommodation in Poland are resorts and private guesthouses. The significant share of resorts is tied to the efforts of central planners to have every state-owned enterprise own a holiday resort. The relatively significant share of private guesthouses illustrates the entrepreneurship of individuals in the tourist industry. These establishments often offer meals and organise activities for their guests.

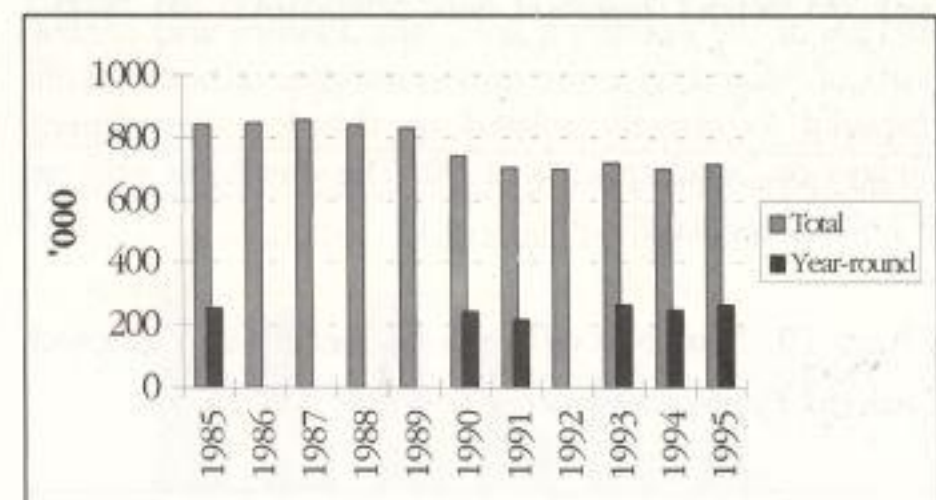
Chart 6. Structure of accommodation by type in 1996



The fall in the number of hotels and other accommodation resulted in a decrease in the number of available beds but not to the same extent, because of the expansion of existing facilities. An important observation is that the number of beds has remained at the same level since 1992 while the number of facilities has increased. This is a result of greater emphasis on recreation and standard of service.

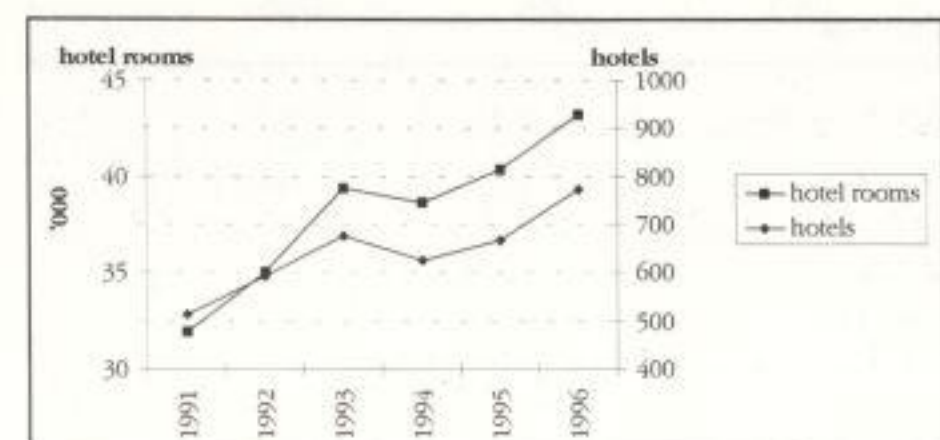
The small share of year-round accommodation is a result of seasonal holiday resorts i.e. by the seaside open only in the summer, in the mountains only in winter.

Chart 7. Accommodation in Poland, 1985 - 1995



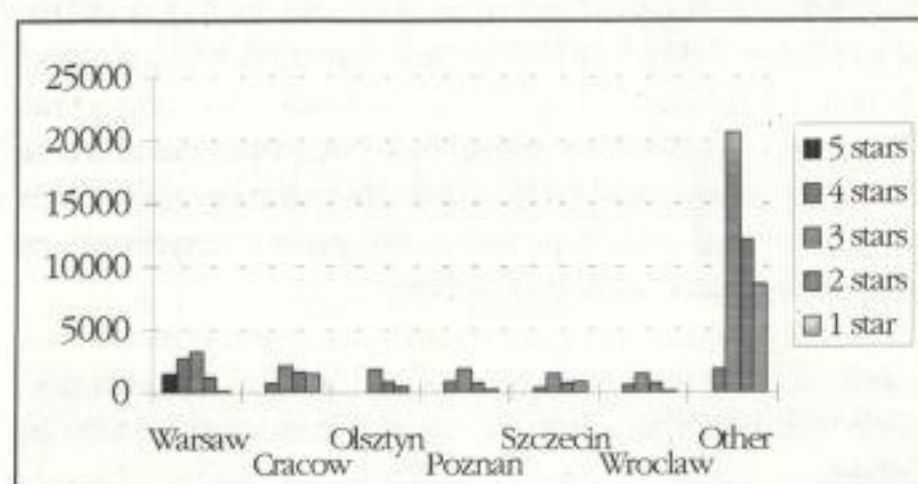
There were 773 hotels in Poland in 1996, most of which had a ranking of 3 stars or less. Financial difficulties in recent years have forced many four-star hotels to lower their classification.

