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Arthur D Little

National Tourism Product Development Plan

Final Report

Volume I
National Product
Development Strategy
1995 - 2004

State Sports and Tourism
Administration
Warsaw

27 October, 1994

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National Tourism Product Development Plan

Final Report

Preface

The State Sports and Tourism Administration (SSTA) concluded a contract with Arthur D. Little in December 1993 for the preparation of a National Tourism Product Development Plan. The project was a component of the TOURIN I facility, financed by the PHARE programme of the European Union.

The Government's principal objective was confirmed as the creation of a viable, market-oriented tourism sector, based upon private ownership and initiative. The Arthur D. Little assignment represented an important part of this process -- the elaboration of the National Tourism Product Development Plan for Poland.

As defined in the project Terms of Reference, the National Tourism Product Development Plan study was to include a review of the country's tourism assets and liabilities, accommodation and other tourist facilities, accessibility and transportation, telecommunications and tourism-related technologies, as well as a review of which tourism products need to be targeted at which groups of customers in Poland and in identified foreign markets, and of the means to sell and promote the tourism products in the most suitable manner. It would also cover appropriate improvements needed to national and regional policy to support tourism development.

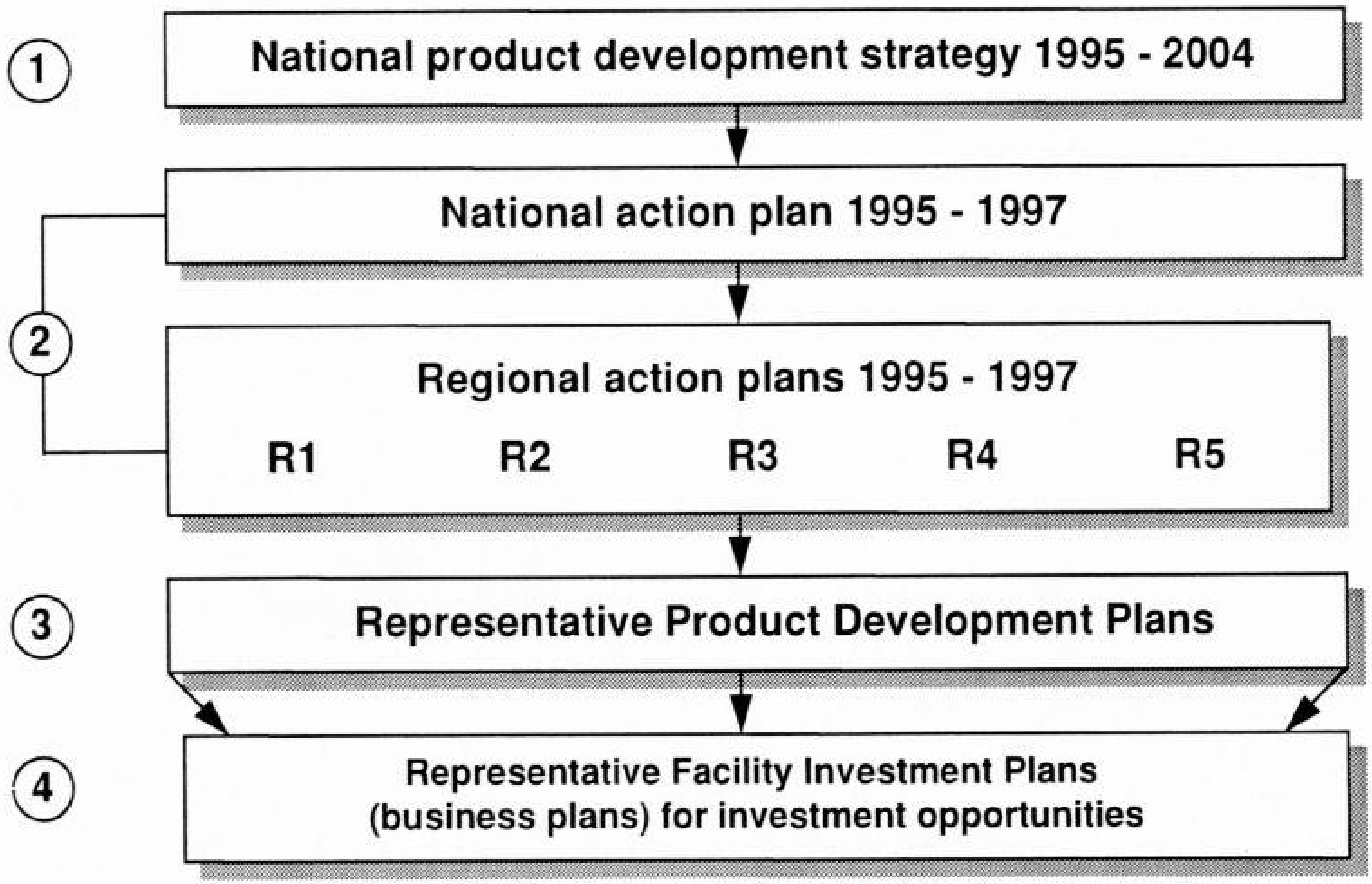
This Final Report is made up of four volumes covering the components illustrated in Figure 1:

- National Product Development Strategy 1995-2004 (Volume 1)
- National and Regional Action Plans 1995-1997 (Volume 2)
- Representative Product Development Plans for products selected as having good potential for Poland (presented in Appendix Volume 1).
- Representative Facility Investment Plans, covering typical facilities within the product development plans. These are intended to form the basis for Business Plans that can be developed in practical detail for investors as a result of our study (presented in Appendix Volume 2).

Other support documentation is included in Appendices Volumes 1 and 2.

Figure 1

Outputs of Arthur D. Little's National Tourism Product Development Plan



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Government objectives

In parallel to the work conducted in the context of this study, the Economic and Social Committee of the Sejm reviewed and adopted a policy proposal for the development of Polish tourism prepared by SSTA and summarised below. The policy is broadly consistent with the more detailed strategies and action plans recommended in this study.

- Government's **key objectives** of tourism development 1995 -1999 :
  - increase of foreign tourists' spending to the level of 5 billion US $ (including one-day shoppers whose spending will decrease);
  - 3% per annum of increase of domestic tourists' spending over 1993(100,000 billion PLZ or 4 billion US $);
  - increase in foreign investment in tourism to a minimum of 1 billion US $ in 1995-99 (1989 - 1994 : 0.7 billion US $);
  - increased employment in tourism of 20% over that period;
  - speed-up the privatisation of tour operators and hotels as well as the commercialisation of state enterprises' holiday facilities.

- Government's **key tasks** identified to achieve the above mentioned objectives were launching the following programmes :
  - tourism product development strategy for 1995 - 2005, with plans for 1995 - 97 and 1998 - 2000 (current Arthur D. Little study);
  - upgrading and development of infrastructure for 1996 - 2005 (main regions and cities, transportation, etc.);
  - promotion in foreign markets (including market research, marketing strategy, etc.);
  - telecommunication systems development including reservation and information systems;
  - modification of statistical resources and methods;
  - training of personnel.

- Adapting the **legal framework** of the industry, to EU standards (environment protection, tax incentives, standardisation of services, etc.).

- Financing carefully selected actions :
  - promotion on key foreign markets;
  - personnel training;
  - research to support long-term programmes.

- The principal **barriers** to achieving tourism development objectives were identified as:
  - high prices/low quality of services;
  - poor facilities;
  - lack of promotion;
  - low staff qualification;
  - lack of co-ordination between different tourism-related programmes -- finance, transportation, telecommunication, environment protection;
  - access problems;
  - poor product distribution;
  - personal safety of public and tourists.

Scope of the project

As defined in the Terms of Reference for our study "the main goal of the Polish Government's policies regarding the tourism industry is to stimulate and increase the demand for tourism services, both domestic and international."

The World Tourism Organisation (WTO) and the Travel and Tourism Research Association (TTRA) define four categories of travellers, identified by motivational drivers (see Figure 2):

- The primary motivation of a **business traveller** is the conduct of business -- meetings, conventions and inspections;

- The primary activities of tourists **visiting friends and relatives** (VFR) are socialising, dining in the home, and home entertainment;

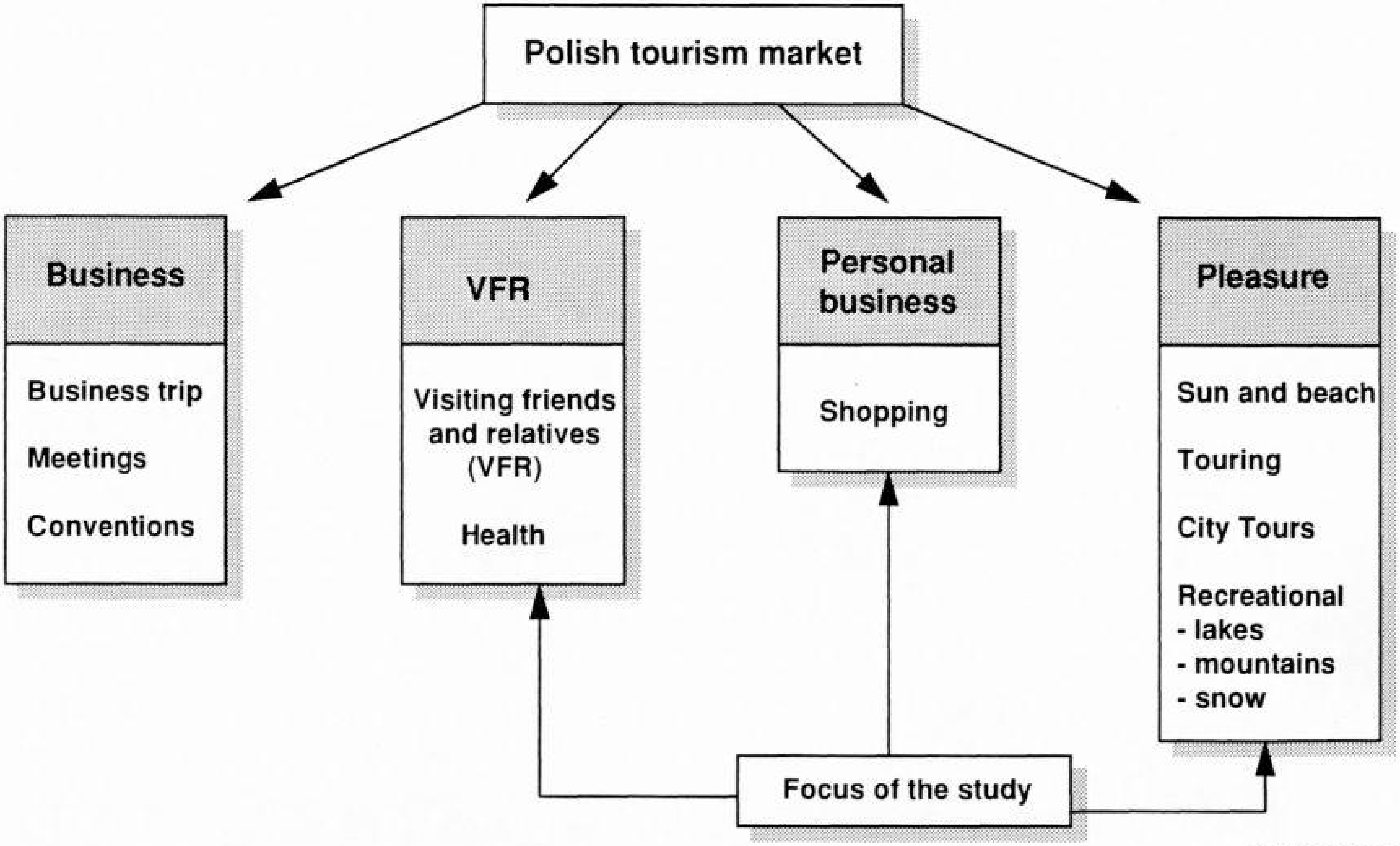
- The main motivation of travellers conducting **personal business** is shopping excursions and medical appointments;

- The **pleasure** traveller is motivated by recreation, sightseeing and dining out as the primary motivations for travel.

The main focus of our study, consistent with the Terms of Reference, is the leisure tourist as defined by the last three categories. We only address the need of business travellers where they have an impact upon strategies and action plans relating to leisure tourists (e.g. post-business conference leisure tourism).

Figure 2

Polish tourism segmentation model: primary purpose of travel



Source: World Tourism Organisation

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Glossary of terms

Hereafter we present a glossary of the main terms we use in the report.

Adjacent East countries:	Former Soviet Union, Slovakia and Czech Republic
Adjacent West countries:	Germany, Scandinavian Countries
Daily expenditure:	Includes accommodation, catering, shopping, sport and leisure, local transport, and other services. Transportation to and from the destination is not included.
Domestic:	Polish
Excursionist:	Any person who travels to a place outside his/her usual environment for less than 24 hours and does not stay overnight (see WTO definition for details).
Family life cycle stages:	The family life cycle breaks down into seven main stages: Young persons (aged 14-17) Young adults (18-24) Singles and couples (25-49) Families (25-49) with young children (under 14) Families (25-49) with elder children Young seniors/empty nester (50-64) Retired seniors (65 and older)
Local Development of the Office (LDO) : entity	The local organisation responsible for implementation Strategic Tourism Unit strategy. It is an administrative at a regional location.
Overseas countries:	Rest of the World (excluding adjacent and Western European countries), but with an immediate focus on the US, Canada and Japan. Overseas market regions are: Africa, Asia/Pacific, North America, South America.
Polish Tourist Zone :	An area with common geographical and topographical features within which inter-voivodship agreements would be encouraged and LDOs established.

Product groups: A combination of market segment and visitation category.

Strategic Tourism Unit set (STU) : set of A service unit within SSTA that groups a homogeneous of tourism products and services targeted at a common customers.

Tourism product: An integrated travel experience from departure to return to home. This product is made up of the attractions visited, accommodation and services used, access and internal transportation.

Tourist: Any person who travels to a place outside his/her usual environment for at least one night (see WTO-definition for details).

Value added: Difference between total sales (gross output) and goods and services purchased. It expresses the value added by companies involved in direct or indirect tourism-related activities. Value added includes wages and salaries.

Visitation category: The main types of trips in Europe. We differentiate between trip types (commercial, transient, and holiday) within holiday types (sun & beach, touring holiday, city tours, recreational holidays). The visitation categories used are:

Sun and Beach
Touring holiday
City tours
Recreational holidays (lakes, mountains and snow)
Transient tourism (pass through travellers and cross border excursionists)
Commercial (meetings and conventions).

Western Europe: Benelux, UK, France, Spain, Portugal, Italy, Austria, Switzerland, Greece, etc.

National Product Development Strategy
1995-2004

Arthur D Little

National Product Development Strategy 1995-2004

Introduction

This Volume presents Arthur D. Little's recommended strategy and development plan for Poland for the next 10 years, taking into account Poland's current and potential competitive position in international and domestic tourism markets, and highlighting directions to be pursued by the Government and the private sector in the realisation of the country's tourism potential.

Against the background of developments in the national and international tourism industry (see Chapter 1 and Appendix 1), the strategy and development plans are articulated around the following key components, described in relevant chapters of the report :

- The demand potential that could be served (Chapter 1);
- Attractions that are worth visiting - (Chapter 2);
- Products that are clearly defined and focused upon identified customer groups in origin markets (Chapter 3);
- Product development and facilitation actions initiated by the Government authorities, so that the private sector is able to invest in accommodation and other facilities that need to be developed, in order that visitors can travel satisfactorily and be adequately accommodated (requirements defined in Chapter 4);
- Potential benefits to the Polish economy from implementation of the strategies (Chapter 5).

Appendices to the report provide additional data and background information in support of the recommended strategies.

1.0 Polish tourism demand potential

In this chapter, we assess the potential demand for Poland as a tourism destination. For each of the source market segments (domestic, adjacent markets, Western European, and overseas markets), we examine historical and current tourism behaviour, evaluate trends, isolate those factors which will drive future growth, and project these forward to the year 2004.

This assessment is based upon a "business as usual" assumption, i.e. that tourism demand and supply of facilities and infrastructure would grow naturally, without any significant change in strategy or policies by the Government.

At the end of the report (Chapter 5), we will evaluate the possible benefit of implementing the strategies we recommend against this "base case" projection of potential.

We also evaluated the demand by visitation category (i.e. the type of holiday that the tourist intends to pursue, e.g. sun and beach, touring, etc.). We have spread the potential demand previously assessed across visitation categories to regions.

Our approach has been to assess potential, first by source market (where data are available) and thereafter to spread the demand by visitation category and region (see Figures 3 and 4).

1.1 Demand by source market

There are four major source markets:

- ***Domestic***, Poles travelling within Poland;
- ***Adjacent***, Germany, Czech Republic, Slovakia, CIS (i.e. Former Soviet Union);
- ***Western European***; and
- ***Overseas***.

Adjacent markets account for the great majority of inbound tourists. We therefore quantified visitation and expenditure for the individual German, Czech/Slovak and CIS/FSU markets, and grouped the other adjacent source markets together.

Within both international and domestic markets, we further categorised the segments into leisure and business travel.

Figure 3

Segmentation variables for Polish tourism product development

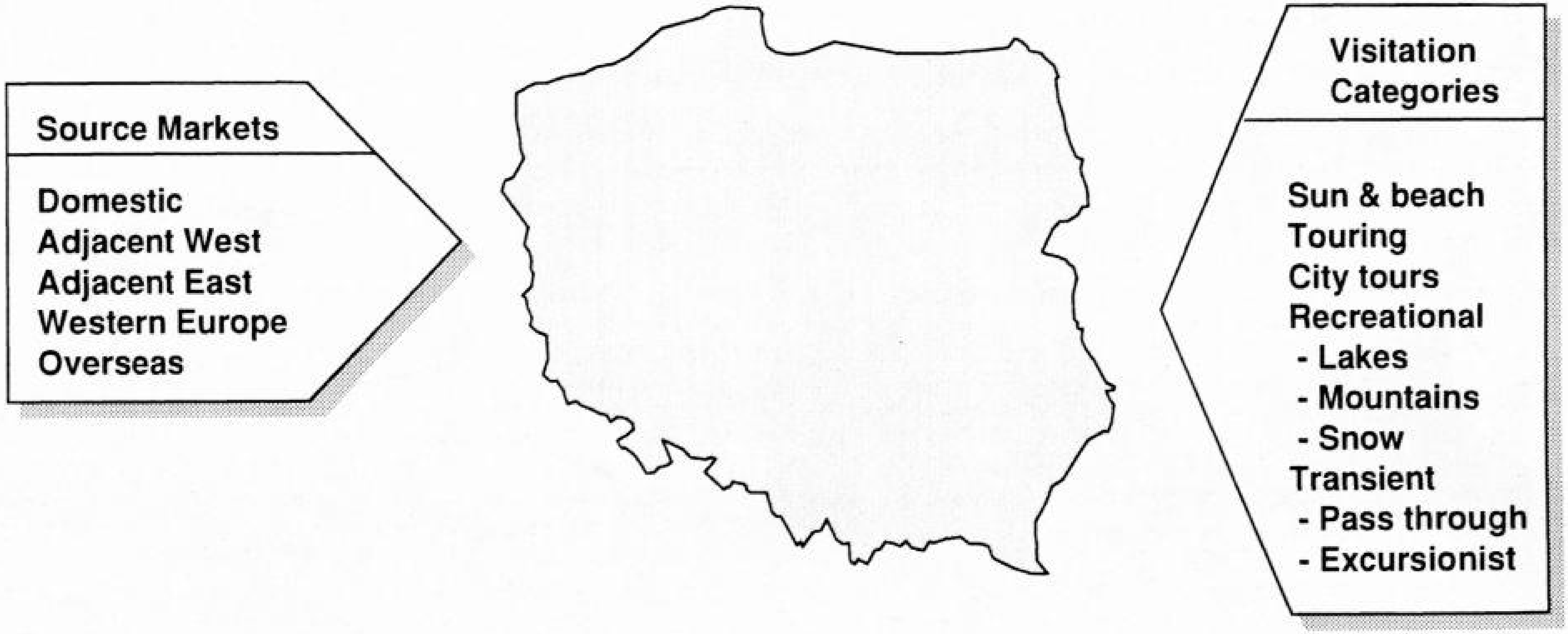
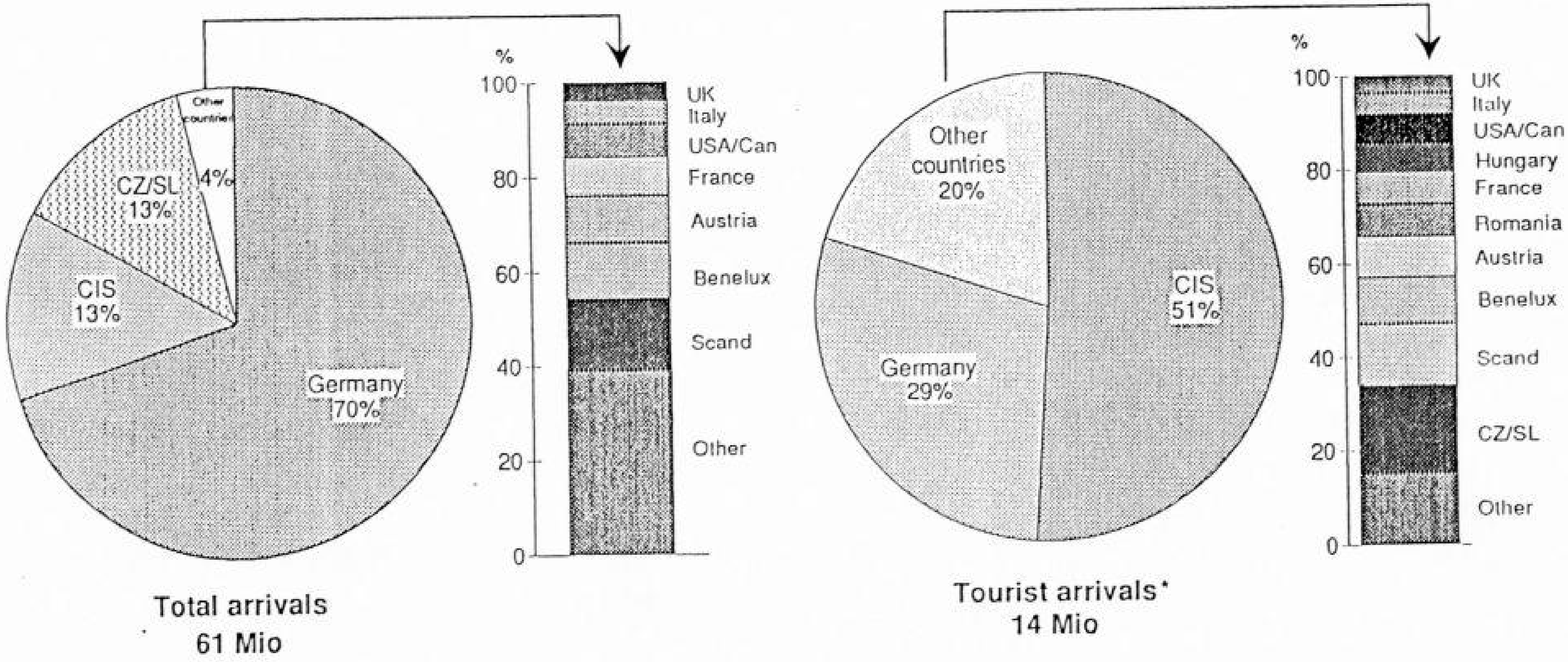


Figure 4

Source markets



Source: Institute of Tourism, 1993

* at least 1 night in Poland

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Arthur D Little

1.1.1 Domestic market

In addressing demand potential derived from Polish tourists, we have used tourism expenditure as the basis of forecasting. This has been both desirable and necessary, because statistics on nights spent are only available for certain categories (e.g. registered accommodation). In all cases we have used GUS statistics as primary source data.

We have identified current tourism expenditure, assessed trends in its development (e.g. disposable income, demographic changes), adjusted this for the potential switch of Polish tourism to holidays abroad (based upon other countries' experience), to arrive at our forecast of potential expenditure over the period.