Chart 8. Number of hotels and hotel rooms, 1991 - 1996



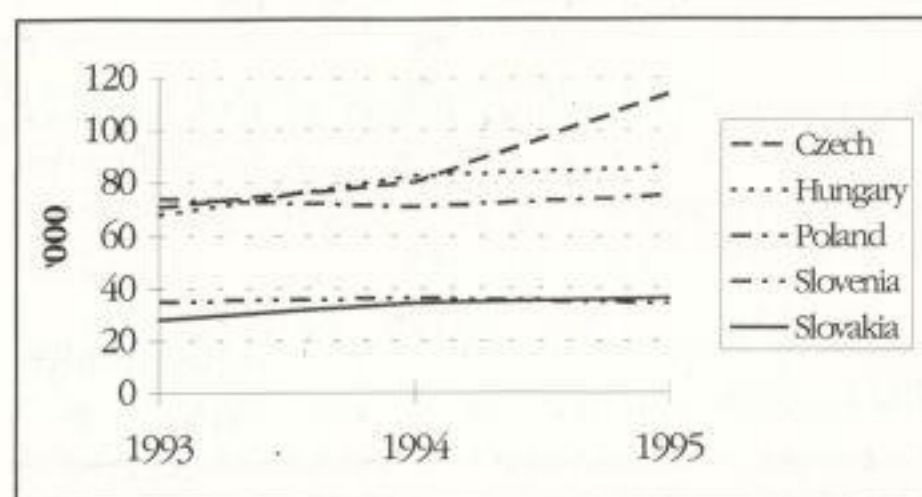
Most 5-star hotels are located in large cities: Warsaw, Krakow, Poznan, Szczecin, Gdansk. New hotels also tend to be established in big cities. The biggest increase in hotel accommodation has been observed in Warsaw. Moreover, the capital is the only city with three five-star hotels providing 1527 beds. In 1995, mostly foreign tourists from Germany, Russia and USA stayed in these hotels. Polish guests accounted for only 13% of guests.

Chart 9. Accommodation in hotels by category in selected voivodships in 1995



The geographical distribution of hotels in Poland is uneven. Almost 40% of all hotels in Poland are located in 13% of the country's area. The Eastern and central parts of Poland have the lowest number of hotels. This disparity is directly related to the low investment outlays on hotels prior to 1990. The emphasis was on seasonal holiday resorts.

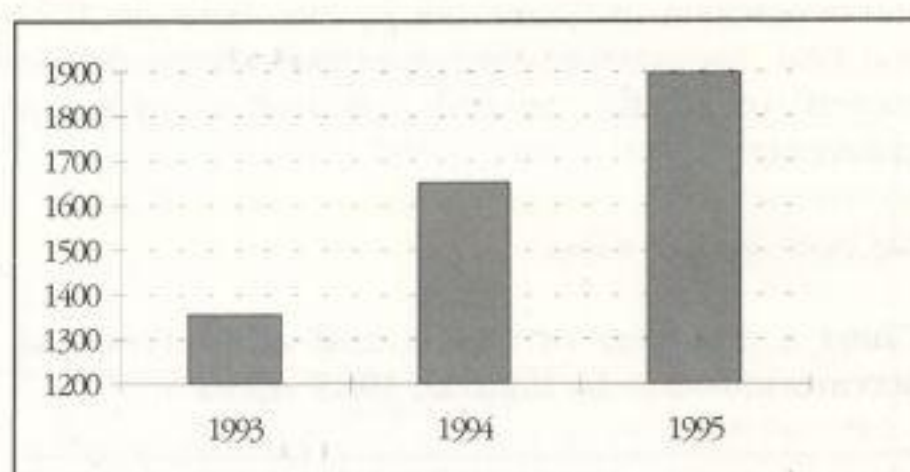
Chart 10. Number of beds in hotels in selected Central European countries, 1993-1995



The development of the hotel industry is a typical phenomenon in Central European countries. The lack of accommodation has led to the establishment of a number of new hotels each year.

The greater mobility of Polish citizens - related to either business or recreation has resulted in an increased number of restaurants in Poland. There were 6975 restaurants in hotels and other accommodation in 1995, up from 6431 in 1994.

Chart 11. Number of hotels and restaurants employing over 5 persons, 1993-1995



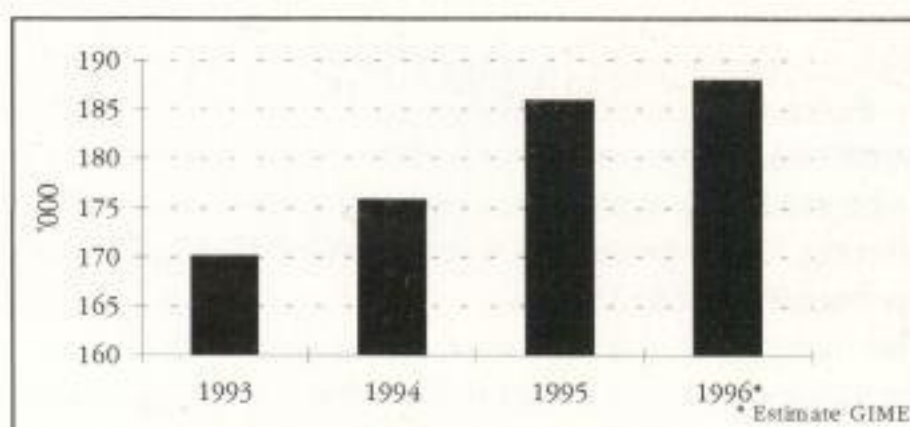
According to statistical data, there were 66663 business entities operating in tourism as of 25 December 1995. Almost all - 99.2% - were from the private sector.

Table 1. Number of business entities as of 25 December 1995

	Accommodation	Restaurants	Travel Agencies
Total	8685	51572	6406
Public sector	338	87	107
State-owned enterprises	275	83	44
Co-operatives	43	2	17
Mixed ownership	20	2	46
Private sector	8347	51485	6299
Polish	8198	51191	6108
Foreign	121	289	170
Mixed (Polish-foreign)	28	5	21

Increased tourism not only results in new establishments but also in more workers in existions hotels and restaurants. This is particularly true in regions with high unemployment.

Chart 12. Number of employees in hotels and restaurants, 1993 - 1995



It is important to note the improvement in the state of the environment in Poland. The economic slowdown during the transition period resulted in lower emissions of harmful substances by large industrial factories. This has clearly improved the quality of Polish water and air. Stricter norms for the protection

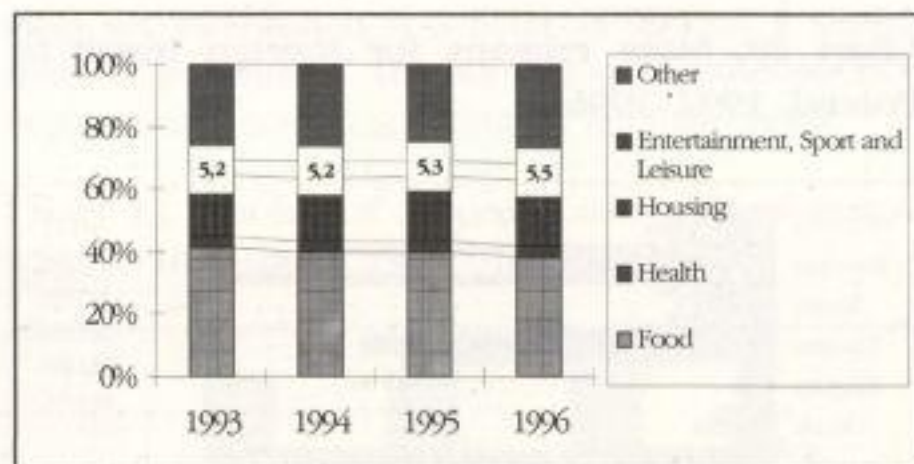
of the environment as well as increased investment outlays and greater awareness of ecological issues have all contributed to making a clean environment an important factor in attracting tourists to Poland.

4. Rate of growth in the tourist industry

a. Polish tourists

The tourist interests of Poles are closely tied to their personal wealth and inclination to rest outside their place of residence. Both are increasing to the benefit of the industry.

Chart 13. Structure of monthly household spending on selected goods per one person in a Polish family, 1993 - 1996

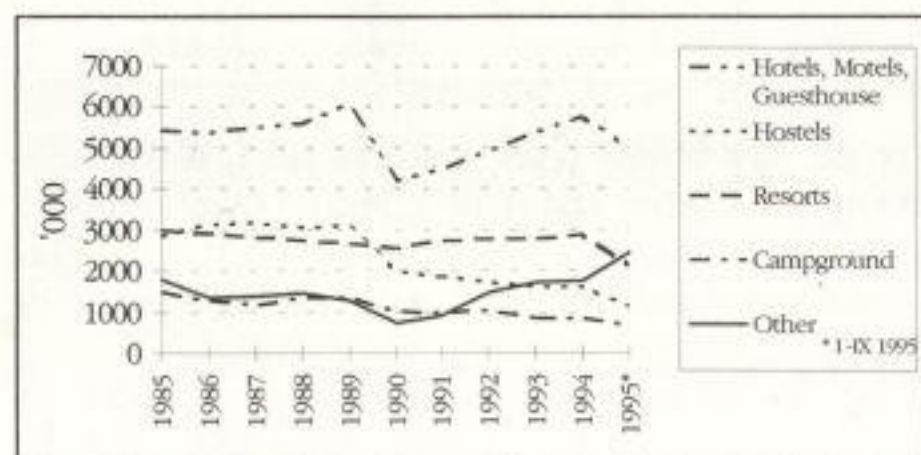


Following the slowdown between 1987 - 1990 caused by the decline in personal income, the number of travellers has been steadily growing since 1990. Higher disposable income is reflected in the increased popularity of hotels, motels and guesthouses as opposed to less comfortable campgrounds.

A rise in the number of Polish guests in hotels has been observed - 23 thousand in 1995, over twice the number in 1994. Five-star hotels had 161.6 thousand foreign guests in 1995.

The number of Polish guests in four-star hotels was 150 thousand in 1995, up from 96 thousand in 1994. During the same period, the number of foreign guests remained relatively unchanged at 302 thousand.

Chart 14. Number of guests by type of accommodation in Poland, 1985 - 1995

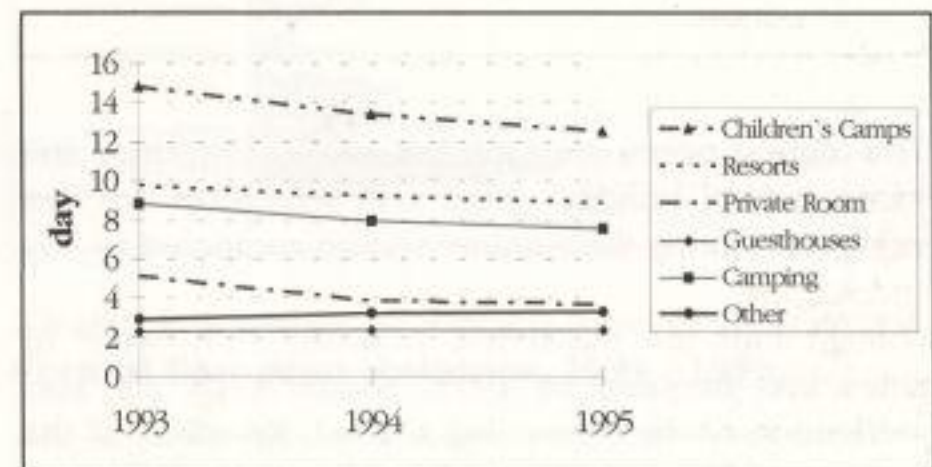


According to the Institute of Tourism, Polish hotels have an occupancy rate of 45% in 1996. The