We have also evaluated what this expenditure projection means in terms of domestic tourist nights over the period (these projections should be treated with caution, given the fragility of source data).

1.1.1.1 Domestic market: Current situation

To better understand the evolution of the domestic market, we analysed both outbound tourism as well as domestic travel of Polish residents.

GUS statistics tell us that Poles spend only a modest amount of money on tourism in absolute terms. In 1993, the total amount of money spent on tourism[1] by households was almost PLZ 12 trillion[2] [3]. (Twenty-one trillion PLZ were spent in the same year on business travel.). Seventy-four percent of the 12 trillion was spent on domestic travel. On the assumption that ten percent of outbound direct tourism spending can be classified as remaining in Poland, the direct impact on the Polish economy of household tourism spending would be 77%, or PLZ 8,936 trillion.

However, we believe that these basic expenditure statistics are significantly understated, due to both reporting failure and the residual effect of subsidies in holiday centres owned and operated by state companies. Having cross-referenced tourism nights data by average expenditure research, we believe that 1993 real expenditure may in fact be twice that which was actually recorded by GUS. It is this base assumption that we have use for our analysis.

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1 Only costs directly related to tourist trips are included. For instance, cost of packaged tours, hotels, train tickets are included, while purchases of food for self-catering are not.

2 1 trillion = 1,000 billion; 1 billion = 1,000 million.

3 PLZ = Polish zloty

We found that travel expenditure varies by socio-economic group and income level:

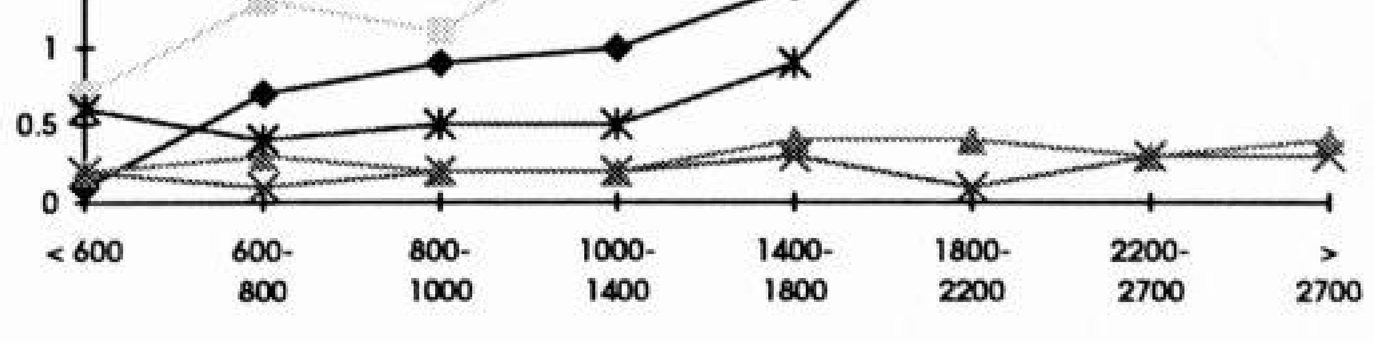
Spending on tourism by Polish households (leisure)

	Employee	Farmer	Employee Farmer	Retired	Self-Employed	No-Income	Total
Households %	50.5	10.2	8.8	21.2	5.9	3.5	
Persons [mln]	19.4	3.9	3.4	8.1	2.3	1.3	38.4
Tourism [thousand PLZ/person/year]							
Domestic	320	23	30	112	522	98	
Outbound	89	30	17	81	231	6	
Total	409	53	48	193	753	104	
Polish households spending on tourism [billion PLZ/year]							
Domestic	6,209	92	103	910	1,182	132	**8,627**
Outbound	1,724	116	58	660	523	8	**3,090**
Total	7,933	208	161	1,570	1,705	140	**11,717**

Source: GUS '93 and Arthur D. Little calculations

Forty-nine percent of white-collar workers participate in holiday travel, while only 15% of farmers do. In all social groups, we see an increase in absolute spending on tourism when income is rising; i.e. income elasticity is high, particularly for white-collar workers:

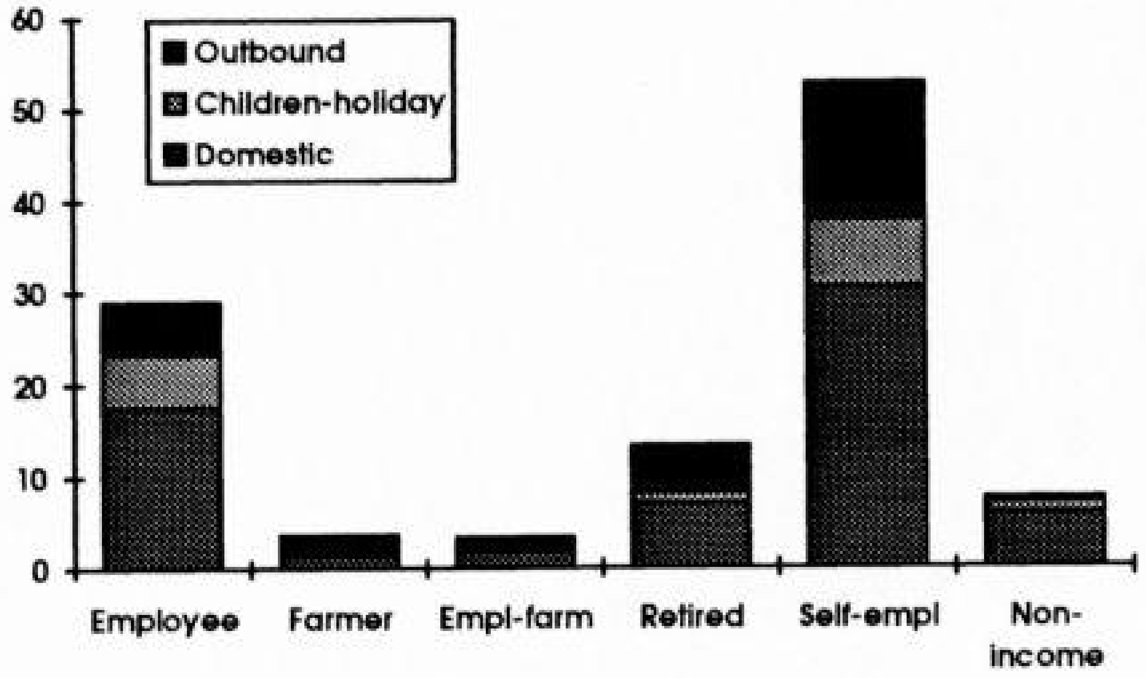
Percentage of household budget spend on tourism & recreation by income group (thousand of PLZ per month per person)



Source: GUS '92

The growing group of self-employed people spends much more than average on tourism. Even for this group, domestic, rather than outbound tourism, remains the most important expenditure:

Monthly spending (thousand of PLZ) per person on tourism & recreation

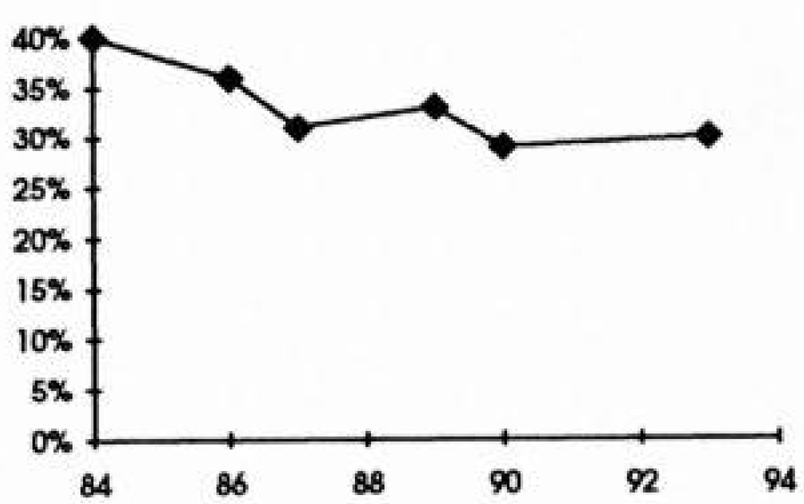


Source: GUS '93

The tourism participation rate (the percentage of the population that travels for a period equal to or longer than five days) has declined, due to:

- Transition from subsidised, social tourism to privately-funded and managed holiday centres;
- Decrease in real income (from 1989 to 1993); and
- Increased competition from other, non-tourism-related products, such as television and video:

Participation of Poland's population in holidays (≥ 5 days)



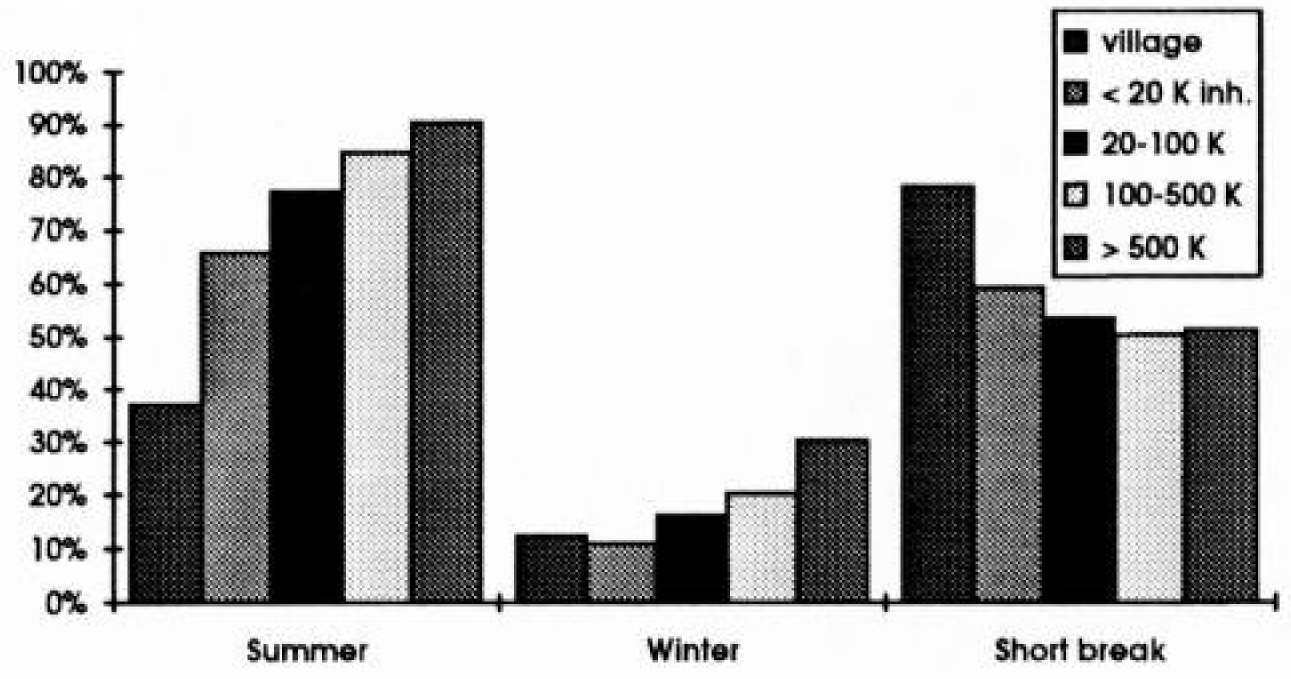
Source: SSTA

The tourism participation rate is also dependent on the following factors:

- **Age**: 45% of the population in the 16-24 age group participates in holiday travel, while only 15% of the older population (65+) does. Interestingly, however, there is a significant increase in tourism spending among retired people once their income passes a certain threshold[4].

- **Place of residence**: The participation rate is 42% for inhabitants of large towns (>100,000), and 19% for villagers. Forty percent of larger town inhabitants take short breaks versus 27% of the population from towns with 20,000-100,000 inhabitants. Tourists from large cities in general take longer holidays. Tourists from smaller cities, towns, and villages, mainly take short breaks.

Participation of tourists in holiday types by residence area



Source: Arthur D. Little / OBOP domestic market survey

1.1.1.2 Domestic market: Future trends

We expect that travel by Poles will increase as levels of disposable income rise, with a resulting positive impact on demand for short-stay weekend trips and new mass market vacation centres, for example.

There is today a 'culture' for tourism, especially for city inhabitants, white-collar workers, and the self-employed. This culture will strengthen in the future: spending on tourism will increase, since real income is expected to grow around 3% yearly[5] over the coming five years.

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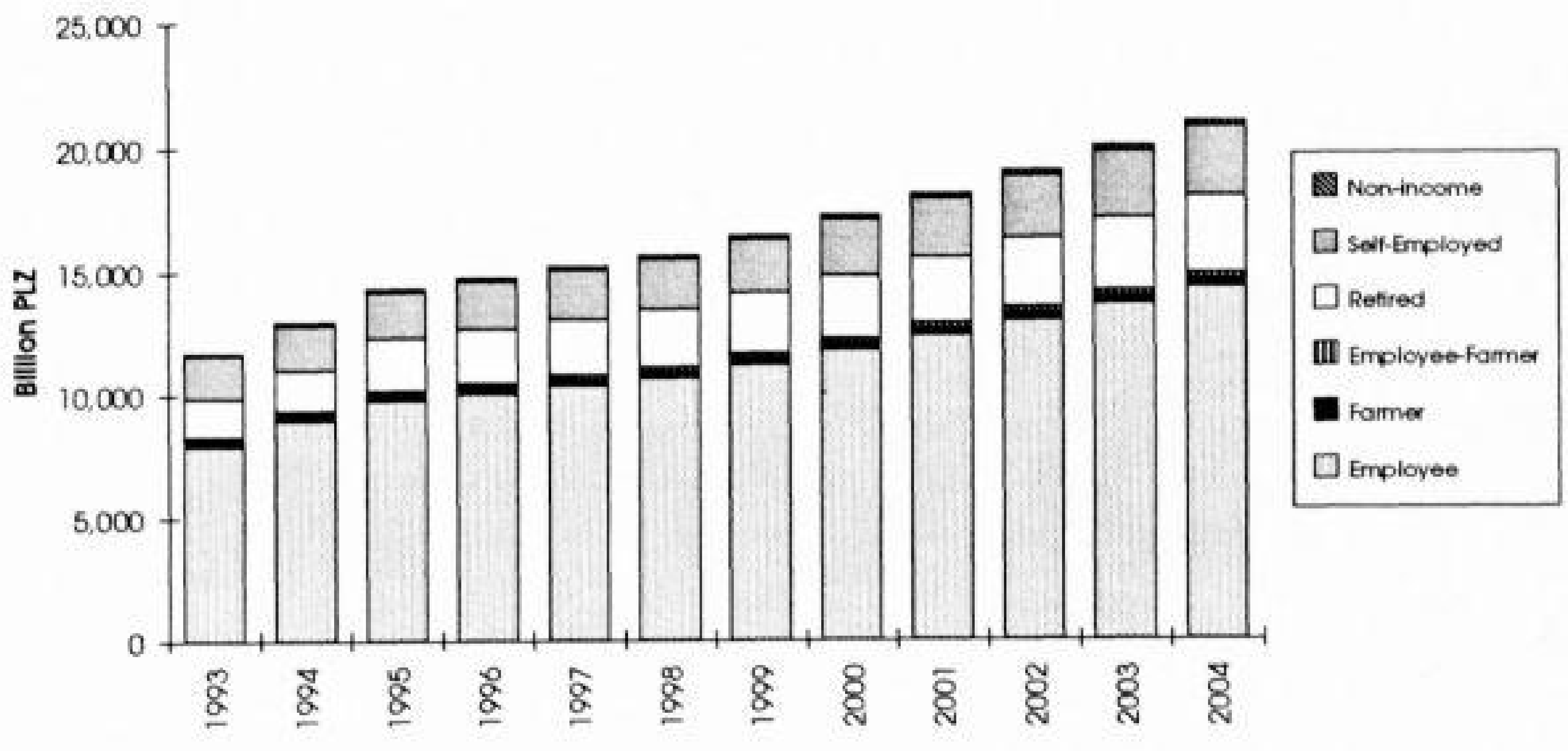
4 Retired persons and pensioners households spend on average 1% of their income on sport, tourism and recreation. Once income passes the 1.8 million PLZ per person, then spending increases to 2.1% [GUS '92 household budget].

5 Government paper - Strategy for Poland

Based on an analysis of the elasticity of tourism expenditure versus income in Poland, as well as increases in disposable income and demographic changes, we estimate that tourism expenditure by Poles will grow significantly in the next 10 years. However, full realisation of this growth potential will only be possible after implementation of the strategies and facilitation measures recommended later in this report.

The next chart illustrates a natural growth profile for tourism.

Household tourism expenditure: Characterisation of growth mix



Source: Arthur D. Little analysis

Our analysis also suggests that travel by Poles will evolve toward the current German pattern where the percentage of disposable income spent on tourism is significantly higher for all income levels :

Expenditure on tourism as a percentage of total household spending

Germany				Poland		
Household[6]	Tourism (broad) [%]	Tourism (strict) [%]	Tourism (strict) USD/person /year	Household	Tourism (strict) [%]	Tourism (strict) USD/person /year
Low	4.6%	4.0%	275			
Middle	4.9%	3.4%	233			
High	6.5%	4.7%	466			
				Non Income	0.7%	6
				Employee	1.8%	23
				Self-employed	2.4%	42

Source: *Statistisches Jahrbuch 1993*; GUS 1993

This large, untapped potential for travel among Poles reinforces the need for a product development strategy. The fact that tourism expenditure is capable of doubling in a decade reinforces the need to develop and implement strategies soon.

1.1.1.3 Domestic market: Consumer attitudes

We commissioned a study in March 1994 to Ośrodek Badań Opinii Publicznej (OBOP) to gain further insight into the attitudes of Polish domestic tourists. Around 1,800 persons were interviewed, aged from 16 to 65 years, from all regions, who had made at least one domestic holiday trip during the last three years.

We looked at tourism intensity, tourists' motivation, and use of facilities. Results of the interview programme show that summer holidays are the most popular. They include visiting and staying with friends and relatives.

6 Two-person household with low income; four-person household with middle income; four-person household with higher income.

The length and distribution of holidays was reported as follows:

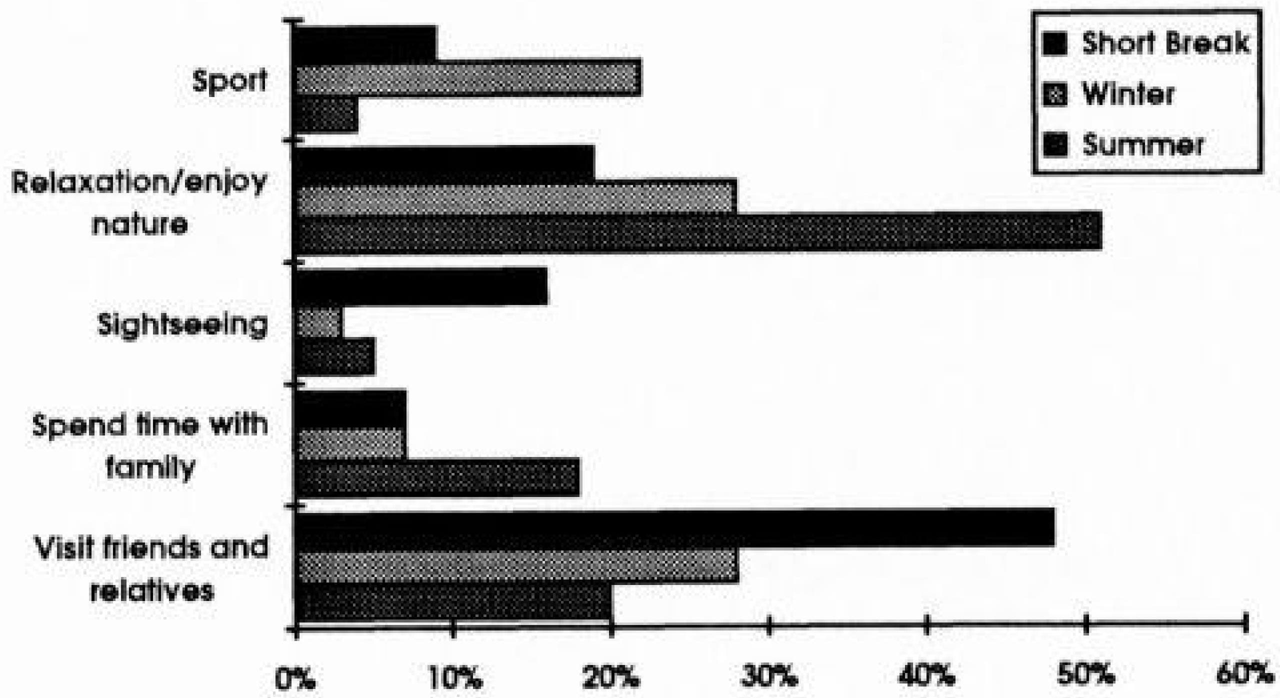
	Summer	Winter	Short Break
Average	***14.3 days***	***10.2 days***	***2.4 days***
Up to 1 week	25%	46%	
1 - 2 weeks	53%	45%	
More than 2 weeks	22%	9%	

Source: Arthur D. Little / OBOP domestic market survey

Sixty-six percent of our respondents participated in summer holidays, 61% in short breaks, and 17% in winter holidays.

The main motivation to go on holiday differs from season to season. Relaxation is clearly the dominant factor during summer. For short breaks during all seasons, visiting friends and relatives (VFR) is the greatest motivation. For winter holidays, visiting friends and relatives, relaxation, and sport are the strongest motivations.

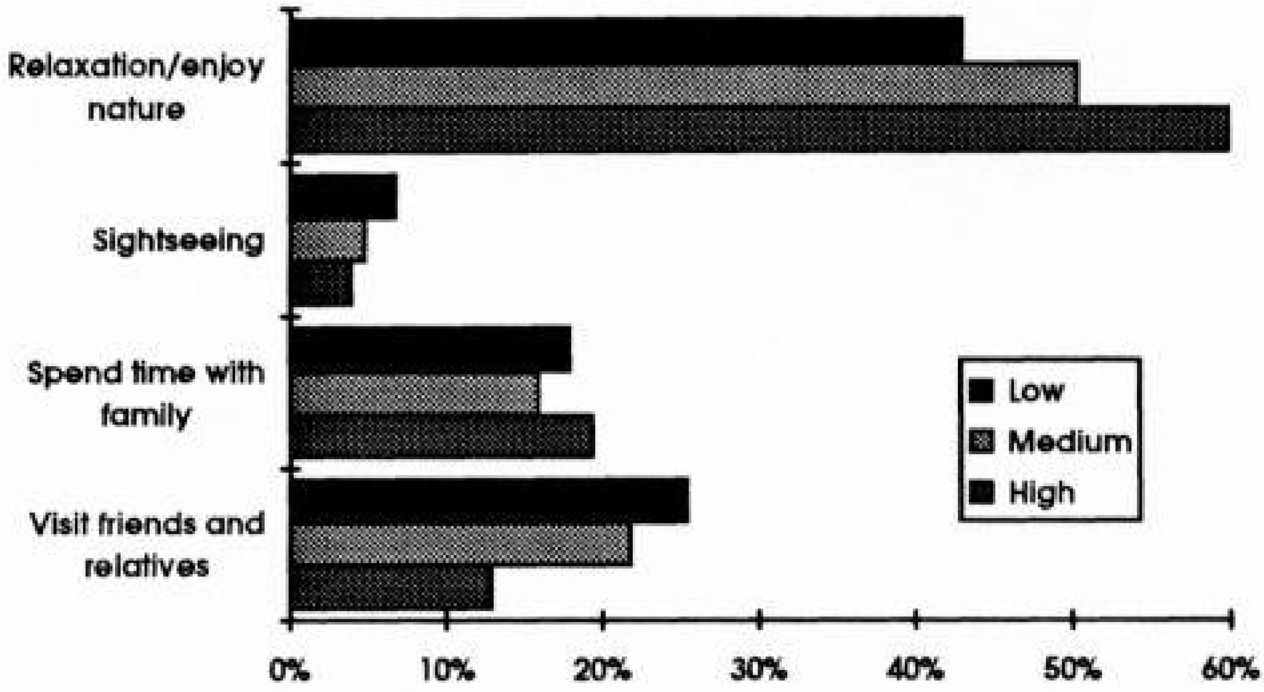
Main motivations [%] for the different holiday types



Source: Arthur D. Little / OBOP domestic market survey

Income level also influences motivation to travel. Visiting friends becomes less important the higher the income level, and relaxation becomes more important.