occupancy rate was 37% in 1993. Hotels have become more popular, especially among Polish guests.

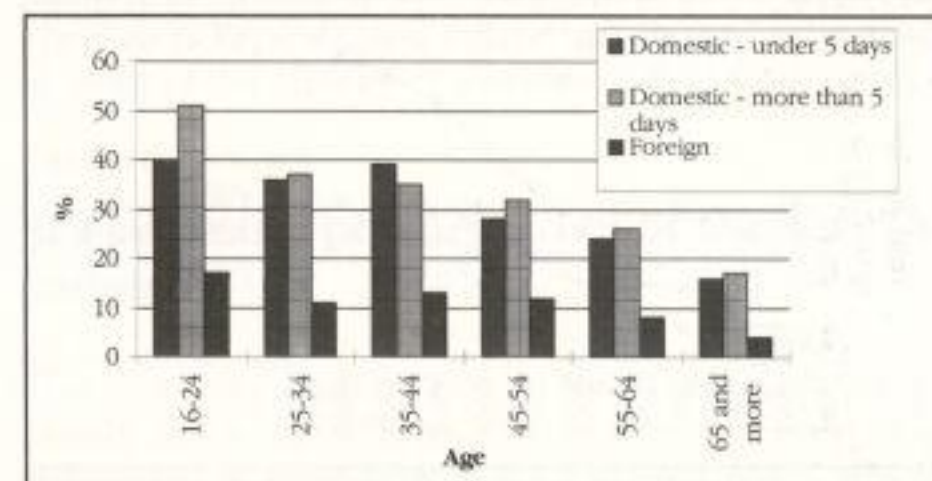
Polish tourists generally stay in Poland and take trips lasting no longer than three nights. They travel less frequently for longer periods of time, i.e. four or more days. Longer trips are generally tied to children's camps and organised family vacations.

Chart 15. Average length of stay of Polish tourists by type of accommodation, 1993 - 1995



Blue-collar workers and the self-employed spend their holidays in Poland the most frequently. Farmers travel the least. There is also a negative correlation between the size of the city or town of residence and the frequency of travel.

Chart 16. Domestic and Foreign Travel by Age in 1995

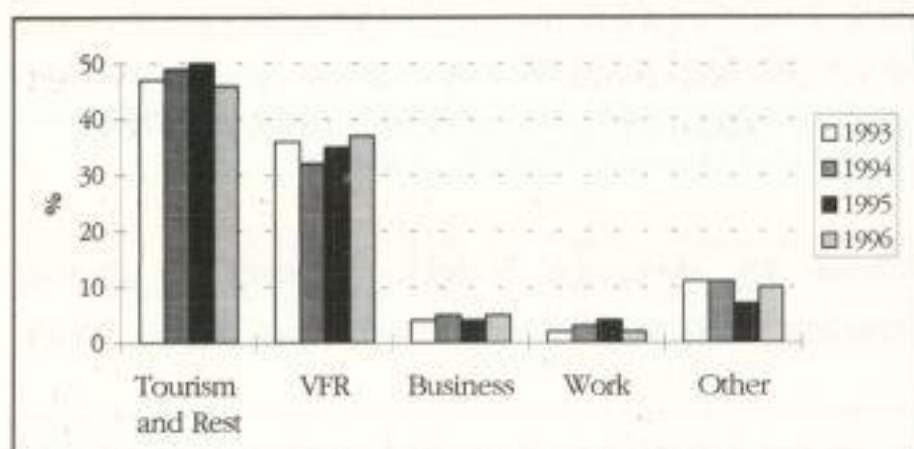


Rest and recreation are cited as the reason for over 50% of all long trips Polish tourists make, accounting followed by visits to family and friends.

The majority of Poles still organise longer holidays themselves, very few use travel agencies. The workplace, university or school also frequently organise trips.

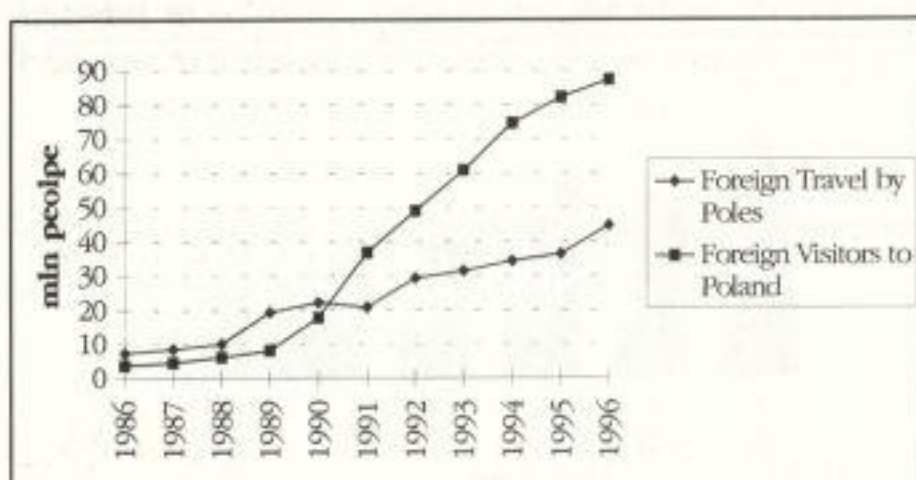
Almost 71% of trips take place in the summer season, 12% in spring and 17% in autumn/winter.

The price of tourist services is dependent on geographical location and season. Accommodation in the lowlands is the least expensive. Prices for accommodation in the mountains, by the sea or lakes and in health spas are much higher. Prices tend to fall when the guest stays longer than 7 days.

Chart 17. Main reasons for travel, 1992-1996

The highest prices are found at Easter, Christmas and winter school holidays. June and September are less expensive during the summer season compared to July and August.

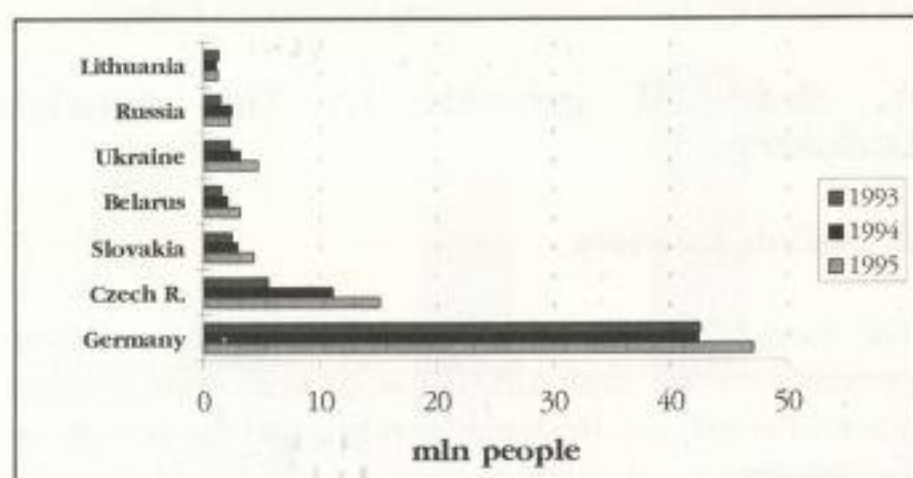
Foreign trips are much less popular. They were 10 times less frequent in 1995. Shorter trips are also predominant when travelling abroad. Research of the Institute of Tourism shows that 75% of foreign travel are short trips lasting one day and with no overnight stay in the country visited. The main goal of these trips is shopping in bordering towns. The introduction of car insurance payments for foreign travel at the beginning of the year has resulted in a sharp decline in trips for shopping purposes.

Chart 18. Foreign Tourism in Poland

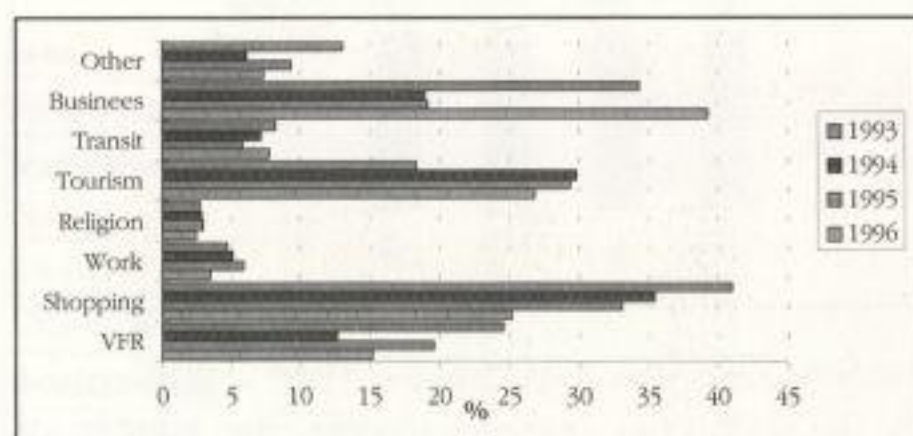
Longer trips are less popular because of high costs. These trips are often made to visit relatives and friends or for recreational purposes. They are organised by travel agencies or individually to an equal extent.

b. Foreign tourists

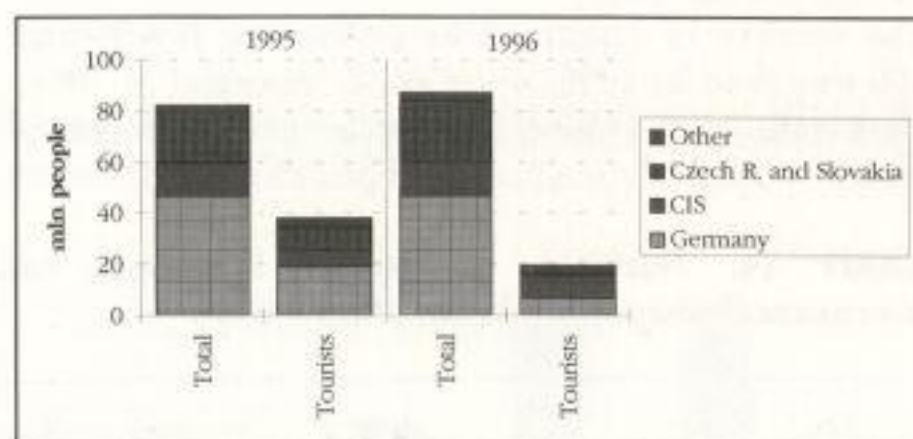
During the past few years, the number of people crossing the Polish border has been steadily increasing. According to the Border Guards of Poland, almost 235 mln people crossed the border travelling in or out of Poland in 1995 - 9% more than in 1994 and three times as much as in 1990. This is the increased number of foreigners visiting Poland. Foreigners accounted for 70% of all border crossings in 1995.