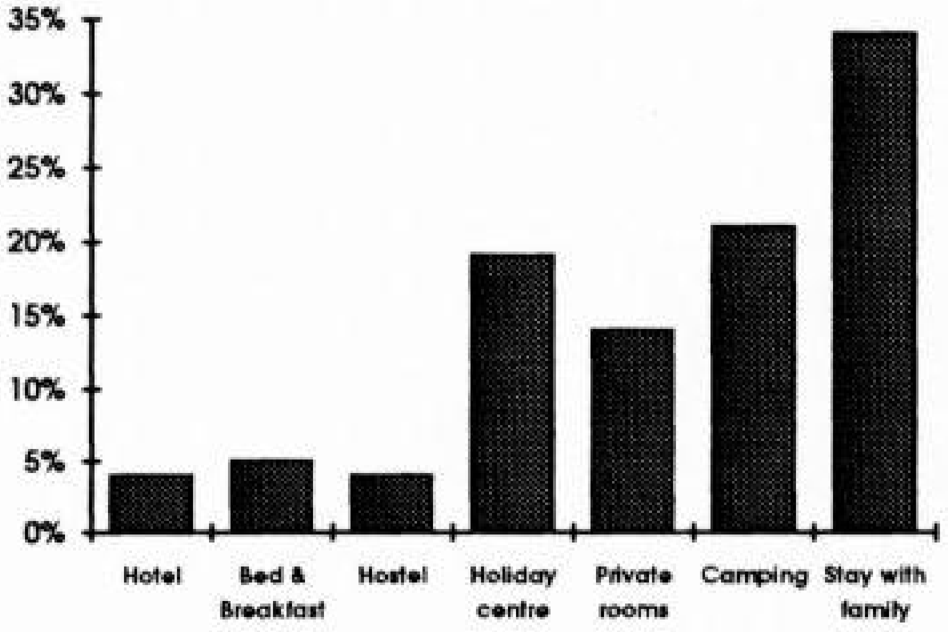
Summer holiday motivations [%] for different income classes



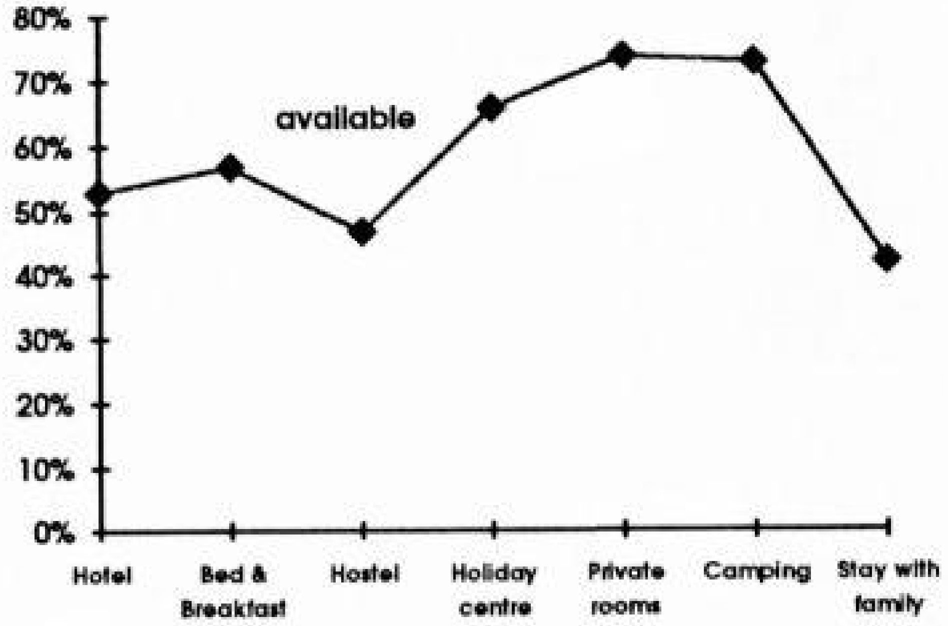
Source: Arthur D. Little / OBOP domestic market survey

Fifty percent of respondents taking summer holidays said that no hotels were available at their destination. Although these respondents did not intend to stay at these facilities, this answer indicates that good standard holiday facilities are not widely available. Almost all respondents stayed with family and friends. The selection of a holiday destination seems closely linked to the proximity of family and friends.

Facilities used during summer holidays



Facility availability during summer holidays



Source: Arthur D. Little /OBOP domestic market survey

Because visiting friends and relatives is not measurable, there is a large gap between accommodation statistics and experts' estimates on nights spent (41.41 million versus 239.8 million).

Estimated number of domestic trips and nights

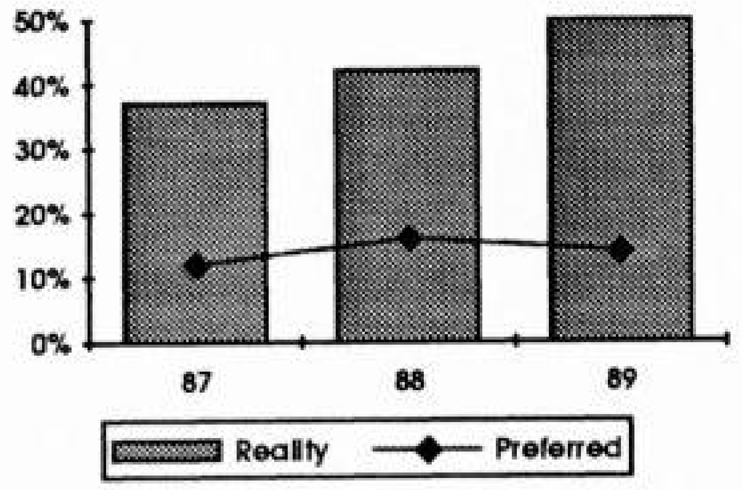
		Trips [mln]	Nights [mln]
Experts	Sea	10.9	75.5
(Delphi method)	Mountain	13.1	58.2
	Lakes	8.4	38.2
	Large cities	11.7	25.5
	Medium cities	6.6	23.0
	Small cities	4.5	19.4
Source:	**Poland**	**55.2**	**239.8**
Institute of	- At least 5 days	15.8	173.8
Tourism	- Less than 5 days	39.4	66.0
GUS data (10/92-9/93)	**Poland**	**8.87**	**41.41**

Domestic tourism is important in terms of number of trips, and will grow further in the future. The consumption and spending patterns are low and, therefore, an important potential remains to be tapped.

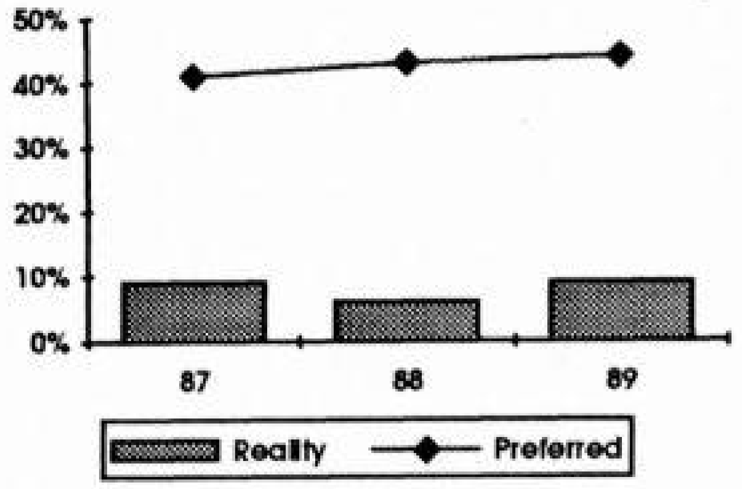
1.1.1.4 Domestic market: Effect of outbound travel

Previous surveys on the holiday preferences of Poles reveal that a large number of potential tourists want to go on holiday abroad, but few are able to do so.

Holiday preferences vs. reality for Polish tourists



Visiting friends and relatives



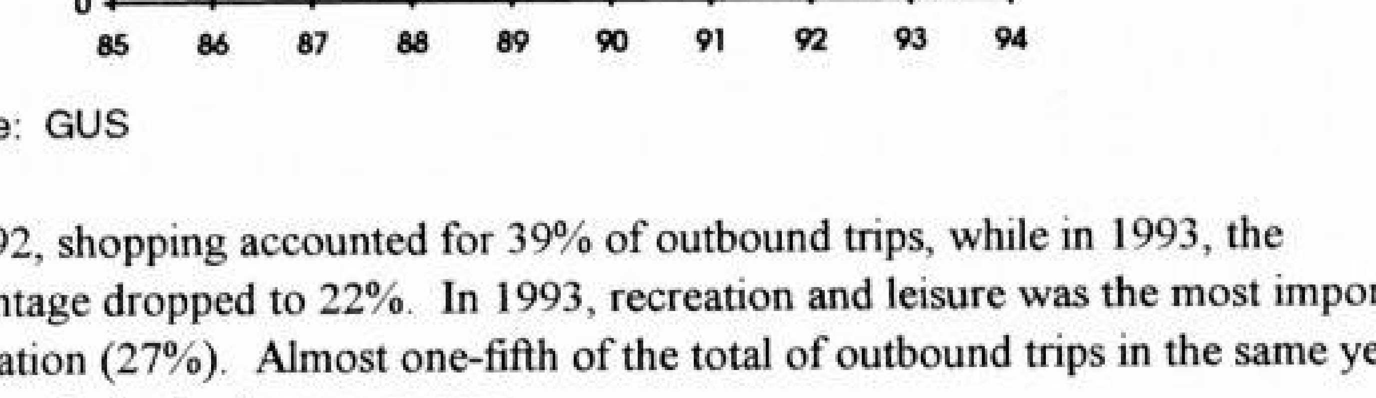
Outbound tourism

Source: *Problems of tourism*, vol. XIII, '90

The number of foreign trips taken by Polish residents has increased dramatically since 1988, but has levelled off over the last two years primarily due to low disposable income and unfulfilled expectations at outbound destinations.

The main destinations of outbound Polish tourists are neighbouring countries, with Germany visited the most (40% of Polish tourists).

Outbound travel by Poles [thousand]



Source: GUS

In 1992, shopping accounted for 39% of outbound trips, while in 1993, the percentage dropped to 22%. In 1993, recreation and leisure was the most important motivation (27%). Almost one-fifth of the total of outbound trips in the same year were made for business purposes.

3,090 billion PLZ annually, or 26% of household tourism expenditure, was spent on outbound travel in 1993. Over the next decade, this percentage is expected to grow to 40%.

Despite the implied adverse effect on the Polish economy that this increase suggests, domestic leisure tourism is still expected to increase from almost 870 million USD to more than 1,600 million USD.

1.1.1.5 Domestic market: Future demand projections

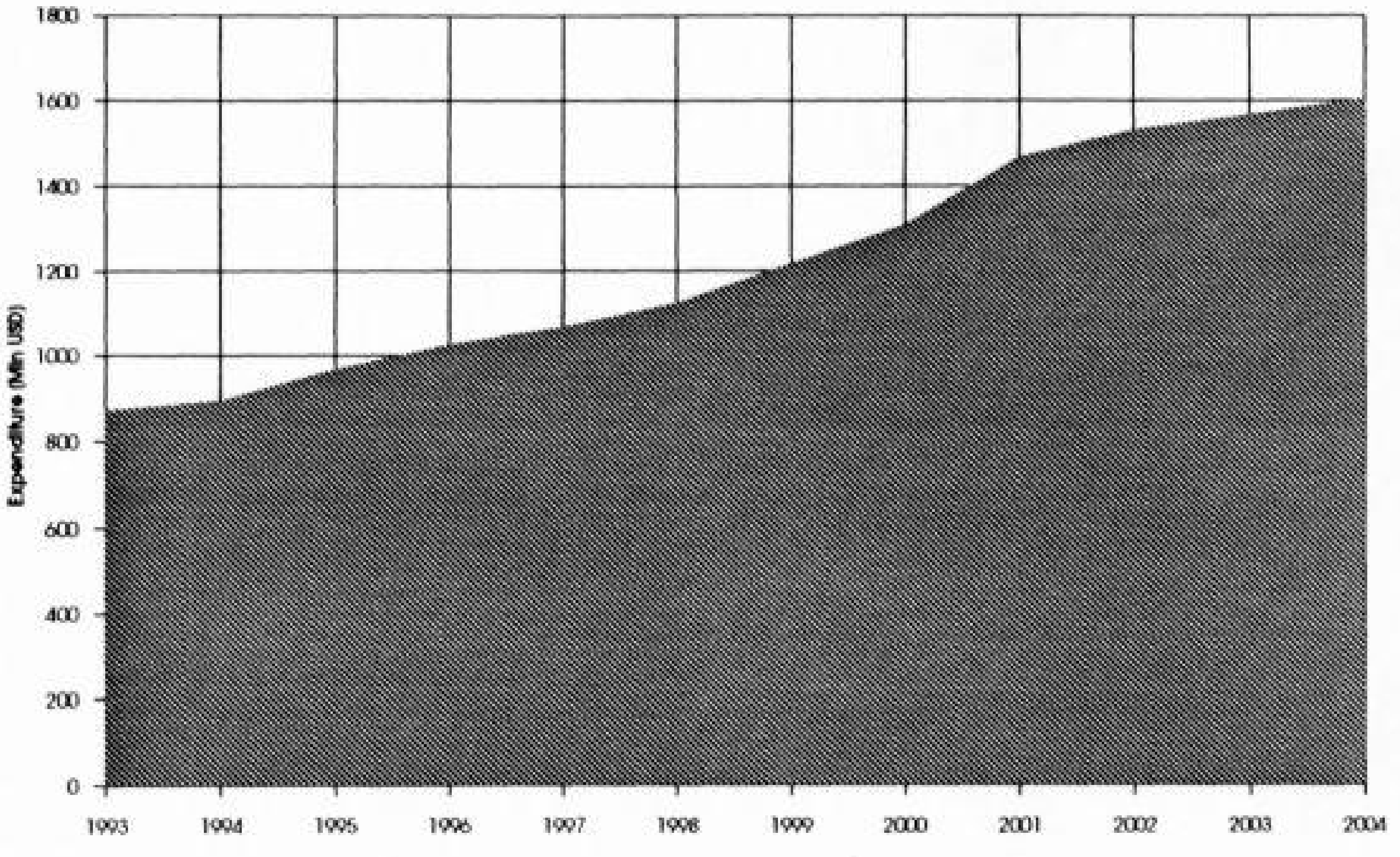
In estimating the future demand potential for domestic tourism, we have used the above source data and applied the following assumptions:

- In the short term, few Polish citizens will yet have the disposable income to consider a foreign holiday as a serious option. Consequently, qualifying tourist expenditure for economic impact measurement is largely restricted to incremental expenditure beyond that which would normally incurred (i.e. food and shopping does not qualify);

- In the medium to long term, as the Polish economy improves, a significant number of domestic tourists will have disposable income large enough to consider a foreign holiday. Consequently, all the expenditure of such tourists will benefit the Polish economy, since it would otherwise have been spent outside the country. We have assumed that the foreign holiday option increases gradually to 50% of domestic leisure tourists by the end of the planning period, with the resulting benefit to the economy arising as a consequence.

The following table illustrates our resulting domestic leisure tourism expenditure projection, including the above effect (i.e. tourists opting to take their holiday in Poland, rather than abroad). It also shows that the potential demand could be expected to double by the year 2004 in the "base case" scenario.

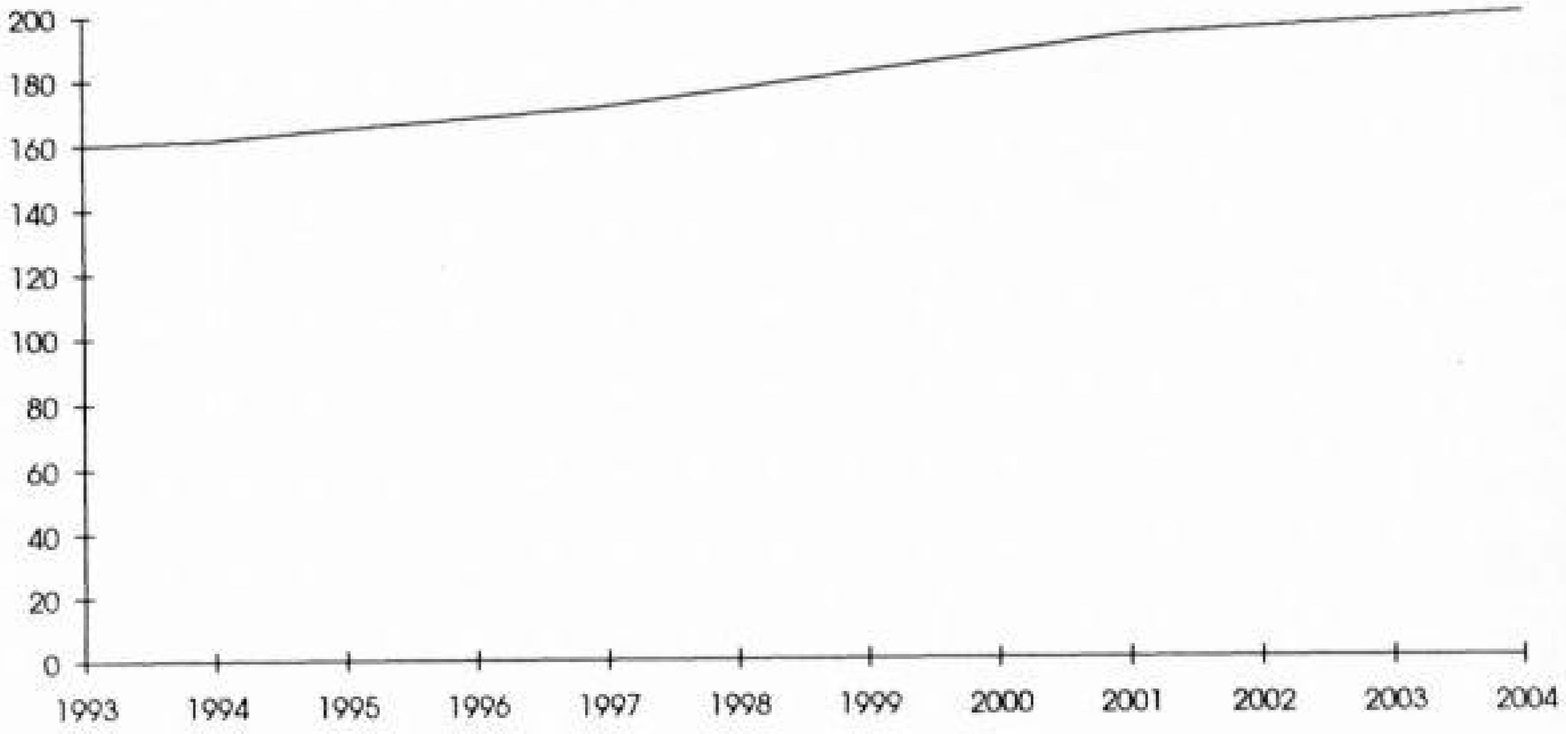
Domestic leisure tourism expenditure [mln USD]



Source: Arthur D. Little analysis

On the assumptions that the holiday participation level will rise from a current 30% to a 55% level, and that the total leisure tourist nights are currently in the order of 160 million a year, we have estimated the number of domestic tourism nights through to the year 2004 as follows:

Domestic tourism nights [mln/year]



Source: Arthur D. Little analysis

On these assumptions, the number of domestic nights does not increase substantially over the period, but the transfer from leisure tourists who stay with friends and relatives to other accommodation is expected to be significant.

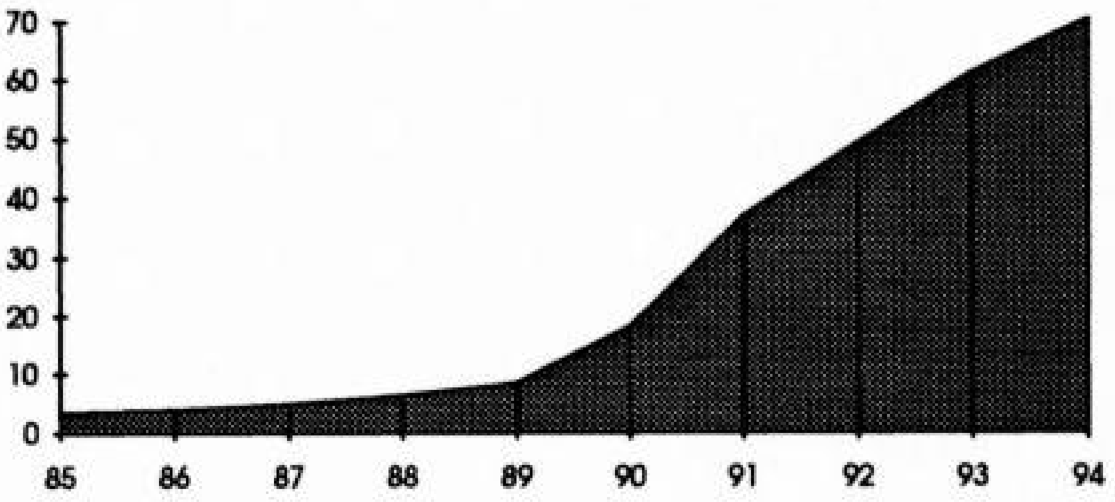
1.1.2 Adjacent and other markets

1.1.2.1 Adjacent and other markets: Current situation

A number of positive changes in tourism have occurred in Poland over the last few years, including currency convertibility, elimination of exchange controls, and a more relaxed visa policy. External factors, such as improved East-West relations and relaxed travel restrictions, have increased the number of arrivals in Poland.

Over the last three years, the number of arrivals has increased by 25% p.a. to reach 70 million, most of which have been day trippers. Estimates on the number of real tourists vary. In 1993, estimates ranged between 10 to 17 million tourists[7].

Total foreign arrivals [mln]



Source: GUS

The Institute of Tourism survey shows that fourteen percent of foreign tourists are of Polish origin.

The main motivation of tourists' visits is the shopping possibilities a cheaper Poland offers. For Germans, visiting friends and relatives and business are also important. For Czechs and Slovaks, holidays are also an important motivation. For non-adjacent countries, holiday and business are the primary reasons for travel to Poland.