Chart 19. Revenues generated by foreign tourists in Poland, 1993-1995

Shopping and tourism are the main reasons foreigners come to Poland. They accounted for 33% and 29% of all trips respectively in 1995.

Chart 20. Main reasons for foreign travel to Poland, 1992 -1996

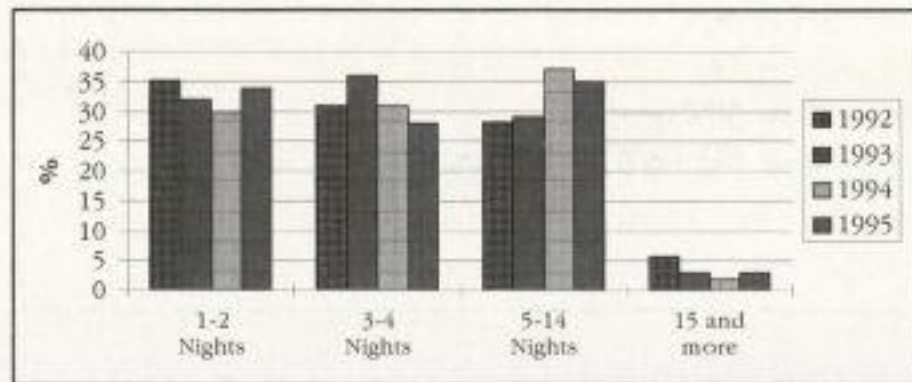
According to the Institute of Tourism, the number of foreign tourists amounted to 19.4 m in 1996 - approximately the same number as in 1995.

Chart 21. Number of foreign travellers, 1995 - 1996

For the past several years, the destination preferences in terms of regions and cities in Poland have remained unchanged. The most popular in 1995 were: the central region (80% of visits) and South-Eastern (12%). The most popular cities were: Warsaw (27.6%), Poznan (9.4%) and Krakow (9.3%). The longest stays were in Gdansk and Warsaw. Tourism motivated visits to Krakow and Czestochowa, business and tourism to Warsaw.

The average stay of a foreign tourist in Poland in 1996 was 4.7 nights. Stays of 1 or 2 nights and 5 to 14 nights remain equally popular.

Chart 22. Length of stay of foreign tourists in Poland



Foreign tourists continue to organise their trips to Poland individually and come by their own cars. The main accommodation is a hotel as well as a rented room or guesthouse. The number of guesthouses has been steadily increasing during the last three years.

Chart 23. Choice of accommodation by foreign tourists in Poland, 1993 - 1995

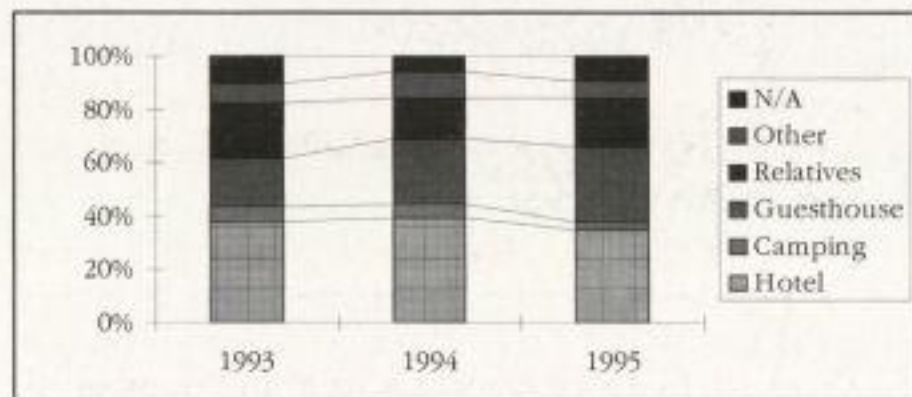
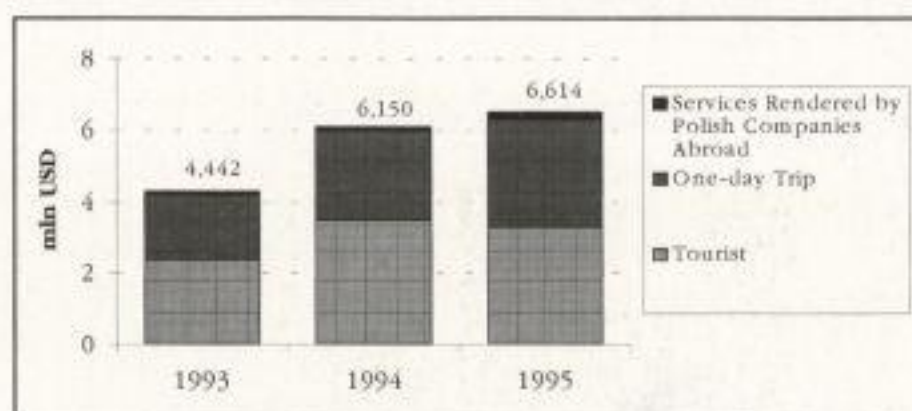


Chart 24. Revenues Generated by Foreign Tourists, 1993 - 1995



The increasing number of foreign tourists generate higher revenues for the industry. Tourists from the USA spent the most in Poland - 928 USD per person.