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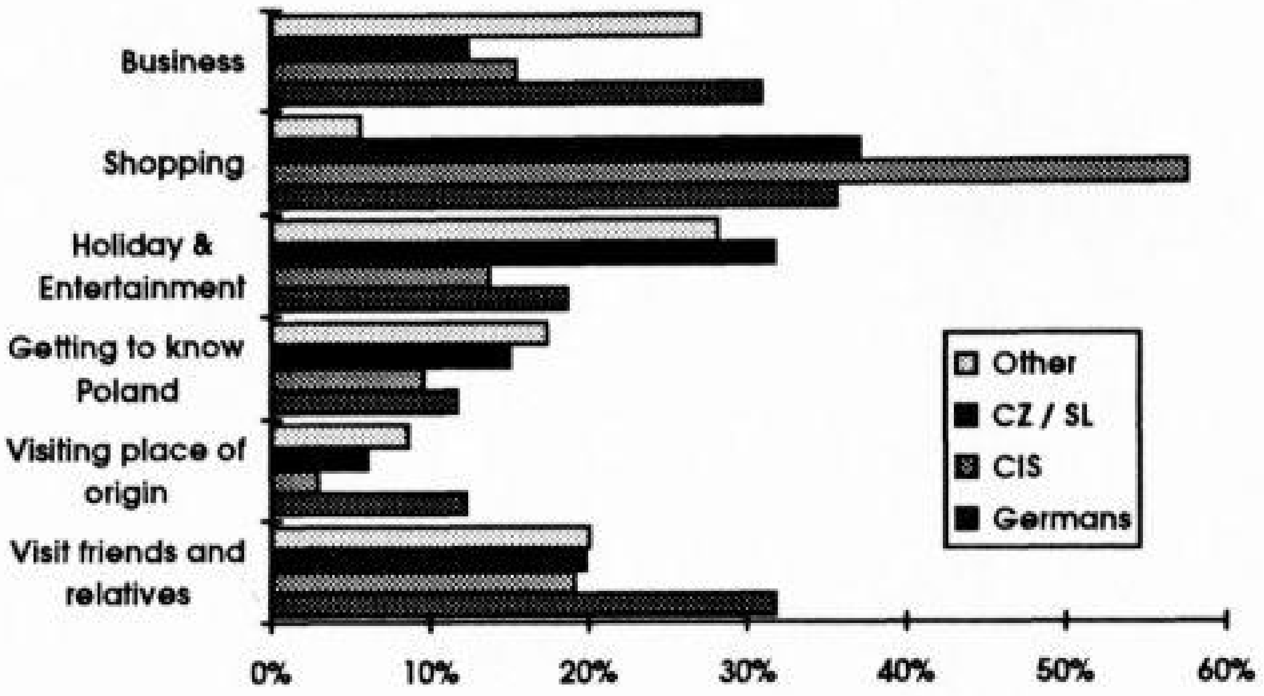
7 17 million, estimated by Institute of Tourism; 10 million, estimate combining tourist surveys and registered accommodation statistics. For the purpose of calculating the impact of tourism on the economy and estimation of future potential, we are working with an estimated number of tourists of 14 million.

Purpose of visits (major motivations only)



Source: Institute of Tourism survey

The length of stay depends on the purpose of the visit:

Motivation	Length [days]
Visiting friends and relatives (VFR)	6.9
Tourism-related	6.0
Root tourism	5.4
Business-related	3.9
Shopping	3.3

The amount of money spent, on the other hand, is influenced to a large extent by the origin of the tourist:

Origin	Daily expenditure [USD]
Russia	98
USA, Canada & Austria	54
Western Europe (without Germany)	42
Germany	19
Ex-USSR (without Russia)	17
Czech Republic, Slovakia, Hungary	12

Day-trippers in general spend more on a daily basis than do tourists:

	Daily expenditure [USD]	
	Day-tripper	Tourist
Germany	45	19
Czech Republic	39	14
Slovakia	22	7
Average	43	28

Source: Institute of Tourism survey

The impact on the Polish economy of day-trippers and tourists is almost the same and represents a total of more than US $4 billion hard-currency receipts in 1993. These figures include spending directly related to tourism, and indirectly related spending like shopping.

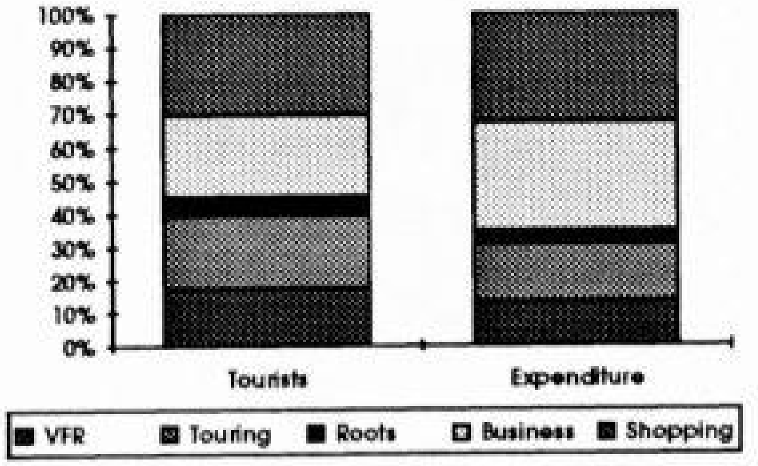
1.1.2.2 Adjacent and other markets: Future trends

A more detailed breakdown of tourist spending has allowed us to estimate future developments.

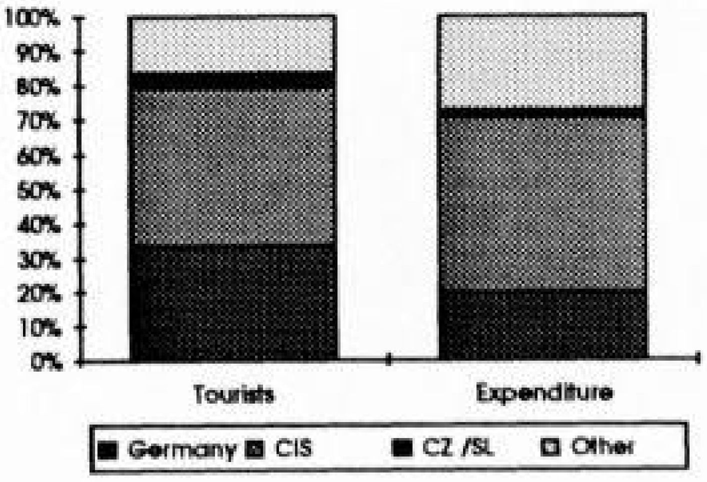
Tourist characterisation

	Germany	CIS[8]	CZ / SL	Other
Number of tourists [mln]				
VFR	0.87	1.03	0.08	0.36
Tourism	0.82	1.23	0.18	0.73
Business	1.00	1.47	0.07	0.66
Shopping	0.98	3.10	0.15	0.10
Root	0.34	0.16	0.02	0.16
Length of stay [night]				
VFR	5.3	8.0	2.6	10.4
Tourism	6.7	4.3	6.2	6.0
Business	3.2	4.3	4.5	4.5
Shopping	3.1	3.3	2.6	8.4
Root	5.5	2.6	8.3	7.0
Expenditure per day [USD]				
VFR	12	18	8	25
Tourism	17	28	11	30
Business	24	62	19	89
Shopping	45	60	24	39
Root	17	28	11	30

Distribution by motivation



Distribution by source market



Source: Arthur D. Little analysis

The number of tourists visiting friends and relatives is assumed to remain relatively stable, while the number of tourists with other motivations will increase quite significantly.

8 Number of leisure tourists inflated by survey due to the stream of CIS 'tourists' coming to Poland for different reasons (work,...) and probably appearing in the VFR category. Around 16% of CIS tourists are believed to be leisure tourists.

VFR may become less important over time, as second- and third-generation Poles living abroad are not inclined to visit Poland as often as their parents. This could negatively impact tourism from the United States especially.

Tourism from Western European and overseas markets, mainly driven by sightseeing, is expected to increase slightly as the curiosity factor continues to work favourably for Poland.

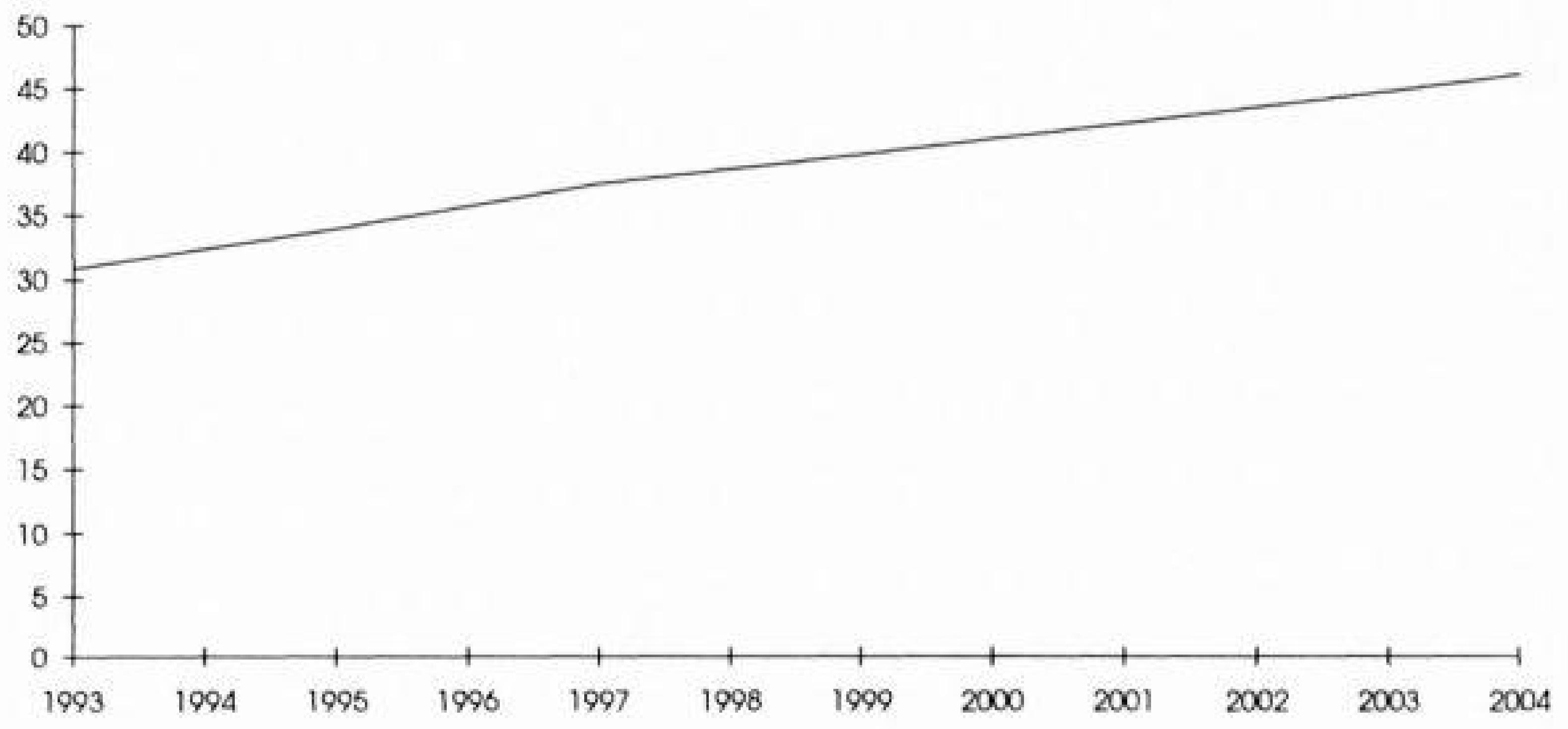
As soon as their economies pick up, tourists from the CIS who currently come to Poland largely for trading purposes, will find internal substitutes, and the number of these tourists will decrease significantly. The number of Western and overseas business people will increase stimulated by the expected positive economic development of Poland.

As prices increase in Poland, the number of day-trippers motivated by value-for-money shopping opportunities will diminish rapidly. Economically-motivated trips will be replaced gradually by attraction-based visits. It is likely that this decrease will be more than compensated for by higher spending on value-added tourism.

1.1.2.3 Adjacent and other markets: Future demand projection

The number of nights spent by international tourist is projected to grow in our "base case" from the current 31 to 46 million nights.

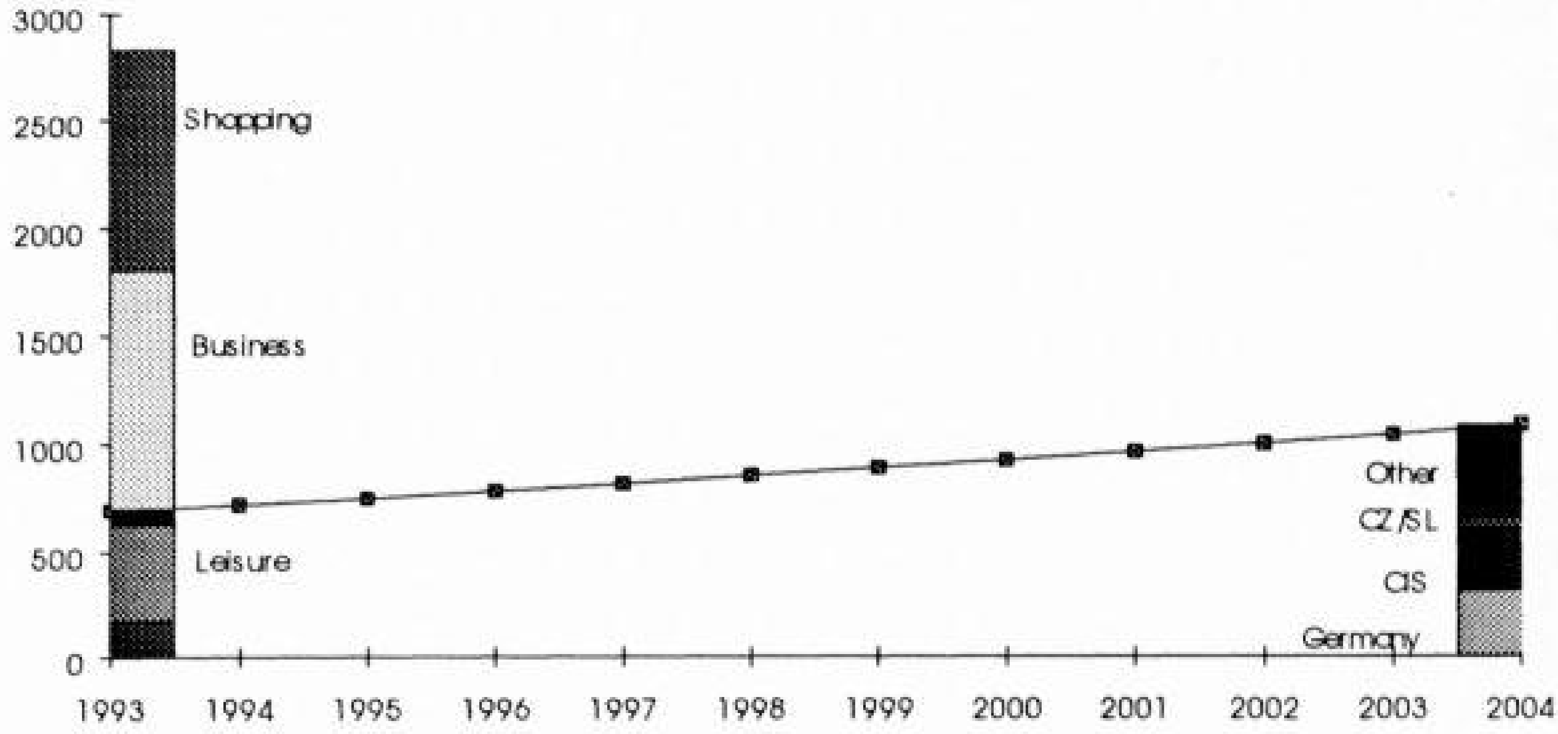
Nights spend by international tourists [mln]



Source: Arthur D. Little

Based on the evolution of nights and money spent, leisure tourism expenditure and its distribution over adjacent source markets is projected as follows:

Evolution of international leisure tourism expenditure [mln USD][9,10]



Source: Arthur D. Little

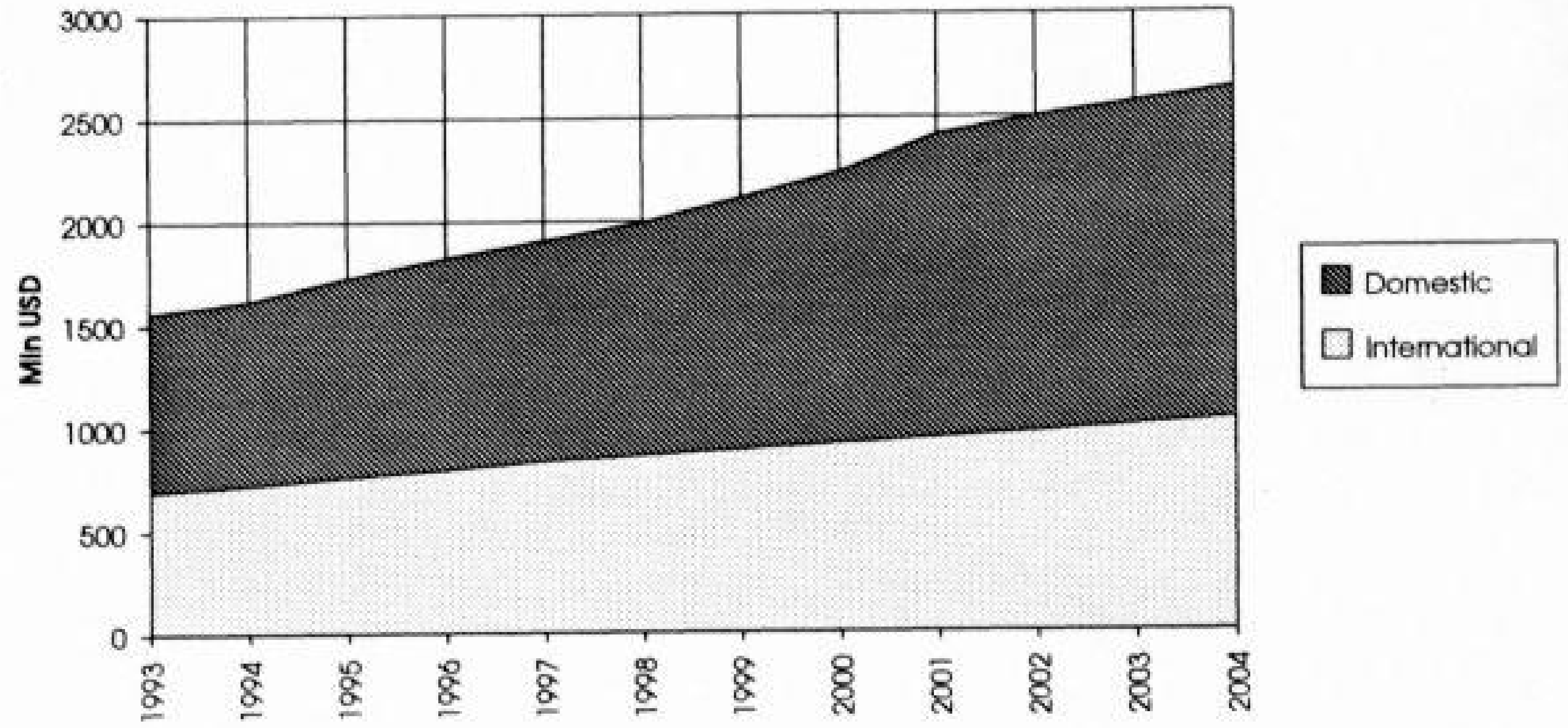
1.1.3 Total demand projection summary

When we combine domestic and international leisure tourist spending, we see that domestic tourists will outnumber international tourists by a factor of four, but that the difference in terms of economic impact will be much lower.

9 For forecasting purposes, we excluded the shopping and business purposes for travel and assumed a natural growth of the leisure segment in the next decade.

10 We assumed that 'real' leisure tourists from the former Soviet Union are fewer than is suggested by the surveys of purpose of visit. Many of those tourists come to work in Poland, but still mention VFR as the main purpose of their visit. Based on the number of tourists coming for Touring only, we estimated the number of leisure tourists from the former Soviet Republic at 1.12 million.

Leisure tourist spending in Poland [mln USD]



Source: Arthur D. Little

1.2 Visitation categories

Having assessed current demand by source market, we have proceeded to spread this demand by holiday type (visitation category). We have not evaluated the business/commercial segment, given the scope of our study. We have done this for the following leisure segments as described below:

- **Sun and beach.** The sun and beach visitation category is the most popular holiday type in Europe. Thirty five percent of all holiday trips fall into this category. In Germany, as a comparable destination 24% of the holiday trips are to a sun and beach destination.

  The sun and beach visitation category is also the most important holiday type in Poland. These trips are the main summer holiday and last for one to three weeks. Our domestic survey showed that almost 30% of all domestic holiday tourists go to the Baltic coast.

- **Touring holidays.** Touring holidays are the second biggest visitation category in Europe. Nineteen percent of all outbound holiday trips fall into this category. In general, touring holidays are not a domestic holiday product, because one of the main motives is sightseeing.

  Eleven percent of all foreigners visit Poland for touring. This is the second most important holiday form for foreigners coming to Poland (after a stay in a city).

- **City tours.** City tours are a growing visitation category in Europe. With 15% of demand, they reflect the change in travel behaviour towards shorter and more frequent holidays.

  Although it is difficult to assess the demand in Poland, our domestic tourist survey suggests 10 percent of demand to cities like Gdańsk, Kraków, Poznań, Wrocław, etc.

- **Recreational holidays.** Demand in Europe for recreational holidays accounts for as much as 16% of holiday trips. This category is differentiated into lakes and forests (10% of European demand) and holidays in the mountains (6% of demand).

  Poland's vast variety of lakes attracts almost 20% of all domestic holiday makers. The mountains, with nearly 10% of demand, are also a significant category.

- **Transient.** The transient visitation category divides into two groups: excursionists and pass-through travellers. Excursionists tend to come to Poland for two hours up to a day, for shopping. Most of the German arrivals (approx. 35-38 mln arrivals) in Poland are excursionists.

  Pass-through travellers are on their way to another destination and are stopping in Poland for a rest or service stop. Although no statistics are available, the number of people who pass-through Poland is thought to be significant and will increase over time.

  Poles travelling to Germany are included in the transient category, because many of them stop at the Polish border to do some last-minute shopping.

The visitation categories are outlined below. See Appendix 4 for further detail.

Visitation categories	Primary Motivation	Natural assets	Facilities	European/ Polish demand
Sun and beach holiday	Water activity Relaxation Leisure Entertainment Light activity	Sandy beaches	- Holiday centres - Hotels - Leisure resorts - Camping sites	35%/30%
Touring holiday	Sightseeing Culture	Cultural attractions and scenic beauty	- Heritage hotel - Motel - Country Resort	19%/n/a
City tours	Culture Shopping Leisure Entertainment	Attractive architecture and cultural life	- Budget Hotel - City hotel - 2 star - City hotel - 3 star	15%/10%
Recreational holidays - Lakes and country side	Water activity Relaxation Leisure Light activity Special interest	Lakes, forests, attractive natural surroundings	- Holiday centres - Leisure Resort - Marina resorts - Health Spa - Camping sites	10%/20%
Recreational holidays - Mountains	Special interest Relaxation Leisure	Mountains, attractive beautiful scenery	- Holiday centres - Leisure Resort - Marina resorts - Health Spa - Camping sites	6%/10%
Recreational holidays - Snow	Relaxation Leisure Ski/snow sport	Mountains, attractive beautiful scenery Ski-trails	- Ski Resorts	5%/4%
Transient - Pass-through - Excursionist	Shopping Entertainment		- Motorway Motels - Trucker Motels - Retail/Leisure Hotel Centre	n/a

1.2.1 Distribution of tourists by visitation category

We distributed domestic and international tourists into visitation categories to provide a more accurate view of the size of the different categories. The information resulting from this distribution will help direct product development programmes.

Domestic tourists were also distributed by region of origin. Poland was divided into six regions: North-West, North-East, Central-West, Central-East, South-West, and South-East. International tourists were also distributed by origin market: Adjacent East, Adjacent West, Western European, and Overseas.

In both cases, excursionists were not included. Figures are represented in thousands of tourists.

The results of this distribution are very much in line with our domestic survey and research. Recreational and sun and beach visitation categories are the most popular for domestic tourists, and the city tour category is the most popular among international tourists.

Tourist distribution: visitation category / origin
Domestic

	Sun/Beach	City Tour	Touring	Lakeside	Mountain	Snow	Pass Through	Excursion	
North-West	404	97	41	350	250	197	0	0	1340
North-East	205	49	21	183	127	101	0	0	686
Central-West	629	165	72	599	458	350	0	0	2273
Central-East	1246	324	145	1208	962	712	0	0	4597
South-West	810	229	100	802	713	521	0	0	3176
South-East	763	242	102	808	781	570	0	0	3265
	4057	1107	482	3950	3290	2451	0	0	15337

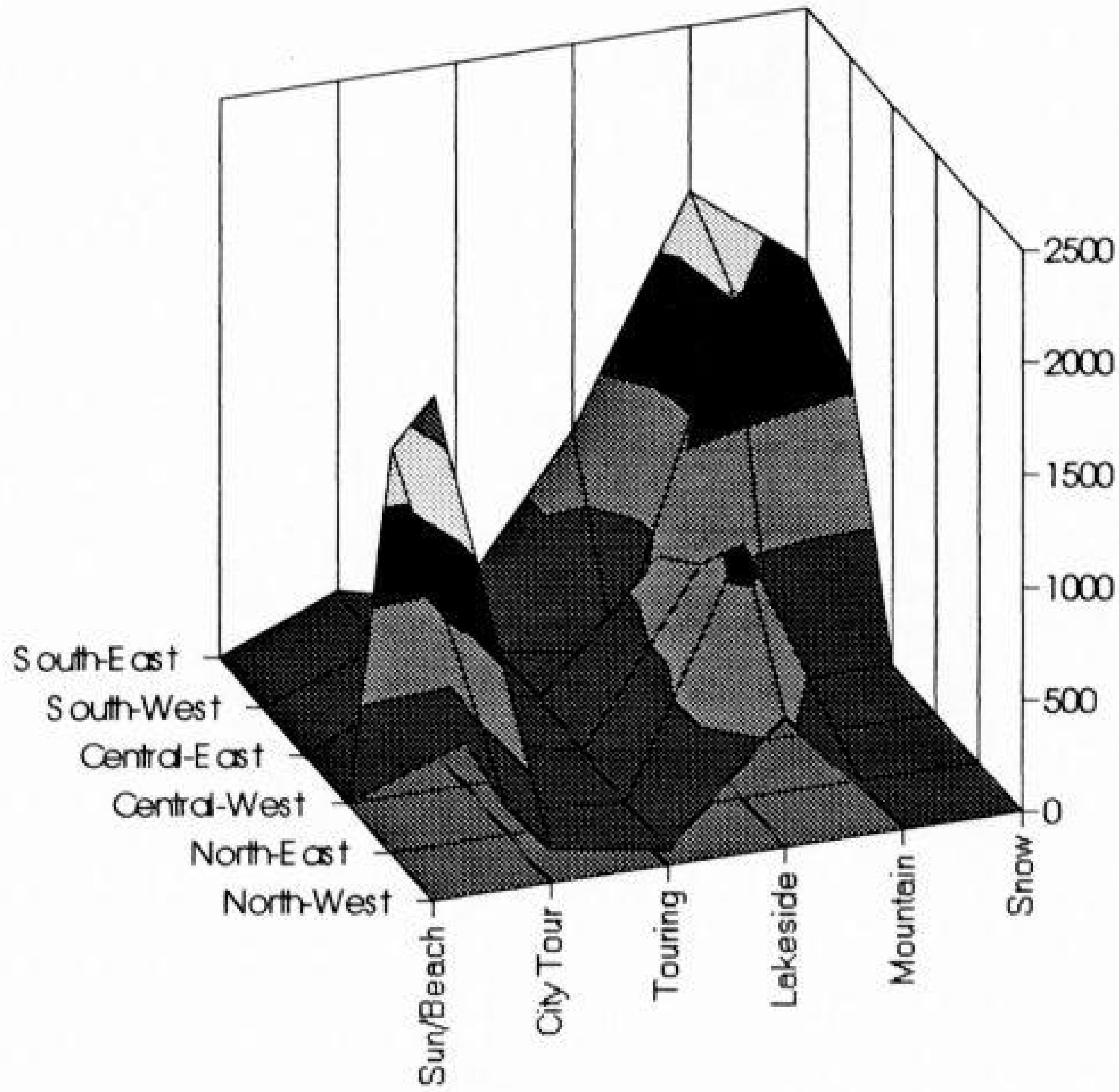
Tourist distribution: visitation category / origin
International

	Sun/Beach	City Tour	Touring	Lakeside	Mountain	Snow	Pass Through	Excursion	
Adjacent East	142	315	335	198	71	74	264	0	1400
Adjacent West	256	550	585	327	126	130	125	0	2100
European	84	377	232	139	55	31	81	0	1000
Overseas	12	102	41	29	5	8	4	0	200
x	0	0	0	0	0	0	0	0	0
x	0	0	0	0	0	0	0	0	0
	493	1345	1193	694	257	243	475	0	4700

1.2.2 Distribution of tourists by visitation category and region

We distributed tourists by region as well as by category, in order to support regional planning development. This distribution also illustrates the relative importance of tourism in different regions. It does not take regional capacity into account and therefore results should be interpreted cautiously.

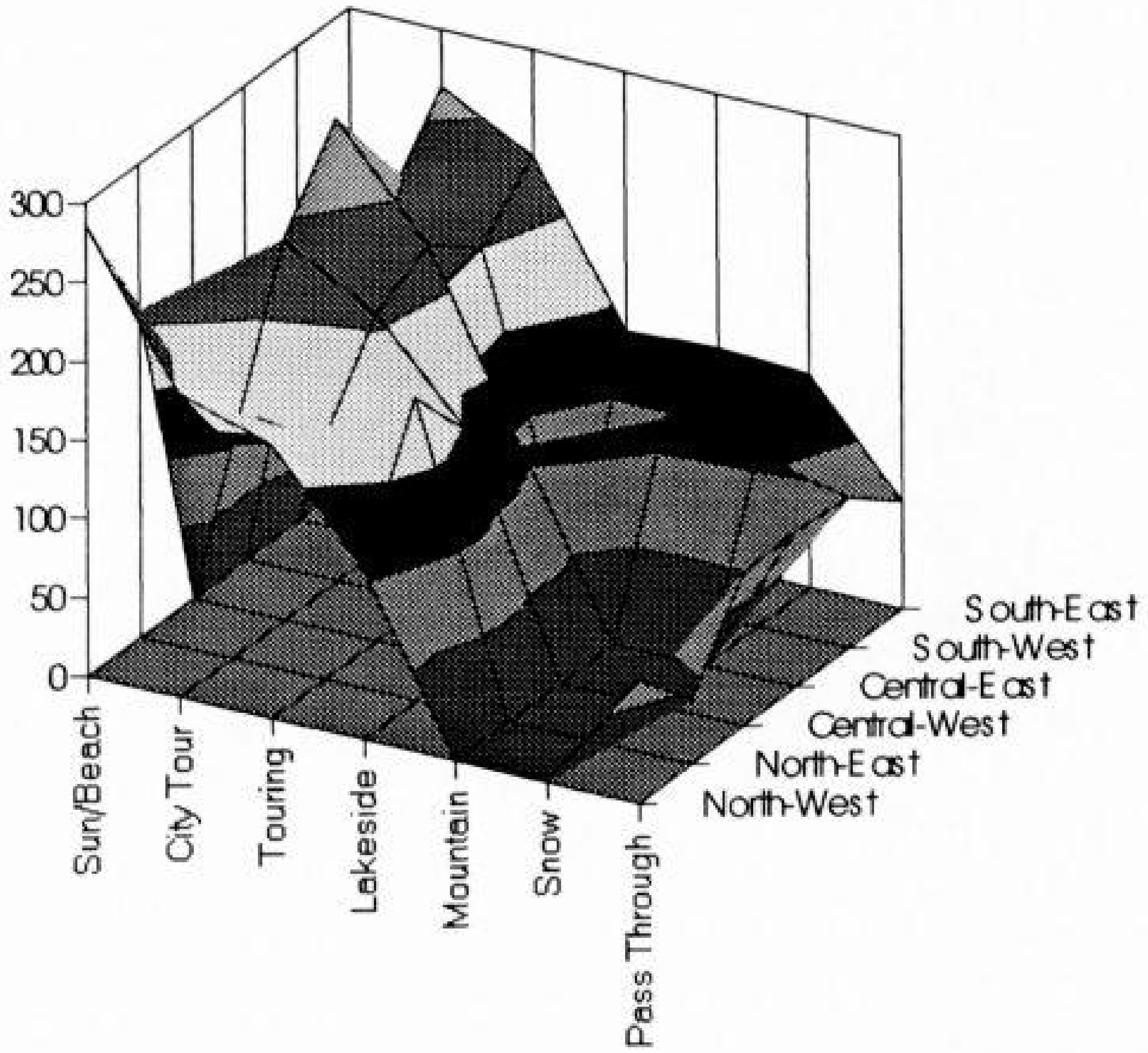
Distribution of domestic tourists by target region



Source: Arthur D. Little distribution model

Domestic tourists primarily visit the South-East region for recreational holidays. The Central-West and Central-East regions are considered by domestic tourists to be much less attractive.

Distribution of international tourists by target region



Source: Arthur D. Little distribution model

International tourists are fairly equally distributed among the six regions. City tours are the primary visitation category of interest to them.

See Appendix 10 for more details of the model used and results obtained.

1.3 Interpretation

The previous analysis demonstrates leisure tourism demand **potential** for Poland:

- what might be expected from domestic tourism if increased disposable income was channelled into tourism demand;
- a "natural" share by Poland of increased demand from international tourism.

This represents what might be achievable if there was no constraint of availability of suitable infrastructure and other support facilities, and assuming no significant new strategic initiatives by Government.

Under the assumptions used in the "base case", total leisure tourism spending can be expected to rise from just over USD 1.5 billion in 1993 to some USD 2.6 billion by the year 2004 -- equivalent to an increase of more than 4.5 % p.a. This projection for leisure tourism compares with the Government's objective of 3% p.a. growth and total expenditure of tourism (i.e. including leisure, business and shopping) of USD 4.7 billion by 1999 (see page 2 of this report).

In practice, there may prove to be "supply side" constraints (facilities, infrastructure, service training, etc.) which would limit such a theoretical potential being achieved. So a pro-active strategy by Government as outlined in the rest of the report will, in fact, be required to realise this theoretical potential.

1.4 Strategies for tourism demand planning

As illustrated in the above analysis, there is a serious lack of reliable industry data on which to develop tourism plans.

We suggest that the Institute of Tourism seeks the necessary additional funding for a project to establish a reliable statistical base and associated data collection system for tourism demand planning purposes. Objectives would be to work with GUS on a more suitable breakdown of statistics, to streamline data collection procedures, and to develop rational indices of adjustment to available statistics, based upon sampling exercises.

2.0 Development of tourist attractions

In this chapter, we review the tourism assets of Poland, assess how they are currently managed, and propose strategies for the Government to pursue to ensure that tourism attractions are exploited in the country's interest.

2.1 Strategic context

In preparing a National Tourism Product Development Plan, it is important to remember that products offered to tourists must be articulated around attractions that are worth visiting. Tourists do not visit hotels -- they visit attractive areas, for sightseeing, recreation, special interest, or relaxation.

For Poland to compete for tourists successfully, the country must make customers aware of the attractions it has to offer and put in place measures to ensure that attractions are upgraded, maintained, protected and made 'user friendly'.

As illustrated in Appendix 3 to this report, Poland is blessed with a wealth of tourism assets. Attractions are of the following types :

- Natural, including mountains, forest, lakes, natural parks and coast line;
- Man-made, such as castles, churches, monuments and buildings of historic interest;
- Cultural, including national folklore, handicrafts, art, literature and music, made available in museums, at craft fairs, special festivals, or other cultural events;
- Special interest, covering a multitude of locations where tourists can experience sport or adventure, practice hobbies or special interests, taking advantage of the country's natural assets.

One of the challenges that Poland faces is how to ensure that the desires of the Ministries of Environment, National Resources and Forestry, and Culture and Arts, which are responsible for the protection of the country's natural and man-made assets, are reconciled with the wider economic development interests of the Government, achieved partially through the development of tourism. We address these issues in this chapter.

2.2 Review of tourism attractions

The project team evaluated tourist attractions in Poland by type, i.e. natural, historic, cultural, and special-interest/activity. Based on work done by the Institute of Tourism and others, 27 areas and more than 100 localities, including the main cities, can be classified as attractive tourist locations.

(It was not part of our mandate to conduct an independent evaluation of tourism localities and to assess their potential for tourism development. Consequently, we have used the Institute of Tourism evaluation as the basis of our work.)

Eleven lakeland, six mountain, and five coastline tourism areas have been defined. Most locations have typical rest and holiday features (see Figure 5 against the numbering and legend below). Appendix 3 presents attractions within the broad categories in greater detail.

- Coastline areas, for example:
  - Szczecińskie : the Szczecin Bay, Uznam and Wolin Islands, part of Trzebiatów Coast and Wkra Forest (1);
  - Koszalińskie : part of Słowińskie Coast and Lakes Jamno, Bukowo, Kopań (2);
  - Słupskie : part of Słowińskie Coast (listed in the World Biosphere Reserve) and Lakes Łebsko, Gardno (3);
  - Helskie : Hel sandbar (4);
  - Elbląskie : Wisła sandbar and Wisła Bay and Elbląg Height (5).

- Lakeland areas, for example:
  - Lubuskie : Łagowskie Lake District and Rzepin Forest (6);
  - Sierakowskie :Międzychód-Sierakowskie Lake District and Noteć Forest (7);
  - Drawskie : Lake District and Drawski Forest (8);
  - Charzykowskie: Lakes Charzykowskie and part of Bytów and Krajeńskie Lake Districts (9);
  - Kaszubskie : Lake District and so-called Kaszubian Switzerland (10);
  - Tucholskie : Koronowskie Lake, Brda, Wda rivers, and Tucholskie Wood (11);
  - Iławskie : Brodnica and Iława Lake Districts and Elbląg Canal (12);
  - Olsztyńskie : Lake District and the forest in its vicinity (13);
  - Mazurskie : Great Mazurian Lakes, part of Mrągowo Lakes and Borecka and Piska forests (14);
  - Augustowskie : Wigry Lake and Augustowskie lakes and forests (15);
  - Gnieźnieńskie : Gniezno Lakes with Gopło Lake (18).

Figure 5

Areas of high natural attractiveness

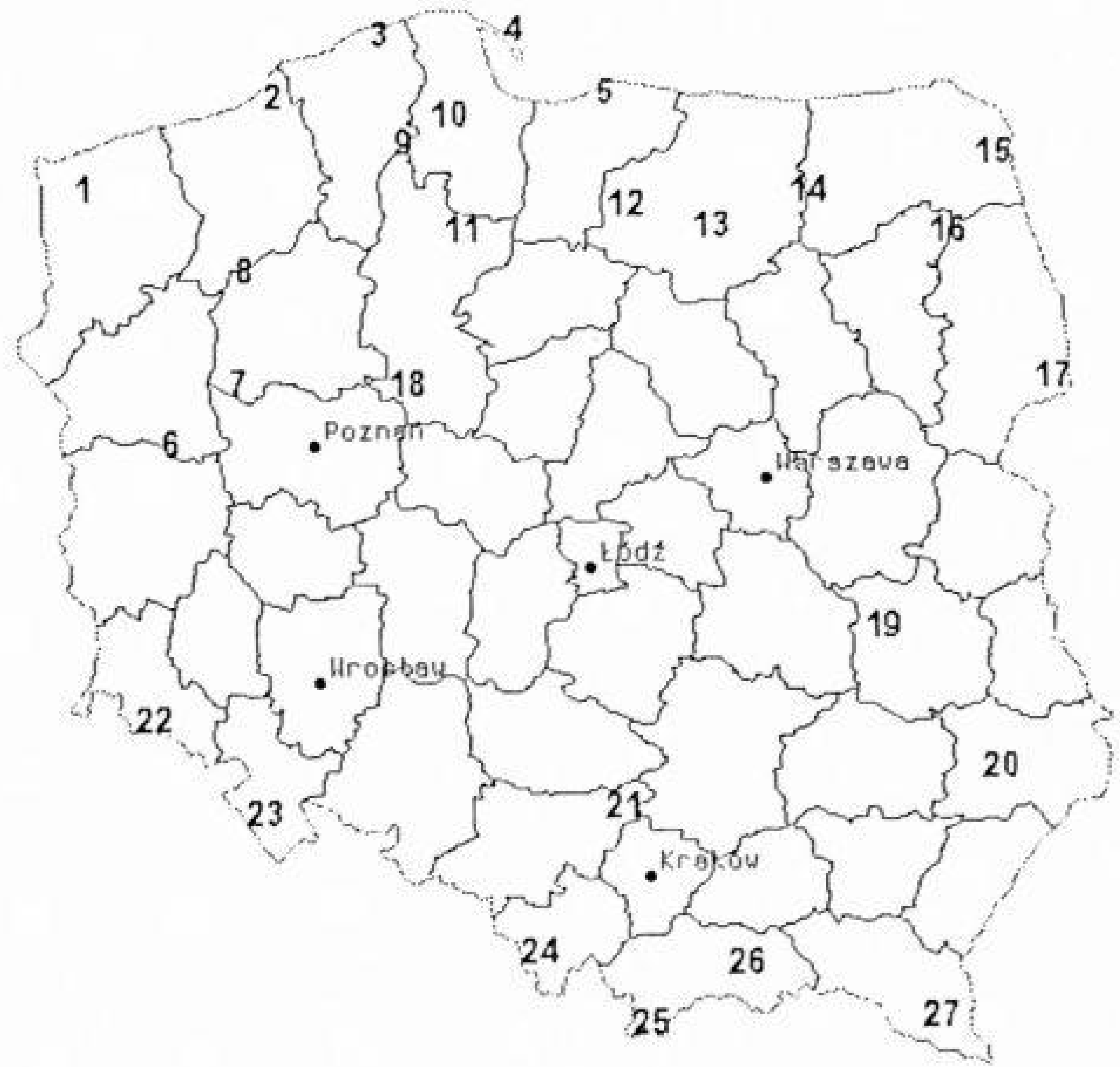


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Figure 5

Areas of high natural attractiveness

- Mountain areas, for example:
  - Jeleniogórski : Karkonosze and Izerskie Mountains and Jelenia Góra Valley (22);
  - Kłodzki : Kłodzko Valley, Śnieżnik Mountain and Bialskie, Stołowe, Złote Mountains (23);
  - Żywiecki : Beskid Żywiecki and Babia Góra Mountain (24);
  - Zakopiański:Tatras and part of Podhale (highlanders' area) (25);
  - Sądecki : Beskid Sądecki, Gorce and Pieniny Mountains (26);
  - Bieszczadzki : Bieszczady Mountains and Solina Lake (27).

- Other areas, for example:
  - Białowieski : Białowieża Wood, including Białowieski National Park (listed in the World Biosphere Reserve) (17);
  - Biebrzański : Biebrza River and its vicinity (16)
  - Kazimierski : vicinity of Kaziemierz Dolny and Nałęczów (19);
  - Zamojski : Roztocze and Solska Forest (20);
  - Jurajski: Kraków-Częstochowa Upland and Trail of "Eagle Nests" (a number of castles) (21);
  - Świętokrzyski: Świętokrzyskie Mountains and region (28).

In addition to these natural areas of high tourism potential, there is also a multitude of city/town locations and monuments of high tourism potential. These are listed in the Institute of Tourism report and are summarised in Appendix 3.

2.3 Tourism assets not recommended for exploitation

Some activities that can exploit Poland's natural assets we believe should not be actively promoted. These include hunting and mass-market tourism.

2.3.1. Hunting

Poland has large isolated and wild areas with abundant game and birdlife of significant interest to the international hunting community. If correctly managed within well controlled national parks, hunting can be a useful generator of foreign visitors; Kenya, Zimbabwe and Botswana have developed healthy tourism segments around hunting. However, Poland does not have the same type of game, and many of the species that are of interest to hunters, such as bison and deer, are potentially endangered, which may prompt environmental protection initiatives.

Consequently, we believe that there will be a negative impact on Poland's tourism image if hunting were actively developed.

2.3.2 Mass-market tourism

Apart from the Baltic coastline, Poland does not have tourism assets which lend themselves to international mass-market package holiday tourism. The Polish authorities should resist the temptation to encourage international mass-market tourism, since this presents low economic value-added potential, and can generate significant social problems. However, the Baltic coastline could and should be developed for budget holidays for domestic tourists. As defined in the action plans of this report, we believe that ski/mountain resorts should be developed for local domestic tourism and high-value international tourism (i.e. not targeted at international mass-market package holiday-makers).

2.4 Strategies for attractions

We have reviewed the well-developed but complex system for environmental and monument's protection, the result of which are presented in Appendix 4. We develop below strategies for an effective and sensitive exploitation of the national heritage through tourism industry development.

In most cases, attractions cannot be exploited directly in any commercial sense. For example, if museums or historic buildings charge an entry fee, this entry fee can only be a contribution to operating costs. Consequently, the upgrading and successful maintenance of attractions is a primary role for the Government.

The following strategies are targeted at national and regional levels of the Government, with the objective of ensuring that the goals of the Ministry of Environment, Natural Resources and Forestry and of the Ministry of Culture and Arts, to protect the country's national heritage, are reconciled with those of the SSTA, which seeks to develop tourism in a sustainable way.

2.4.1 High-level Government policy and planning committee for tourism

We recommend the establishment of a high-level inter-departmental committee on tourism attraction development. This committee should be made up of senior executives of the State Council of Nature Protection (acting for the Minister of the Environment, Natural Resources and Forestry), a high-level official from the State Service for the Protection of the Monuments, an official from the Ministry of Transportation, and any other department involved in the potential development of tourism. This committee should meet at least quarterly under the chairmanship of the Deputy Minister for Tourism at the SSTA, which would function as the secretariat of the committee.

Matters that would come under the remit of this committee would include:

- Agreement on the selection of national parks, nature reserves, landscape parks and other protected territories in the country, having a high potential for tourism development. This selection will need to be made based on the high potential tourism products described in Chapters 3 and 4 of this report. The objective of this selection would be to make a list of locations of high tourism development potential.

- Design of a development policy, incentive and grant-aid regime for high tourism development potential areas. The intention here would be to secure agreement from the Council of Ministers on a special package to develop these areas in a sustainable and environmentally-friendly manner.

- Review of financing and other policy proposals put forward by voivodships for the use of Government grant aid money for small infrastructure projects within these areas, including, for example, walking trails, cycle tracks, picnic areas, campsites, and sign-posting initiatives. Similarly, for monuments, agreement on the listing and ranking of buildings and other cultural assets with a high tourism development potential and development of a special package of incentives and grant aid administered in a manner similar to that described above. The committee would act as the final decision-making authority for proposals within these areas.

- Review and development of appropriate policy measures related to big and long-term projects like Olympic Games Warsaw 2012. This idea merits particular attention of the Committee because it generates initiatives all around the country and will big impact on tourism infrastructure development. The additional important element of this idea is that Warsaw is the only capital in Europe which has a big river with natural banks and unique greenery. This natural scenery would be preserved and would integrate sport arenas and related facilities. The idea of "The Games Within Nature" goes along the lines of the proposed brand image of Poland as "The country of outstanding and unspoilt natural attractions with a unique historical and cultural heritage at the crossroads of Europe".

- Acting as the internal Government lobbying committee, ensuring that all policy makers within the Cabinet, the Ministry of Finance and the Central Planning Office recognise the importance of tourism for economic development, based on economic impact analysis (methodology described in Chapter 5 of this report).

At voivodship level, the committee representatives would act in a similar way. The vast majority of monuments, local parks and reserves come under local control, so the functions described for the national committee need in many cases to be replicated at local level, with attention to the implementation of policies agreed at national level.

2.4.2 Funding for the upgrading and maintenance of priority attractions

We recommend that the Government initiate a programme to secure funding from international and national aid agencies and foundations around the world with an interest in the protection and upgrading of areas of environmental interest and monuments and buildings of historical interest. We believe that, so long as the Government is able to demonstrate that it has done its homework and that the monuments and parks have intrinsic cultural or environmental value as well as potential for economic development through tourism, these organisations may make significant amounts of funding available.

We suggest that the possibility of development of such financial resources be considered in the next programme of technical assistance under the EU PHARE programme.

2.4.3 Monuments with the potential for conversion for tourism use

Monuments with conversion for tourism potential use fall into two categories:

- Those that merit upgrading and conversion as attractions that tourists will pay to see. These will include castles, palaces, religious shrines and other buildings or locations of world-class historical or cultural interest.

- Buildings of secondary cultural or historical value, but located in areas of outstanding beauty. These can be converted into hotels, conference centres or other tourism facilities. The SSTA should draw up a complete list of such buildings around the country, in close co-ordination with the tourism authorities in the voivodships.