The majority of foreign tourists, from both neighbouring and other countries, spend less than 200 USD. Germans and Czechs visit Poland the most frequently.

Research of the Institute of Tourism indicates that the percentage of tourists satisfied with their stay in Poland is on the rise. Over 91% express an interest to visit Poland again.

For the past three years, dissatisfaction with the quality of service and sanitary conditions has been falling. The

high costs of the stay in Poland have also been mentioned less frequently. This makes Poland more attractive on the global tourism market.

Chart 25. Share of foreign tourists dissatisfied with certain elements of their stay in Poland

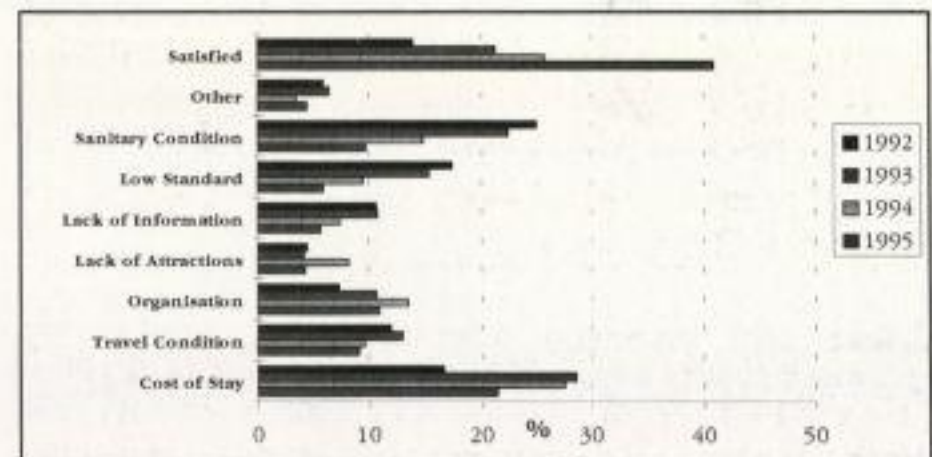
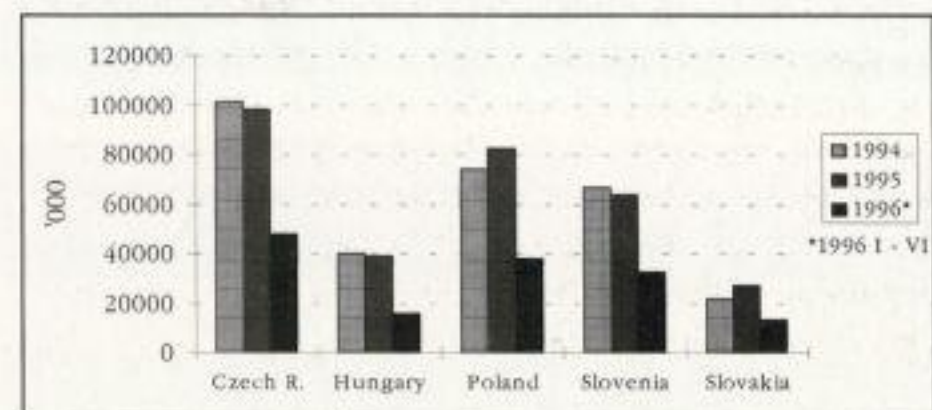


Chart 25. Number of foreign tourists in selected Central European countries, 1994 - 1996.

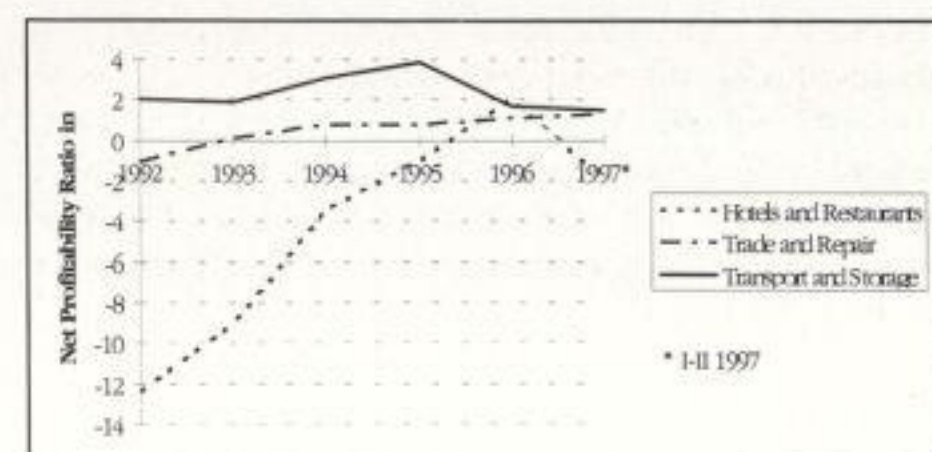


As opposed to other Central European countries, the number of foreign tourists visiting Poland is increasing. The Czech Republic and Poland are clearly in the lead in terms of the number of tourists.

5. Economic performance of the tourist industry

The economic performance of the tourist industry is closely tied to the affluence of tourists. The economic difficulties of Poles after 1990 restricted travel which was clearly reflected in lower profitability in the industry. It was only in 1996 that the tourist industry began to generate profits.