  A central register of these buildings would act as a "one-stop shop" for domestic and international facility investors and operators. This register needs to be agreed and "signed off" by the Ministry of Arts and Culture and the SSPM and include clear criteria and constraints to determine the conversion of these buildings.

We suggest that PART be responsible for the administration of this register and for the promotion of these facilities to foreign investors.

In Appendix 6, defining Representative Facilities Development Plans, we develop in more detail the concept of the heritage hotel based upon such historical buildings, which we believe has good developmental potential.

2.4.4 Upgrading of museums

One of the main cultural assets that Poland possesses is its museums. Nearly every town that the Arthur D. Little project team visited boasts a museum; many of them are not "user-friendly", presenting standard, old-fashioned exhibitions of artefacts in showcases, with little or no explanation of their historical interest.

On the other hand, Poland has extremely good tourism guides, whose local knowledge about a city and surrounding area, as well as the contents of museums, is well developed. The challenge is to marry this knowledge and expertise with a more attractive and "user-friendly" museum product across Poland.

We believe that an initiative for the upgrading of museums could have rapid impact on tourism development, not only with domestic visitors but also international tourists, as part of a wider visitation experience. Of the 550 museums across the country, at least 30 are of significant interest and importance (see Appendix 3). We have identified three categories of museum which merit an upgrading and developmental strategy:

- Small local sites, such as churches, shrines or castles, which merit the addition of a small museum or visitation centre. There is a multitude of localities across the country, most of which do not have such facilities, where local initiatives could yield rapid and impressive results.

- Medium-sized museums within regional centres, based on general local interest or themed in some way. Such museums include the Clock Museum at Jędrzejów, the Museum of the Sea in Gdańsk, the Papermill Museum in Duszniki, the Oil Industry Museum at Bóbrka, the Agriculture Museum at Ciechanowice, the Beekeepers Museum in Swarzędz, and the Canal Engineering Museums at Elbląski and at Augustowski. Major regional centres also have significant regional museums.

- Large national museums and museums of international interest, including the national museums in Gdańsk, Kraków, Szczecin, Poznań, Warszawa and speciality museums such as the Wawel Castle and the Czartoryski Museum in Kraków. The Holocaust Museums at Majdanek and Oświęcim are of significant interest to the Jewish community and others interested in Second World War. Also in this category are museums at significant religious shrines in Częstochowa, Gniezno, Lublin and elsewhere. These abbeys and churches are museums, and need to be identified as such.

We believe that an interesting approach to be developed by the Ministry of Culture and Arts, in close co-ordination with the SSTA through the inter-departmental committee described previously, would be to use modern interactive learning technology (computers, video and audio tour libraries) as a basis for upgrading the museum experience. We have consulted one of the leading firms in this field, Edwin Schlossberg, Inc. of New York City, whose ideas and concepts are explained below, as to the potential that could be developed. We recommend that the Government consult this company or similar organisations to develop the following ideas.

2.4.4.1 Small museums

Since the physical character of small museums and landmark sites should be retained, we recommend that such venues be enhanced through software only. We recommend audio and video tours through such museums, visitation centres or historical sites using cassette players or video "Walkmans".

These tours would give the history of the institution or the locality and direct visitors' attention to interesting artefacts and sights. Tour materials could be developed locally and used as promotional spots for radio and television and for interactive kiosks within Cultural Heritage Centres (see Chapter 4 and Appendix 6, where these locations are developed in some detail).

The cost of upgrading small museums would be relatively small, since it will be limited to up-front investment in the cassette players or video "Walkmans" and audio or video cassettes. Such equipment would be hired by the visitor, or given free upon payment of a returnable deposit.

2.4.4.2 Medium-sized museums

Museums of medium size offer many opportunities for upgrading through physical improvements, as well as in other ways that do not require investment. The following sequence of recommended actions goes from the modest to the more ambitious in terms of developing a museum strategy, and would require the Government to conclude a contract with a specialised organisation to ensure that the development plan was sensibly prepared and the implementation process was correctly carried out.

We suggest that the development and reorganisation of selected medium-sized museums include :

- A video or audio tour facility (similar to that for small museums).
- An orientation theatre within the museum on the history or orientation of the museum, perhaps supported by satellite theatres located around the periphery that would deal with specific themes.

- Interactive kiosks using computer-based software and a digitalised database of the museum's collection, with text, identification and registration information, and photos for each object. The software on screen at such kiosks would be interactive and permit visitors to discover which subjects/objects interest them on a simple menu-based system.

- Physical redesign and reorganisation of museums, using modern technologies and interpretive methods. In effect, this would mean either a completely new museum within a shell or a substantial retrofitting of an existing building. Methods of reorganising a museum would depend upon the museum's subject and collection. From experience, the best method for organising a museum is to create a context that supports or illuminates the museum contents for visitors. Some examples include:

    - Process; as in a factory;
    - Chronology; for example, by historical period;
    - Setting; for example, home, shop, church, etc.;
    - Political or geographical region;
    - Discipline; for example, archaeology and medicine, architecture or art.

- Development of a nation-wide Museum DataNet system, based on individual databases, to facilitate inter-museum loans and travelling exhibits, and to provide information for interactive kiosks at Cultural Heritage Centres. Database materials could be used for media broadcast and to create videos and CD-ROM programmes for promotional and educational purposes.

2.4.4.3 Large museums

From our experience, one of the problems with large museums is that the visitor finds it difficult to assimilate the quantity and variety of information on display. The critical first task is to conceptually divide the museum into "mini-museums", each focusing on a particular subject or discipline. A typical large museum could be divided into an art wing, a history wing, a technology wing and a natural history wing, each with its own character. Each wing would then follow the progression of upgrading and improvement actions outlined for medium-sized museums.

In summary, we strongly recommend that the Government initiate and seek dedicated funding for the development of a detailed museum strategy. Upgrading such facilities into modern visitation experiences can be expected to have a significant impact on nearly all the product groups described in Chapters 3 and 4 of this report.

We also believe that international aid organisations and foundations in North America and elsewhere would be interested in funding a sensibly planned programme.

2.4.5 Register of locations with potential for "special interest" tourism

As described previously in this chapter and developed in more detail in Appendix 3, a great number of attractions around Poland have been developed at least partially for a wide variety of special-interest applications. A number of special-interest industry associations have been created, targeted mainly at domestic users, to discover and use these facilities. This "demand side approach" needs to be supplemented by a "supply side approach" -- developing an inventory and register of sites across the country (both natural and man-made) with potential for development into special interest locations for domestic and foreign visitors.

We recommend that the SSTA take the initiative through the new inter-departmental committee described earlier in this chapter in developing such a register and, thereafter, supply industry associations with necessary site data; identify what small infrastructure projects need to be put in place to facilitate access and usage of such sites; secure funding for the development of such infrastructure along the lines described above; and encourage the creation of new industry associations for sites with special-interest application.

It is important to remember that whilst the number of tourists exploiting a special-interest site may be small (these tend to be niche markets), the marketing and promotion of such sites within the broader brand management programme of Polish tourism (see Chapter 4) will be an important element in Poland's positioning in the industry. A wide variety of special-interest opportunities will promote the Polish tourism brand in terms of "greenness" and variety of experiences.

We also recommend that the SSTA identify a limited number of sites with a potential for world-class exploitation, particularly in the field of special-interest sports, e.g. canoeing runs, cross-country skiing itineraries, or rowing routes. One of the best ways to put Poland "on the map" is to develop such locations into world-standard facilities and then run international competitions attracting widespread media and competitor interest.

2.4.6 National and regional heritage signposting programmes

Poland has a wealth of natural and man made attractions, some of which may be known only to special interest groups or may be accessed only by specialised tour guides. It will be important to facilitate the discovery of these national tourism assets through a systematic signposting programme.

Signposting needs to be planned in a co-ordinated fashion by the SSTA, but implemented by the voidvodships. It would need to be implemented on a number of levels:

- City heritage walking trails. Such trails would typically be themed historical locations of interest, either following coloured lines on pavement or signposts, with occasional panels describing the particular site the pedestrian is passing. They could also include plug-in interactive audio and video "Walkman" facilities at various stages, so that the visitor could discover the experience in more detail. We believe that a number of such heritage trails could and should be developed in cities such as Kraków, Wrocław, Poznań, Warsaw and Gdańsk.

- Heritage trails for motorists. An excellent example of the potential for these would be this is the Piast Dynasty Trail starting from Gniezno. Motoring trails would include clear signposting, together with simple route planning and information booklets from local information officers. The objective would be to provide a motorist with a touring and discovery experience based on sites and buildings along a historical theme.

- Signposting for transient motorists. Such signs would be highway or main road indicators of cities or other attractions off the main highway which might stimulate the motorist to break his/her journey. More importantly, such signposting might include "green routes" off the main highways which would enable motorists to discover the Polish hinterland on secondary roads. Green routes signposting would include "green facility" signposting along the way, identifying a limited number of hotels or catering establishments along a heritage theme, offering a pre-defined and well-controlled level of quality and service.

- Building plaquing. A limited number of historic buildings in Warsaw and Kraków, for example, have been plaqued, - i.e. have an attractive and themed or colour-coded sign on the building indicating the nature of its historical or cultural interest. Themes might include a colour code, for example, for buildings in which painters, historians, artists, writers or other famous Polish dignitaries used to live. Another colour theme might be by historical period or a Napoleonic campaign theme or a religious pilgrimage theme.

We believe that the plaquing of buildings is a relatively inexpensive way to upgrade tourist interest in Polish monuments. Its implementation can be facilitated by involving local universities or schools, possibly through competitions, or by asking local corporations to sponsor the development of the plaques within a city or region.

2.4.7. Managing the environment to ensure sustainable tourism.

A key component of Poland's tourism image will be its unspoiled natural environment. It will therefore be crucial to direct tourists to those areas that can deliver an unspoiled environment, as well as to introduce measures to improve the conditions of attractions which are currently not reaching acceptable environmental standards.

Although levels of pollution in Poland are by no means catastrophic compared with other countries (see tables below), Poland suffers from an image as do all previous Iron Curtain countries of high levels of atmospheric, water and land pollution.

Land pollution in Poland compared to selected countries

Country	Area (in '000s sq. km)	Forest as % of area	Total fertiliser use (in '000s tons)	Fertilisers per area (in tons per sq. km)	Total pesticide use (in tons)	Pesticides per area (in tons per sq. km)
Poland	*312*	*29.2*	*1752*	*5.6*	*20620*	*66*
France	551	27.7	5684	10.3	96374	175
Denmark	43	11.6	633	14.7	4660	108
USA	9809	32.1	18429	1.9	370918	38
UK	244	10.0	2370	9.7	n/a.	
Sweden	450	68.1	328	0.7	1837	4
Hungary	93	18.4	679	7.3	25950	279

Air pollution in Poland compared to selected cities and countries

Cities	SO_2 mcgms/m^3
Warsaw	20
Wrocław	50
New York	50
London	35
Zurich	25
Stockholm	12
Amsterdam	16
Paris	30
Prague	80

Countries	SO_2 mcgms/m^3
Poland	4.9
Denmark	2.2
Finland	2.5
Netherlands	4.4
France	2.3
Hungary	4.8

Soil pollution in Poland compared to selected countries

Country	Soil pollution	Acidification	Alkalinzation
Poland	*0.05%*	*1.6%*	*0.06%*
Czechoslovakia	1.2%	1.3%	0.06%
Greece	2.1%	0.6%	0.15%
Sweden	0	0	0

Sources : Institute of Environment Protection, Warsaw; Central Statistical Office, Warsaw; United Nations statistics.

The Government needs to introduce policies whereby no funds will be directed towards the marketing and promotion of areas and attractions that are currently in areas of environmental pollution until such time as environmental improvement measures have been implemented.

All elements of environmental performance improvement will be crucial.

2.4.7.1 Sewage and waste water pollution

Many hotels, state and company-owned rest centres, and holiday villages were developed over the years without adequate sewage and waste water treatment facilities. The provision of adequate sewage and waste water treatment will be a critical precondition for promoting such facilities, particularly to international tourists. Discharging the waste of these facilities and that from camp sites to surface water without treatment will result in the contamination of water ways, leading to an aggravation of environmental pollution and a resultant decline in Poland's reputation and positioning as a clean, environmentally-friendly destination.

Therefore, it will be vital to ensure that (particularly international) tourists do not use facilities where satisfactory standards of sewage and waste water treatment have not yet been attained. Consequently, we recommend that the Government launches an information campaign throughout the industry based upon a booklet (to be developed) in which standards are defined, cost-effective remedies proposed (see below), and grant aid availability explained. The booklet would also explain that no Government product development or marketing funds would be provided unless satisfactory standards have been attained.

We recommend that the tourism industry adopts EU standards as its benchmark for environmental cleanliness. There are many treatment systems and options available to meet EU community standards for discharge of waste water to surface waters. There are alternative approaches for treating sewage and waste water from tourist centres:

- Physical-chemical systems. These utilise chemicals for the precipitation of inorganic contaminants and physical separation of solids. This is usually appropriate for discharge to an existing sewage treatment facility or directly into the ocean, so could only be considered for facilities close to existing treatment plants or to Baltic Coact facilities.

- Biological systems mix nutrients, air and biomass to remove organics, with an aeration process being at the heart of the system. Some pre-treatment is also required prior to biological treatment. Treated water is usually suitable for discharge to surface waters.

- Advanced systems. In such more sophisticated systems, membranes are typically used to remove contaminants and usually in combination with physical-chemical and/or biological treatment systems. Such processes are required where reuse or recycling of treated water is desired.

- Disinfection is the final step prior to discharge or reuse and is usually used in combination with biological and advanced treatment systems.

Over recent years, a number of suppliers, particularly in North America, have developed "package treatment systems". These are typically self-standing, self-contained units, often delivered in a container on a truck, in which a combination of these technologies are used. Capacities can be increased by adding on units in a modular fashion. Such package treatment systems are appropriate for treating waste water from tourism centres and we recommend that such systems should be adopted as a general rule throughout the country, particularly in rapidly expanding non-urban developments - areas that do not normally have ready access to sewage treatment facilities.

Package treatment facilities are effective, economical to use and relatively cheap. They have the capability to remove 95% or more of the organic contaminants present, prior to discharge into a local water course. Packaged systems are easy to install and operate and are available in pre-fabricated and pre-engineered form, requiring the minimum of site preparation works.

In order to accelerate the installation of packaged treatment facilities in tourism centres, the Government will need to make grant aid funds available - offering, for example "matching funds" covering 50% of the cost of installation.

We recommend that the Government approach international aid agencies such as the EU and environmental funds from a range of government aid organisations (e.g. Germany, Sweden, Finland) that have significant funds available for environmental improvement, particularly in the field of sewage treatment for funding for a number of package treatment systems (for example 100), which would be allocated on the basis of need to tourism facilities. Money from the national budget might also sensibly be directed to this area.

2.4.7.2 Air pollution

This is a particular problem in general interest tourist centres (e.g. Wałbrzych) and major towns with secondary tourism potential. A fundamental cause of air pollution is the burning of brown coal for heating. The Government should consider a plan for "smokeless zones" in areas of high tourism potential, defining minimum air purity standards to be achieved within, say, five years; establish investment grants and incentives as well as grant aid for high consumers of polluting fuels; and facilitate encouragement measures for the conversion of boilers to propane and butane use. Again, there are a number of international aid agencies that would be likely to support initiatives in this area, particularly if they were targeted at cities with a tourism potential and therefore promised good economic payback in the short-to-medium term.

2.4.7.3 Visual pollution

Destinations and attractions with a high tourism potential need to be encouraged to reduce litter and garbage as well as to paint and upgrade the general street and building environment. We recommend the establishment of a "Tidy Polish Town" or "Beautiful Gardens" competitions across the country, promoted and strongly endorsed by the Government, including financial incentives to the winners in different categories.

2.4.8 Possible reorganisation of the management of the environment and monuments

The effective co-ordination and management of all aspects of national heritage, including the environment, monuments, cultural events and tourism, will be critically important both for sustainable development of the national assets and the effective development of the tourism industry.

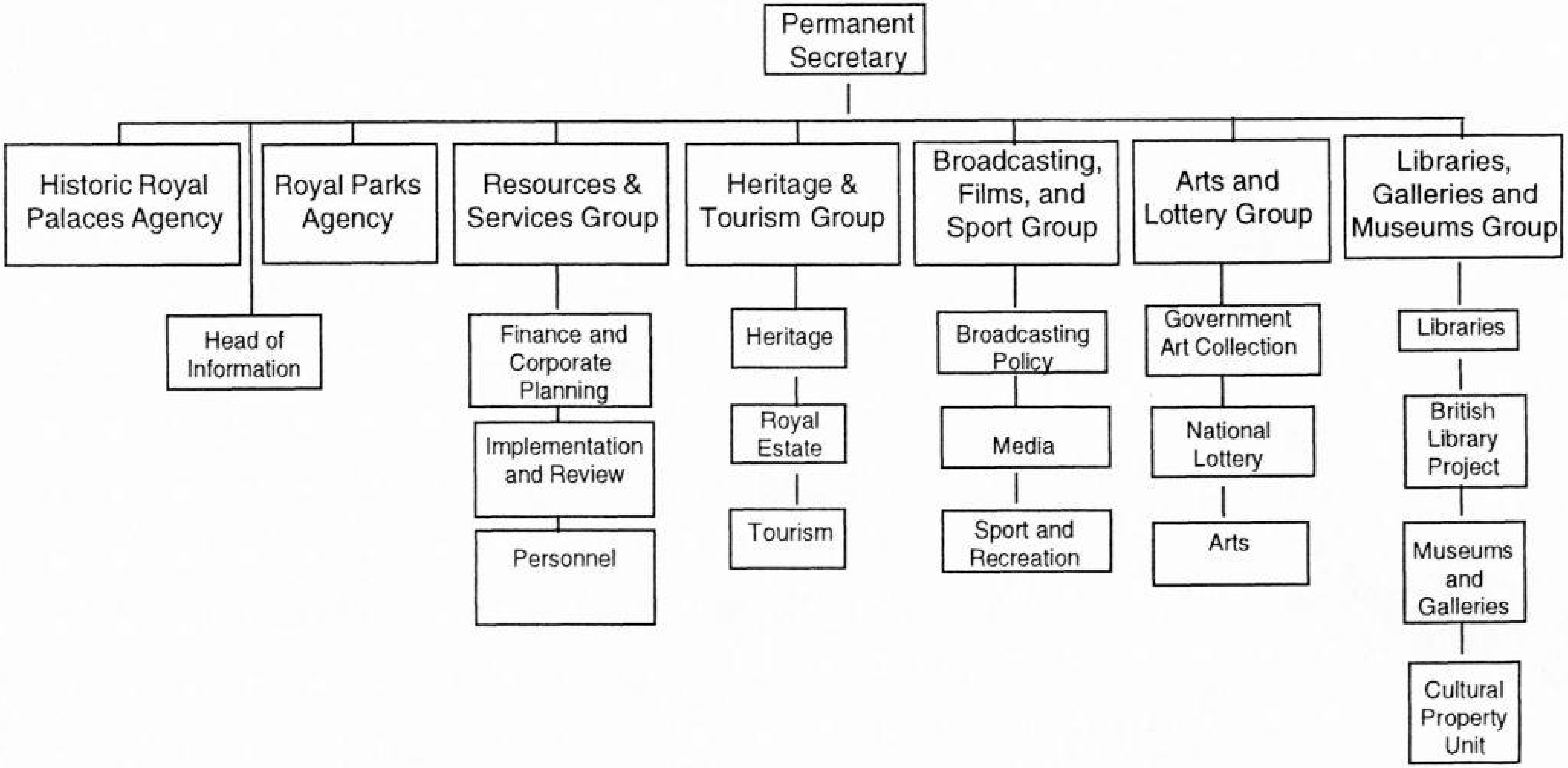
The Government might wish to re-examine the organisation of its ministerial portfolios along the lines of the United Kingdom model. We reproduce in Figure 6 the organisation of the Department of National Heritage of the UK Government. This ministry is responsible for all the cultural life of the nation in its broadest sense: the arts, museums and galleries, libraries, broadcasting, the press, film, sport, architectural and archaeological heritage and tourism.

As illustrated in Figure 6, heritage (all aspects of the natural environment, man-made attractions, culture and history) and tourism are organised together in a heritage and tourism group. This greatly facilitates management of the trade-off between protection and exploitation developed in the previous section.

Should the Government wish to explore this concept further, it will be able to find examples around the world where such a model is being considered, although as far as we are aware this is the only case where this sensible concept has been applied.

Figure 6

Organisation of the Department of National Heritage



gca/work/poland/report/figure

3.0 Product selection

In this chapter, we select the tourism products upon which we believe the Government should concentrate its attention and resources. The strategies for their development will be described in Chapter 4 and are developed in more detail in Appendix 5, the Representative Product Plans.

3.1 Methodology

Product selection is based on two criteria as illustrated in Figure 7.

- **Competitiveness** defines how the Polish offer meets competitive standards in the national or international arena. For example, a highly competitive offer meets competitive standards of facilities, price, service, etc. Low competitiveness means the reverse. Normally, highly competitive offers do not need Government support, since the private sector should be able to exploit opportunities. Competitiveness is a combination of attractions, facilities and access.

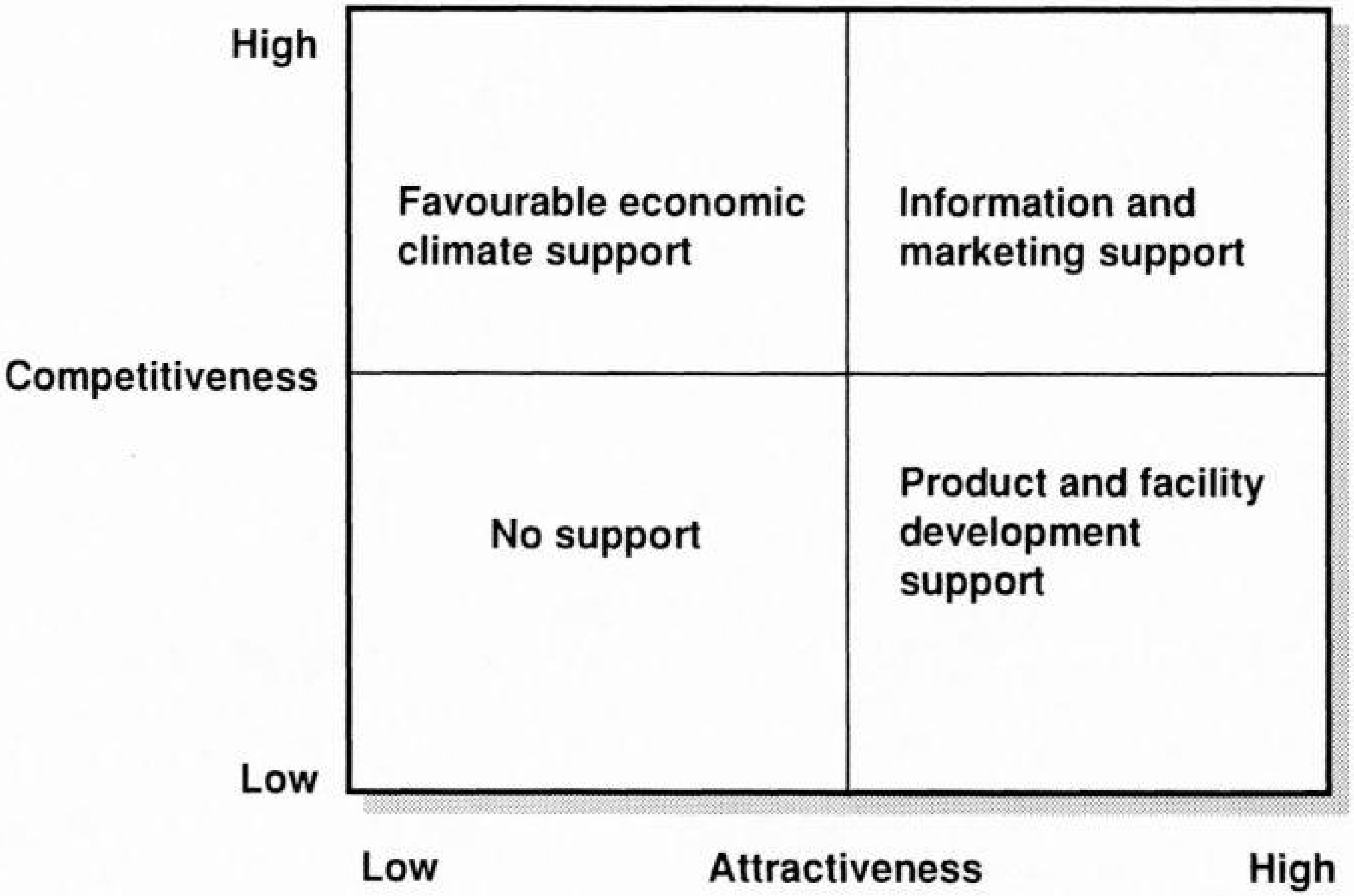
- **Attractiveness** defines the economic benefit to Poland of an offer -- for example in terms of job creation, economic value added, and low infrastructure investment requirements. A highly attractive offer merits particular Government attention. A low attractiveness offer does not normally justify Government intervention. Attractiveness is a combination of segment size and purchasing power, economic benefit, and feasibility.

Within this generic methodology we selected products by applying the following approach and steps:

- Defined product groups as combinations of market segment (domestic, adjacent West and East, Western Europe, or overseas) and by visitation category;
- Defined competitiveness and attractiveness criteria for each market segment/visitation category combination, through industry interviews, research and benchmarking;
- Screened each group by competitiveness and attractiveness criteria, arriving at an amalgam score for each;
- Mapped and ranked each group.

Figure 7

Grid of generic strategies for Government support



Where product groups fall on the matrix in Figure 7 will help determine not only which groups Poland "should put its money on", but also indicate the generic strategy that the Government should pursue for the effective development of the product.

- **High competitiveness/high attractiveness** combinations are the ones to strive for. These are ones where Poland is competitive and where the economic benefit is high. The private sector exploiting these offers needs only support from the Government limited to information and effective marketing of Poland as a destination to its target market(s). (Of course, liberal and effective investment, fiscal monetary and economic management policies will also be required for success -- although this applies to all quadrants.)

- **Low competitiveness/high attractiveness** offers merit Government attention particularly in terms of product and facility development; for example, financial assistance for investments in facilities and small infrastructure projects. An objective would be that Government support would assist in getting the offer established and create the prospect of improved competitiveness over the longer term.

- **High competitiveness/low attractiveness** offers merit little Government intervention and support beyond the maintenance of a favourable economic environment and climate.

- **Low competitiveness/low attractiveness** offers should be ignored by Government, and the private sector should be discouraged from wasting efforts and resources in these areas.

In this chapter we present results of applying this selection methodology to Poland.

3.1.1 Visitation categories for product groups

We chose six visitation categories, developed from our extensive tourism experience and research. These are also generally used in the industry, for example, by ETDC (European Travel Data Centre), and others. These categories incorporate the great majority of demand:

- Sun and beach holiday;
- Touring holiday;
- City tours;
- Recreational holidays (lakes, mountains, snow);
- Transient tourism;
- Pre- and post-commercial tourism.

Based on these categories and source markets, we selected leisure market segments within these visitation categories on which Poland should concentrate its product development efforts.

- Sun and beach--Domestic and Adjacent;
- Touring holiday--Adjacent, Western Europe, Overseas;
- City tours--Adjacent, Western Europe and Overseas;
- Recreational holiday;
  - Lakes--Domestic, Adjacent;
  - Mountains--Domestic, Adjacent;
  - Snow--Domestic;
- Transient excursionists--Adjacent;

In some of these segments, we selected products that are representative of the many that are exploitable. Figure 8 presents a summary of these selected products by visitation category.

3.1.2 Review of competitiveness and attractiveness criteria

3.1.2.1 Competitiveness

A tourism product's competitiveness is measured by five components : the destination's attractions, facilities, access, image and price.

A destination's **attractions** are its natural, man-made and cultural resources, which to a large degree cannot be changed. The attractions are the principal draws of a destination for any customer.

The destination also needs to have appropriate facilities and access. Sometimes, **facilities** become the main attractions and motivations for the traveller. However, access is never a stand-alone element of the decision process; it always has to be considered in relation to attractions.

The **access** and the facilities used mainly determine the **price** of a product, because they amount to around 80% of product costs. The **image** of a tourism product is determined, or at least heavily influenced, by the attractions of the destination and its positioning in the origin markets of the customer. Therefore, image could be considered a function of the destination's attractions.

Three of the five components described above -- attractions, facilities and access -- are the fundamental competitive requirements and comprise the main purchase decision criteria of customers and are therefore the criteria we used to select and evaluate Poland's competitiveness.

Figure 8

Representative facilities and selected products

Visitation categories	Representative Facilities	Selected product examples
Sun & beach holiday	- Summer/coast vacation village	- Main summer family holiday
Touring holday	- Heritage hotel	- Roots/Heritage touring
City tours	- City hotels (2/3 star)	- Short-term (weekend break) - Add-on sightseeing day (pre/post commercial tourism)
Recreational holidays - Lakes	- Marina resort	- Recreational sailing
Recreational holidays - Mountains	- Mountain Vacation village	- Ecotourism - Golf-based holidays
Recreational holidays - Snow	- Mountain Vacation village (same as above)	- Winter ski holidays
Transient - Pass through - Excursionist	- Transient Motel	- Shopping excursionists

3.1.2.1.1 Attractions

The natural assets of a destination are its landscape and scenic beauty. Coastal destinations, of course, include the beaches and the seascape. The climate, i.e. temperature and amount of sunshine, is also especially important. Other geographical features of the destination, like indigenous flora or fauna, are also part of these natural attractions. In times of growing damage to the environment, the quality of preservation of the natural assets of a destination is of increasing importance.

Historical interest and architecture are also powerful draws of a destination. Man-made attractions include castles and museums as well as modern architecture and managed visitor attractions like theme parks.

History, folklore, religion and art give a destination its special character. Special events and festivals, included in these cultural attractions, provide destinations with unique positioning.

Attractions are competitive at three levels: world-scale, European-scale, and national-scale, for example, world-class historical attractions like the pyramids in Egypt, or the European-class historic town of Kraków. The UNESCO World Heritage List or the World Biosphere Reserve categorise world-class cultural or natural attractions.

3.1.2.1.2 Facilities

Facilities and services are the elements within or linked to a destination which make it possible for tourists to experience attractions. The attributes of the facilities -- location, service standard, room standard -- indicate, along with attractions, a destination's likely draw.

Accommodation and special activities/services offered are the main features that influence travellers' behaviour. Conference and meeting facilities in a heritage-style hotel, for example, could be a customer's purchasing decision criterion. A golf course in a beautiful landscape setting is another example of a combined service/facility and destination draw.

3.1.2.1.3 Access

The accessibility of a destination is defined by the cost, speed, and degree of convenience in reaching the destination. Accessibility includes infrastructure, equipment, operational features and, to some extent, ease of travel facilitated by favourable Government regulations. Since the cost of transport is one of the main expenses of a trip (accommodation is the other), it strongly influences the decision process and, therefore, the overall attractiveness of a destination.

A product's competitiveness in access must be examined in relation to the attractiveness of the destination's attractions and facilities, whether they are world-class or can only rely upon a national draw.

Competitiveness criteria for the individual categories and products allow us to evaluate Poland's performance in targeted visitation segments compared to similar destinations. We have scored and weighted Poland's performance on individual criteria, in order to develop a composite competitiveness index.

3.1.2.2 Attractiveness

3.1.2.2.1 Segment size and purchasing power

The larger the segment and associated expenditure, the more attractive the segment. The size is assessed in terms of total population and potential visitation to Poland. The expenditure is expressed in purchasing power (by income per capita and purchasing power parity), which shows the price sensitivity and spending power of the segments.

3.1.2.2.2 Economic benefit

Benefit for the economy is deemed to be the output generated by the sector. In the tourism industry, output is daily expenditure and nights spend by tourists. Attractive segments provide the highest direct benefit to the Polish economy, and justify Government support.

Daily expenditure includes that spent on accommodation, catering, shopping, sports/activities, local transport and other services, and varies according to the visitation category and facilities used. Daily expenditure does not include transport to the destination, since this is normally paid for in the country of origin. Only car users and coach operators purchase petrol and other car/coach services for local transport and the return trip, which has some economic benefit (e.g. more than 20% of tourism expenditure in Sweden is in transportation by car users).

We have expressed economic importance or benefit in terms of nights spent, which reflects the length of stay, instead of in tourist arrivals, which does not indicate total tourist expenditure.

3.1.2.2.3 Feasibility

The last component of attractiveness is feasibility and ease in implementation. Feasibility must be offset against necessary investments either in infrastructure to support product development (e.g. airports) or in product development itself (e.g. upgrading old buildings into heritage hotels).

A main element of such large infrastructure investments is the benefit to users other than the tourism industry. Major infrastructure projects for the sole use for tourism (e.g. leisure port development) must have a particularly high impact on the economy or the tourism industry to justify the investment.

Another area of public funding might be tourism product development. These investments must yield a high impact on Poland's competitive position to be feasible and justify public support.

3.2 Scoring, mapping and ranking of product groups

The final step in applying our methodology is scoring the product groups based on our assessment of competitiveness and attractiveness criteria, and plotting the results on a matrix. Our assessment is based on the current competitive situation of the Polish tourism industry and current expectations of tourists within and to Poland (domestic and international). It should be noted that we have not reflected international competitive standards, because of the current economic transition in Poland. When the transition period is over, and Poland begins to compete on international standards, the evaluation process will need to be updated to reflect these changes.

3.2.1 Scoring

The following are the results of our assessment of visitation categories by origin market: sun and beach, touring, city tours, and recreational (lakes, mountains, snow) holidays. To arrive at these scores, we incorporated results of industry interviews, desk research, and benchmarking of Poland against other destinations.

For each of the combinations, our scoring ranges from 1 to 5, with 1 indicating low competitiveness or low attractiveness, and 5 indicating high competitiveness or high attractiveness. Weighting indicates the relative importance of competitiveness/ attractiveness criteria.

Visitation category - Sun and beach

	Weight	Domestic	Adjacent West	Adjacent East	W-Europe	Overseas
Attractions	50%	4	3	3	2	1
Facilities	30%	3	2	3	1	1
Access	20%	4,5	4	3	2	1
Competitive index		**3,9**	**2,9**	**3**	**1,7**	**1**
Segment	40%	5	2,5	3	1	1
Economic Benefit	40%	3	4	1	3,5	4,5
Feasibility	20%	4	3	4	4	3
Attractiveness index		**4**	**3,4**	**2,4**	**2,6**	**2,2**

Visitation category - Touring

	Weight	Domestic	Adjacent West	Adjacent East	W-Europe	Overseas
Attractions	40%	3	3	3	3	3
Facilities	30%	3	2	3	1	1
Access	30%	4	3	3	2	2
Competitive index		**3,3**	**2,7**	**3**	**2,1**	**2,1**
Segment	40%	1	4	3	3	2
Economic Benefit	40%	2	4	1	4	4
Feasibility	20%	5	4	4	3	3
Attractiveness index		**2,2**	**4**	**2,4**	**3,4**	**3**

Visitation category - City tours

	Weight	Domestic	Adjacent West	Adjacent East	W-Europe	Overseas
Attractions	40%	4,5	3	4	2	2
Facilities	30%	4	3	5	2	2
Access	30%	4	3	4	2	1
Competitive index		**4,2**	**3**	**4,3**	**2**	**1,7**
Segment	40%	2	3	3	2	2
Economic Benefit	40%	2	3	2	3	4
Feasibility	20%	5	4	4	4	4
Attractiveness index		**2,6**	**3,2**	**2,8**	**2,8**	**3,2**

Visitation category - Recreational holidays, lakes

	Weight	Domestic	Adjacent West	Adjacent East	W-Europe	Overseas
Attractions	50%	5	3	3	3	2
Facilities	30%	3,5	2	3,5	1	1
Access	20%	4	3	3	2	1
Competitive index		**4,35**	**2,7**	**3,15**	**2,2**	**1,5**
Segment	40%	4	3	3	2	1
Economic Benefit	40%	2	4	1	4	4
Feasibility	20%	5	4	4	4	3
Attractiveness index		**3,4**	**3,6**	**2,4**	**3,2**	**2,6**

Visitation category - Recreational holidays, mountains

	Weight	Domestic	Adjacent West	Adjacent East	W-Europe	Overseas
Attractions	50%	4	3,5	3	2	1
Facilities	30%	3,5	2	3,5	2	1
Access	20%	4,5	3	3	2	1
Competitive index		**3,95**	**2,95**	**3,15**	**2**	**1**
Segment	40%	4	3	3	2	1
Economic Benefit	40%	2	4	1	4	4
Feasibility	20%	4	4	4	3,5	2
Attractiveness index		**3,2**	**3,6**	**2,4**	**3,1**	**2,4**

Visitation category - Recreational holidays, snow

	Weight	Domestic	Adjacent West	Adjacent East	W-Europe	Overseas
Attractions	50%	3,5	2	4	1	1
Facilities	30%	3,5	2	4	1	1
Access	20%	4,5	3	3	2	1
Competitive index		**3,7**	**2,2**	**3,8**	**1,2**	**1**
Segment	40%	4	2	3	1	1
Economic Benefit	40%	2	4	2	4	4
Feasibility	20%	4	3	4	3	3
Attractiveness index		**3,2**	**3**	**2,8**	**2,6**	**2,6**

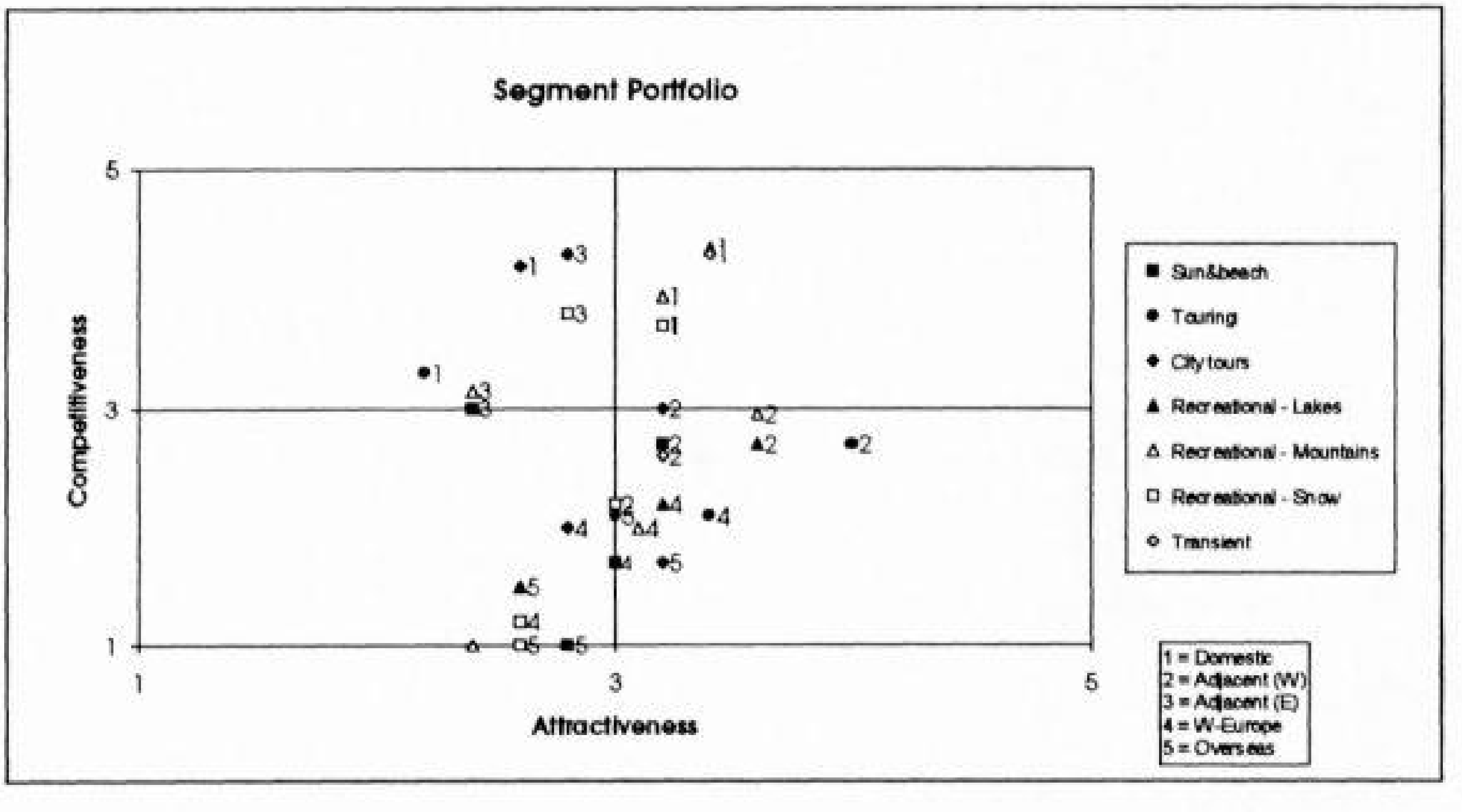
Transient excursionists

	Weight	Domestic	Adjacent West	Adjacent East
Attractions	50%	5	3	3
Facilities	30%	4	1	1
Access	20%	3	4	4
Competitive index		**4,3**	**2,6**	**2,6**
Segment	40%	4	4	4
Economic Benefit	40%	2	3	3
Feasibility	20%	5	2	2
Attractiveness index		**3,4**	**3,2**	**3,2**

3.2.2 Portfolio mapping of attractiveness and competitive position

Mapping of visitation segment attractiveness and competitive position on a matrix reveals priority segments and necessary actions for the Government. The mapping represents the Government's product group portfolio.

We present results of the mapping process by matrix quadrant.



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At this stage in the development of the Polish tourism industry, the cluster in the **high competitiveness/high attractiveness quadrant** contains only domestic product groups. The high competitiveness of domestic products reflects the inexperience of the domestic population with Western quality standards and the affordability of the domestic products. Once the domestic population expects a higher standard of facilities and services and obtains a higher disposable income, the competitiveness of the domestic products will drastically decrease, unless the industry is able to respond with improved facilities and services in the mean time. The attractiveness of domestic products is in part determined by the number of customers.

The second cluster of product groups in the **low competitive/high attractiveness quadrant** of the matrix includes mainly Adjacent West and Western Europe markets (with, in addition, the growing product groups of Overseas touring and city tour holidays). The main factor behind the low rating of the competitiveness index is the poor standard of facilities. Once standards meet Western expectations, the full potential of markets, in particular from Germany, can be expected to be exploited.

The Government and the tourism industry will need to focus critically upon what needs to be done to improve the competitiveness of products. Where the evaluation concerns attractions, a critical review of the existing assets, be they natural or man-made, is required to identify product groups with little potential for improvement and those with scope for development. For example, the competitiveness of the Baltic coast will hardly ever reach European or international standards, due to unfavourable weather conditions, so the domestic market should remain the focus.

The cluster of product groups in the **high competitiveness and low attractiveness quadrant** shows that only Domestic and Adjacent East markets perceive the Polish tourism offers as competitive. This cluster is not attractive to the Government. The high competitiveness reflects inexperience with Western quality and service standards. The low attractiveness indicates lacking purchasing power, and, with respect to the Polish domestic touring holiday market, a lack of interest.

Although Government action is not required in the short term, these markets should be watched carefully; they could turn out to be very important for the Polish tourist industry, once the economic climate of these markets improves. (N.B: we have excluded the "shopping trips" of East European tourists from this appraisal.)

In the **low attractiveness/low competitiveness quadrant**, the cluster is comprised mainly of Western Europe and Overseas product groups for Poland. The low attractiveness is derived from the low number of potential visitors to Poland. In particular, the recreational visitation categories are attracting very few "long-haul" tourists, i.e. tourists are not willing to travel a long way, even if the attractions are very attractive. Although this cluster is not unattractive (scoring close to the average score), due to the economic strengths of Western economies, the competitive index is low. This is due to the fact that the facilities, including the range of facilities, are not up to Western standards and that the attractions are not competitive on the European level. Therefore, once again, the Government and the industry are strongly urged to evaluate carefully the real potential for competitive improvements and to use resources effectively.

3.2.3 Ranking of product groups by markets

We have ranked the product groups by markets to indicate the importance of each market and the priority product groups that should be developed for these markets.

3.2.3.1 High competitiveness/high attractiveness cluster: focus of Government attention

- Domestic market
  - Sun and beach
  - Recreational holidays - lakes
  - Recreational holidays - mountains
  - Recreational holidays - snow
  - Transient excursionists

3.2.3.2 Low competitiveness/high attractiveness cluster: focus of Government attention

- Adjacent West markets
  - Sun and beach
  - Touring
  - City tours
  - Recreational holidays - lakes
  - Recreational holidays - mountains
  - Transient excursionists

- Western European markets
  - Touring
  - City tours
  - Recreational holidays - lakes
  - Recreational holidays - mountains

- Overseas markets
  - Touring
  - City tours

3.2.3.3 High competitiveness/low attractiveness cluster: no Government attention

- Domestic market
  - Touring holidays
  - City tours

- Adjacent East
  - Touring
  - City tours
  - Recreational holidays - mountains
  - Recreational holidays - snow

3.2.3.4 Low competitiveness/low attractiveness cluster: lesser focus of Government attention

- Adjacent East markets
  - Sun and beach
  - Recreational holidays - lakes

- Western European markets
  - Sun &and beach
  - Recreational holidays - mountains
  - Recreational holidays - snow

- Overseas markets
  - Sun and beach
  - Recreational holidays - lakes
  - Recreational holidays - mountains
  - Recreational holidays - snow

4.0 Product development strategies

In this chapter, we outline the strategies that the Polish Government tourism industry authorities need to pursue to develop effectively and efficiently the tourism products identified as having developmental potential in the previous chapter.

4.1 Strategic context

Poland's product development strategies must be founded upon clear basic principles :

- The private sector (private entrepreneurs and companies) will be the motive force behind industry development. Private entrepreneurs and companies will invest in and operate facilities and market and sell their products to consumers in target markets. A fundamental role of Government is to develop a favourable climate for investment and operations by the private sector.

- During the current, early stages of industry development, Government will need to intervene considerably to assist the private sector in getting launched, and to encourage it to "stand on its own two feet" in the longer term. However, the role of Government is not to be "nurse maid" to the industry but to provide constructive support and guidance, as well as to develop the necessary tourism infrastructure and regulatory environment to facilitate development during the start-up phase.

- Operators of tourism facilities (hotels, coach operators) will not have sufficient individual scale to conduct the necessary product development, marketing and promotional activities. An important role of Government will be to encourage the establishment of representative and efficient industry associations of homogenous groups of facilities and operations, which can speak for the individual operators. Government will need to encourage such associations, where they exist, to become product development- and marketing-oriented, and to encourage the establishment of associations in other sectors where they do not yet exist.

- Government needs to put in place an efficient organisation of its involvement in the tourism industry, including a separation of its roles: policy definition; establishment and policing of laws, regulations and controls; and the allocation of resources in its implementation and facilitation function. The existence of an efficient Government organisation for tourism will go a long way to convincing private investors and operators that Poland is seriously committed to tourism industry development.

4.2 Strategic development framework

In Chapter 3, we identified the product groups (market segment/visitation category combinations) which we believe Poland should focus its attention upon, since these groups have the potential to be competitive with other tourism destinations and attractive to the Polish economy in terms of job creation and other economic objectives.

The product groupings presented in Chapter 3 (see Figure 8) are based upon representative product plans and representative facilities which are developed in detail in Appendices 5 and 6, respectively. Representative products, by definition, can be replicated and adapted, as necessary, in locations across the country. Some will tend to "cluster" in certain geographical areas -- for example, sun and beach holidays on the Baltic coast, mountain recreational holidays in the Tatry and Beskidy mountains -- others frequently will be located in different parts of the country.