Chart 26. Net profitability rate for selected service sectors in Poland, 1992 - 1996

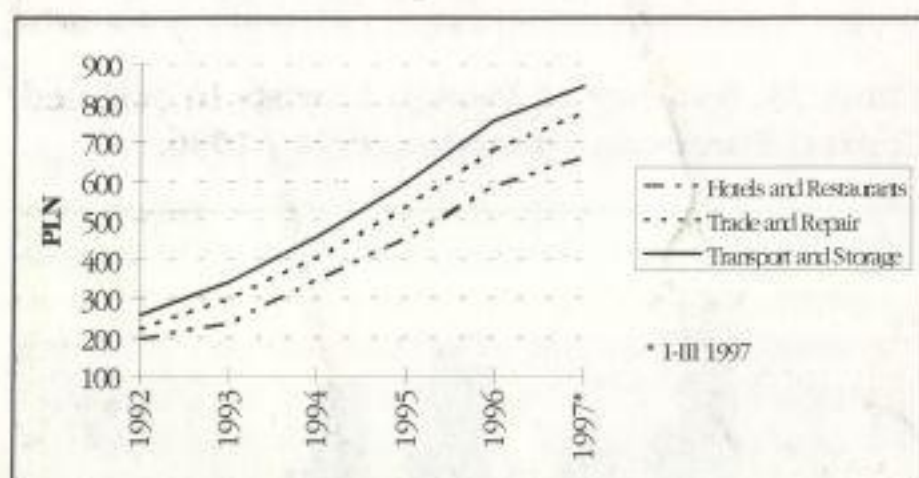


For several years, poor financial results of firms in the industry limited the possibility of wage increases. However, improved results after 1996 did not translate into significant wage hikes in the tourist industry.

Despite financial difficulties, investment outlays have been steadily increasing in the tourist industry since 1992. The needs for modernisation and expansion of recreational facilities are immense.

Most hotels have conference rooms for the organisation of seminars, conferences or courses. This type of service generates a significant share of hotel revenues and offsets seasonal volatility.

Chart 27. Average net monthly wage in selected service sectors in Poland, 1992 -1996.

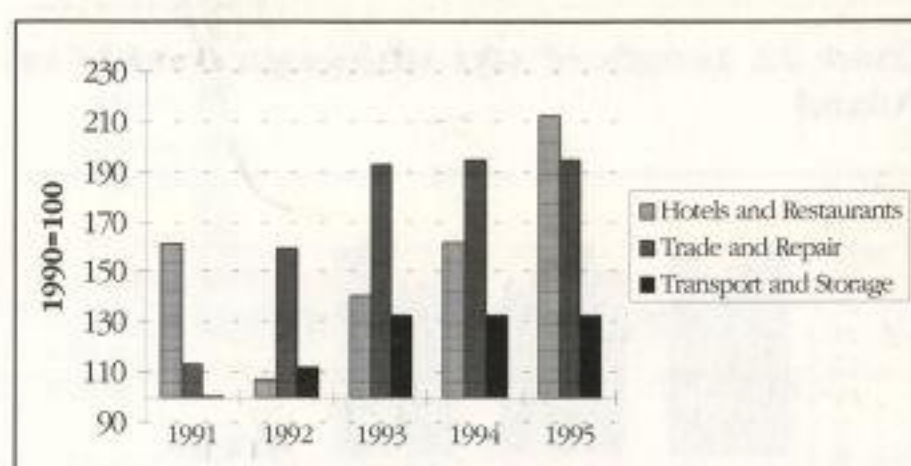


The utilisation of conference rooms in all hotels is very high. For conferences lasting several days, hotels also provide accommodation for participants.

Hotel guests have become more demanding. Gyms, health and beauty services, pools are permanent element of hotel life. Furthermore, guests also look for originality in a hotel with particular emphasis on atmosphere as well as proficient and discreet service.

Foreign investment in the Polish tourist industry has mostly concentrated on hotels in the largest Polish cities. So far, foreign companies have invested 104,5 ml USD in the hotel industry.

Chart 28. Investment outlays in selected service sectors in Poland, 1991 -1996.



6. Prospects

Research carried out by the Institute of Tourism and the Research and Science Institute in Poznan indicate that the tourist market is growing.

The hotel industry is experiencing the greatest growth momentum. There has been a clear shift away from seasonal holiday resorts with lower standards of service. Hotels will be the accommodation of choice in the future as they are not dependent on weather conditions.

As the Polish people become more affluent, longer trips will be taken several times a year. Greater business activity as well as increased awareness of health and physical condition will be deciding factors in the development of the tourist industry in Poland.

An additional factor is the increase of foreign guests. Over 80 m foreigners crossed the Polish border, including 18-20 m for holidays. Poland is in eighth place on the list of countries most frequently visited by tourists. Tourism in Poland has the opportunity to become a dynamic sector in the economy.



The source of presented statistical data is the Polish Central Statistical Office (GUS).
 Publisher: Polish Agency for Foreign Investment PAIZ, Al. Róż 2. 00-559 Warsaw.
 Tel. (48-22) 659-57-17, 629-35-53, 621-62-61, 621-84-09, fax: 621-84-27, comertel 39-12-04-44.
 Editorial work: The Gdańsk Institute for Market Economics, Warsaw Branch, ul. Kołobrzeska 16, 00-923 Warsaw. Tel. (48-22) 651-86-60, Fax: 651-86-62 e-mail: ibngr@ikp.atm.com.pl
 Editor: Bohdan Wyżnikiewicz, Research Assistant: Sylwester Gregorczyk.

Notes



Notes

8394