In order to effectively support the industry and efficiently allocate scarce national resources, the Government will need to develop a mechanism to link these product categories into logical groupings so that their development can be sensibly planned and executed.

We recommend the concept of the "Strategic Tourism Unit" or STU as the mechanism linking product groups. It would be the primary unit for planning and implementing tourism industry development, and we strongly recommend that services provided in the regional and voivodship administrative areas should also be based upon specialised teams focused on these STUs.

As implied by its name, an STU is primarily responsible for developing and supporting the implementation of the strategy for the product group it represents and, by extension, the tourism area where the product is to be developed. Until such time as private sector interests can develop sufficient critical mass locally, regionally, or nationally, the STU strategies can be expexcted to serve as a blueprint for investors, operators, and governments at all levels.

STUs have been conceived as a concept appropriate to Poland's tourism development *at the present time*. They are completely consistent with a developing range of tourism products in a destination which is still largely unknown to domestic and external markets. They provide a way for Poland to create a consistent and high quality range of tourism products which have the backing and support of the Government and the potential to be financed and operated by private investors.

We have identified five STUs for Poland which would focus on and support centres where the development of products in homogeneous groups of products would be found:

- **Holiday centres**. These are resort towns and areas which are predominantly holiday destinations, either for summer or winter holidays. All such centres within this STU will have a common set of problems associated with cleaning up the tourism environment, recreation and amusement facility development, etc.

- **General interest tourism centres**. These will be cities or other centres of population which because of their architecture, history or cultural heritage have the potential to attract large numbers of tourism visitors. Such cities include Warsaw, Kraków, Gdańsk and Poznań. Such centres of population would have a common set of problems separate from other groupings with different types of problems and issues.

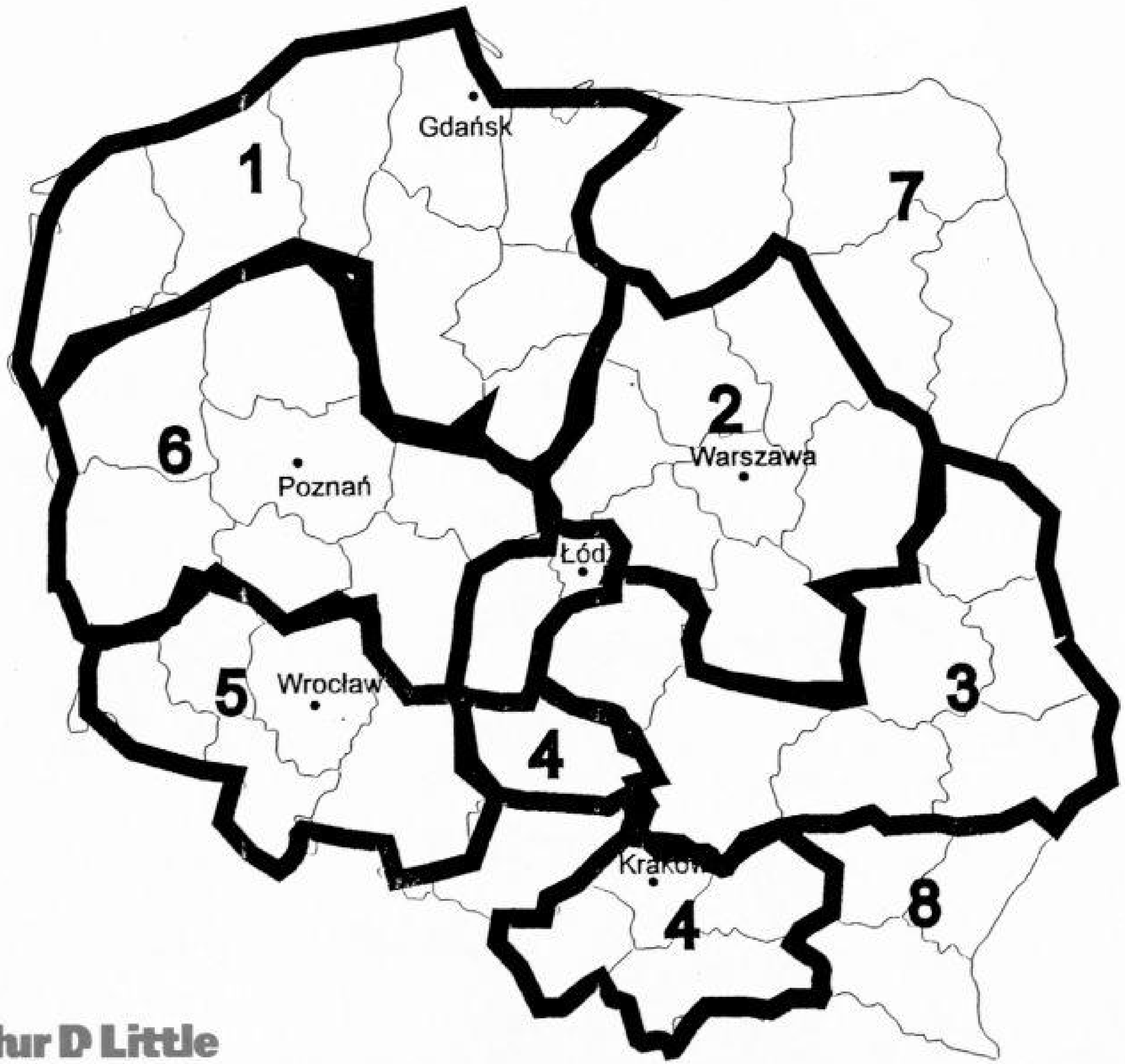
- **Special-interest centres**. Such centres would cater to a wide range of special interest groups, ranging from bird watchers to religious pilgrims to seekers of thermal spa therapy, etc.

- **Rural touring areas.** These centres would cover rural areas of outstanding natural beauty which offer significant tourist potential but also require careful environmental management and consequently present another set of problems in terms of product development. Examples would be the Mazurian and Drawsko Lakes regions.

- **Transient and cross-border areas**. These areas include those adjacent to borders which attract significant numbers of day trippers or excursionists principally motivated by shopping, as well as corridors throughout the country along which considerable volumes of transient road traffic flows.
  Examples here would be the north-south and east-west transit routes and the highly populated border areas.

Figure 9

Local authorities are encouraged to continue inter-voivodship agreements on co-operation in development of tourism



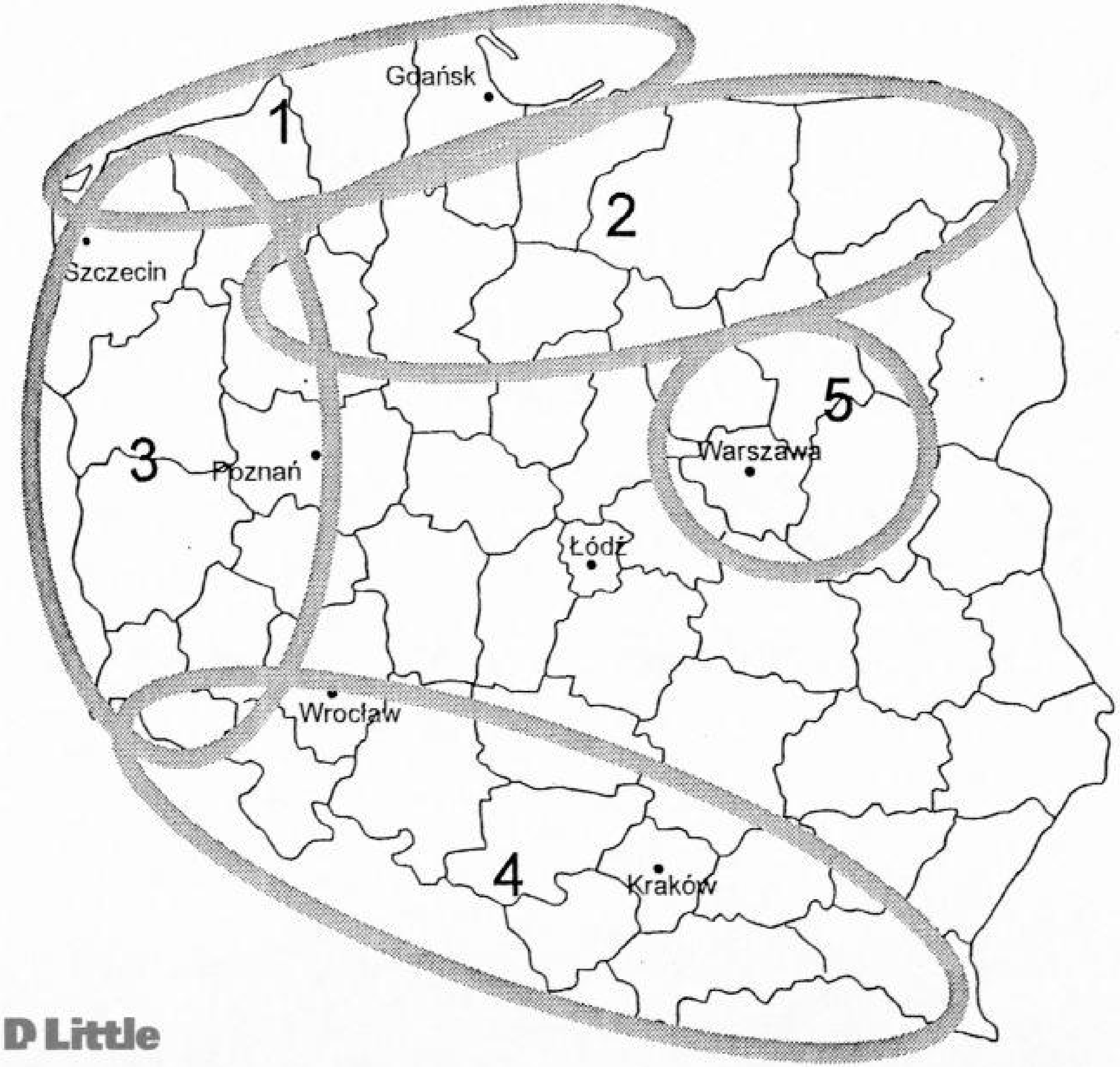
1 - 6: signed

7,8 : to be signed

blank: no participation

Figure 10

Polish Tourist Zones



1 - Baltic coastline

2 - Lakeland

3- East borderland

4 - Highland

5 - Capital area

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Within each inter-voivodship agreement and Tourist Zone, we suggest that local authorities, should be encouraged to establish Local Development Offices (LDO). These would be operational units seeking to implement strategies in their surrounding areas, staffed by local tourism personnel. Many LDOs will, in fact, focus on products covered by a number of STUs, so they will need to call the specialised support services supplied by one or more central STU groups. Figure 11 illustrates the coverage of STUs by Tourist Zone.

LDO staff will be responsible for all aspects regarding implementation of tourism development within its areas. A Tourist Zone could have as many LDOs as the members of the inter-voivodship agreement considered desirable and financially justifiable. LDO functions would include :

- Product and service implementation.
- Monitoring development and quality.
- Relationships with local developers, event promoters, and facilities managers.
- Liaising with local authorities with influence on tourism-related activities (health, safety, environment, police, chambers of commerce).
- Feedback to central STU (promotion, training, performance, suggested improvements, etc.).

It is envisioned that the LDO will either be, or be attached to, a Tourist Information Office, which would perform the facilitation duties normally associated with such an office (information to tourists, accommodations listings, brochure handouts, etc.). LDO offices should as far as possible be funded both from local government budgets and by local private sector interests, including industry associations. Such partial private sector funding would ensure more commitment and participation by local industry.

The first task of each STU would be to prepare its own specific strategy, which should have three main components:

Figure 11

Each STU will be active in one or several zones

STU / Zones	General Interest	Special Interest	Transient and cross border	Holiday Centres	Rural Tourism
Coastlands	●		●	●	●
Western Borderland	●		●		●
Lakelands		●	●	●	●
Highlands	●	●	●	●	●
Capital	●			●	

gca work poland report figure

- **Product development**. Tourism products are comprised of: *attractions*, or the major reason for visiting an area (e.g. beaches, mountains, museums, nature); *accommodations*, or places to sleep (hotels, campgrounds); and *activities*, or things to do while in the area, either permanent in nature (restaurants, children's' play centres, sports facilities, shops, local tourist-only shuttle buses, car/boat/bicycle rental) or event-based (festivals, race meetings, theatre, contests). Implicit in product development is the intensity of such development, or the balance of tourism development with respect to the environment, local economic needs, and the access infrastructure.

- **Support development and co-ordination.** This includes: *training* (professional schools for guides, salaried workers and management); *information* (offices, materials); and *tourism infrastructure*, or things that help the tourist enjoy his/her stay (signposts, nature trails). The STU has a co-ordination role with local and regional infrastructure authorities to lobby for adequate infrastructure for tourism purposes (water, sewer, refuse, traffic control, police, fire, health).

- **Marketing and promotion.** Each STU will have primary responsibility, in association with PAPT, for producing promotional materials and initiating and maintaining contacts with domestic and foreign packagers and distributors. As private owners and operators develop, they will take over many of these relationships, leaving the Government to handle the positioning of the brand and the "umbrella" marketing that supports the brand. Figures 12 and 13 show the initial roles of the STU in promotion and trade relations, respectively.

Many of these roles can be already assumed by the private sector in developed areas (e.g. the Mazurian Lakes), but the STU group will still have oversight, co-ordination, and primary planning responsibilities. Most important, the STU group will have the ability, because of its national position, to transfer knowledge, skills, and lessons learned from one of its destinations to another.

The strategies outlined below comprise the range of ideas and actions the Government should develop to create and support the product groups. Whether or not the private sector is ready and able to take on some of the responsibilities will be best judged on a case-by-case basis and is not, therefore, considered here.

In Figure 14 to 20 below we outline the five STU groups and examples of the cities and areas we believe should fall within each STU.

Figure 12

STU promotion support strategy action

Markets	Responsibility				Action
	Facility (Hotel)	*Polish TO (TA) or association*	*Foreign TO*	*Foreign TA*	*Description of support in origin markets*
Domestic	●	●			- Demand creation, lifestyle brochure - Booking - Road shows (schools, scoial/labor organization)
Adjacent	◒	●		●	- Targeted "scene-setting" - Road maps - Booking capabilities - Road shows (travel agencies)
European		●	●	◒	- (Same brochure) - Trade support (brochure, co-op advertising) - Trade shows (national)
Long-haul		◒	●	◒	- "Poland" brochure - Awareness creation (show sponsorship -local dancers) - Trade shows/international - ITB, WTM)

● = primary
◒ = secondary

Figure 13

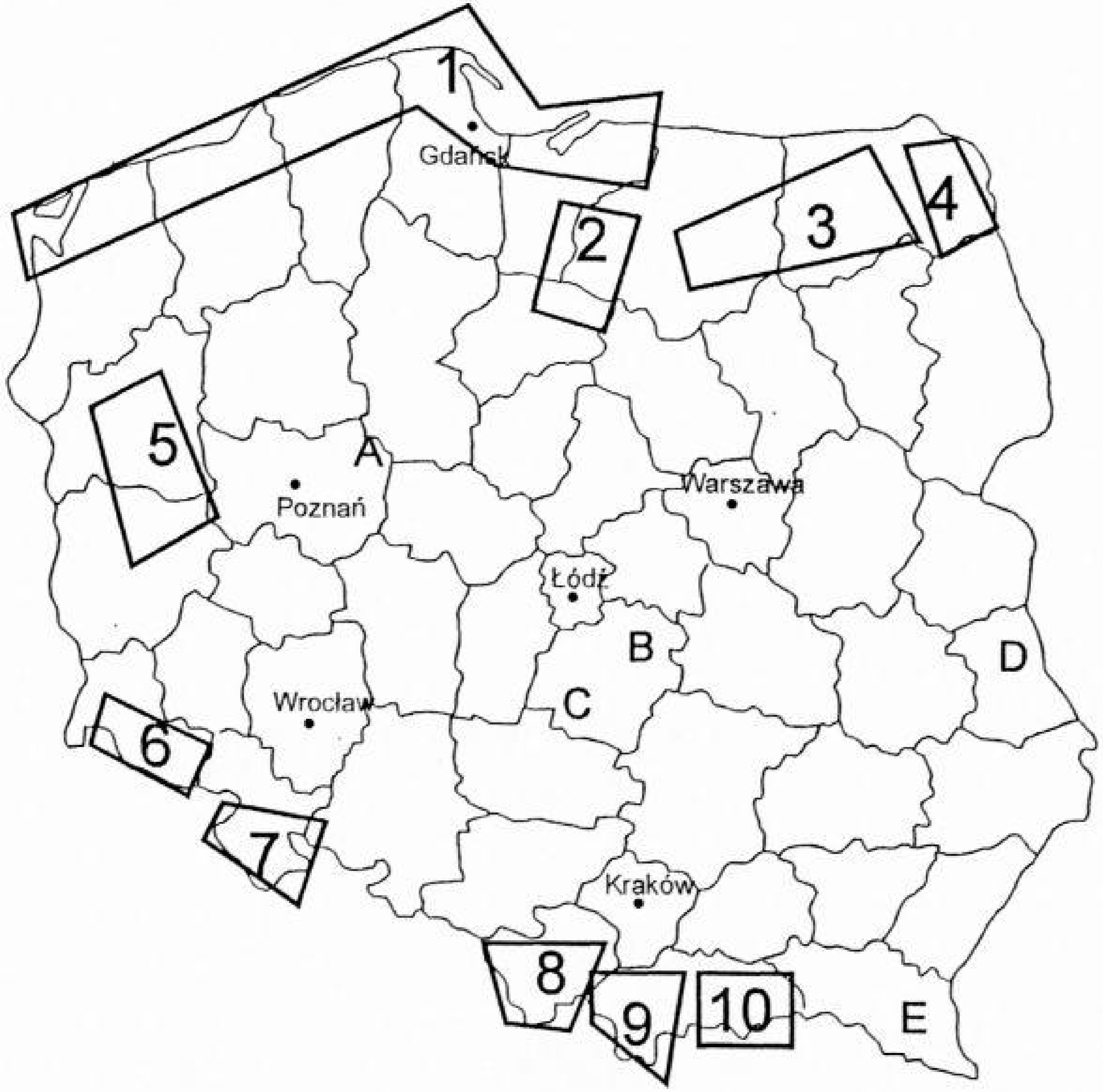
STU packaging and distribution support strategy

Markets	Location	Primary Role				
		Facility (Hotel)	*Polish TO (TA) or association*	*Foreign TO*	*Foreign TA*	*STU (information)*
Domestic	***Polish Regional Tourist Offices***	- Brochure - Ads - Booking	- Package - Ads - Booking			- "Lifestyle" brochure; - Booking*
Adjacent	***D, CZ, A, (CH?) Scandinavia***	- Brochure - Contract - Booking	- Brochure - Pre-package - Ads - Booking		- Package - Ads - Booking	- "Scene-setting" brochure (by product) - Booking*
European	***GB, E, I, etc.***	- Contract/ Allotment	- Pre-package - Contract	- Package - Brochure - Ads	- Booking - Ads	- Same, (no booking)
Long-haul	***e.g. New York, Tokyo, Johannesburg***	- Allotment/ Contract	- Contract - Pre-package	- Brochure - Package - Ads	- Booking	- "Poland" brochure (Government+ STUs)

* Potential tourist office function

Figure 14

Holiday centres STU



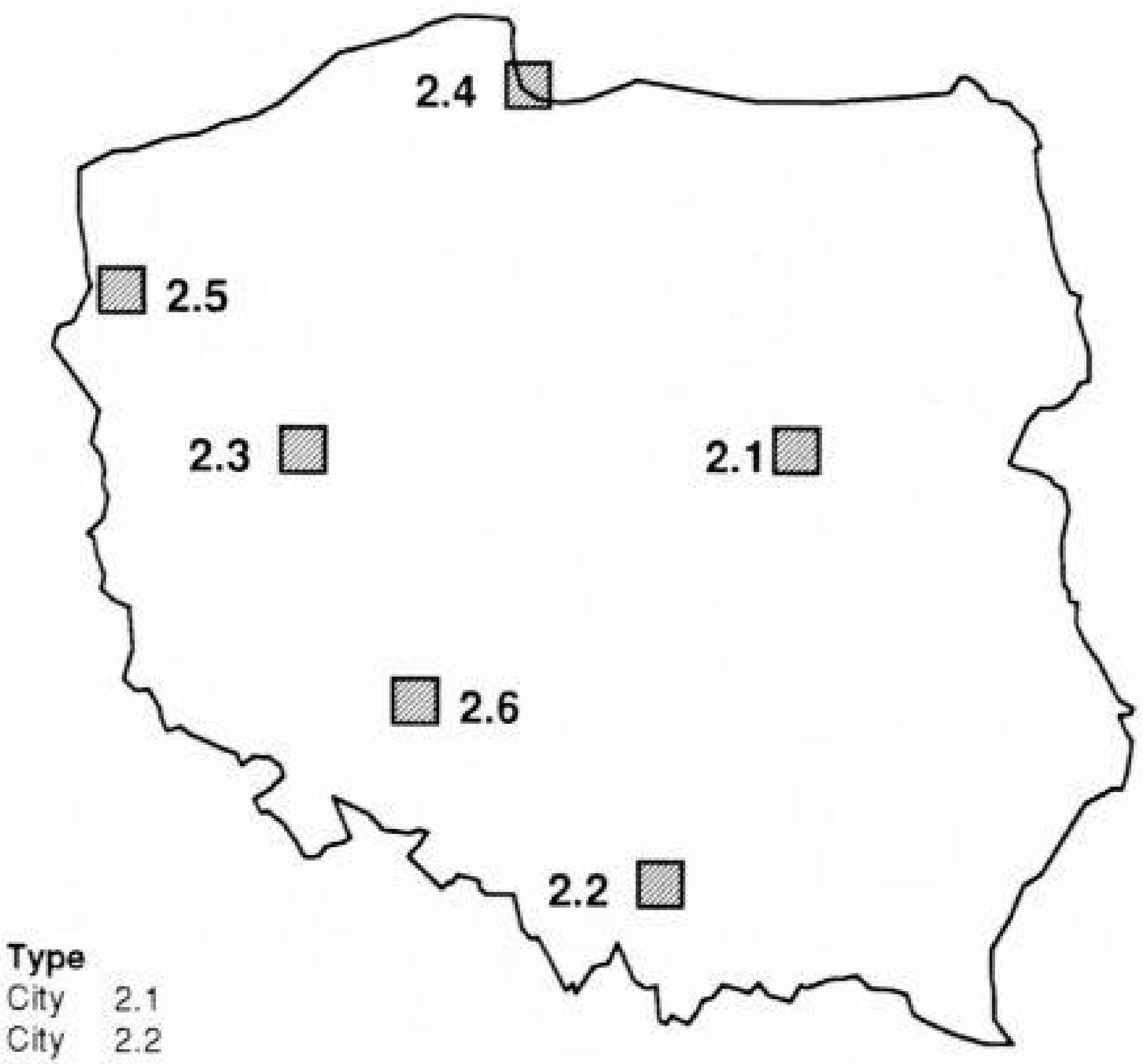
1- Baltic costline
2- Iławskie & Brodnickie Lakeland
3- Masurian Lakeland
4- Suwalsko-Augustowskie L.
5- Lubuskie&Leszczyńskie L.
6- Karkonosze
7- Góry Stołowe & Śnieżnik
8- Beskid Śląski
9- Podhale & Tatra Mount.
10- Beskid Sądecki

Other, beyond the areas:

A - Przyjezierze
B - Spała
C - Sulejów
D - Okuninka
E - Polańczyk

Figure 15

Examples of general interest tourism centres



Legend:

Area	Illustrative locations	Type	
Warszawa	Warszawa	City	2.1
Krakow	Krakow	City	2.2
Poznan	Poznan	City	2.3
Tri-City	Gdansk	City	2.4
Szczecin	Szczecin	City	2.5
Wroclaw	Wroclaw	City	2.6

Figure 16

Special interest tourism : Religious centres

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Figure 17

Special interest tourism : Health resorts and spas

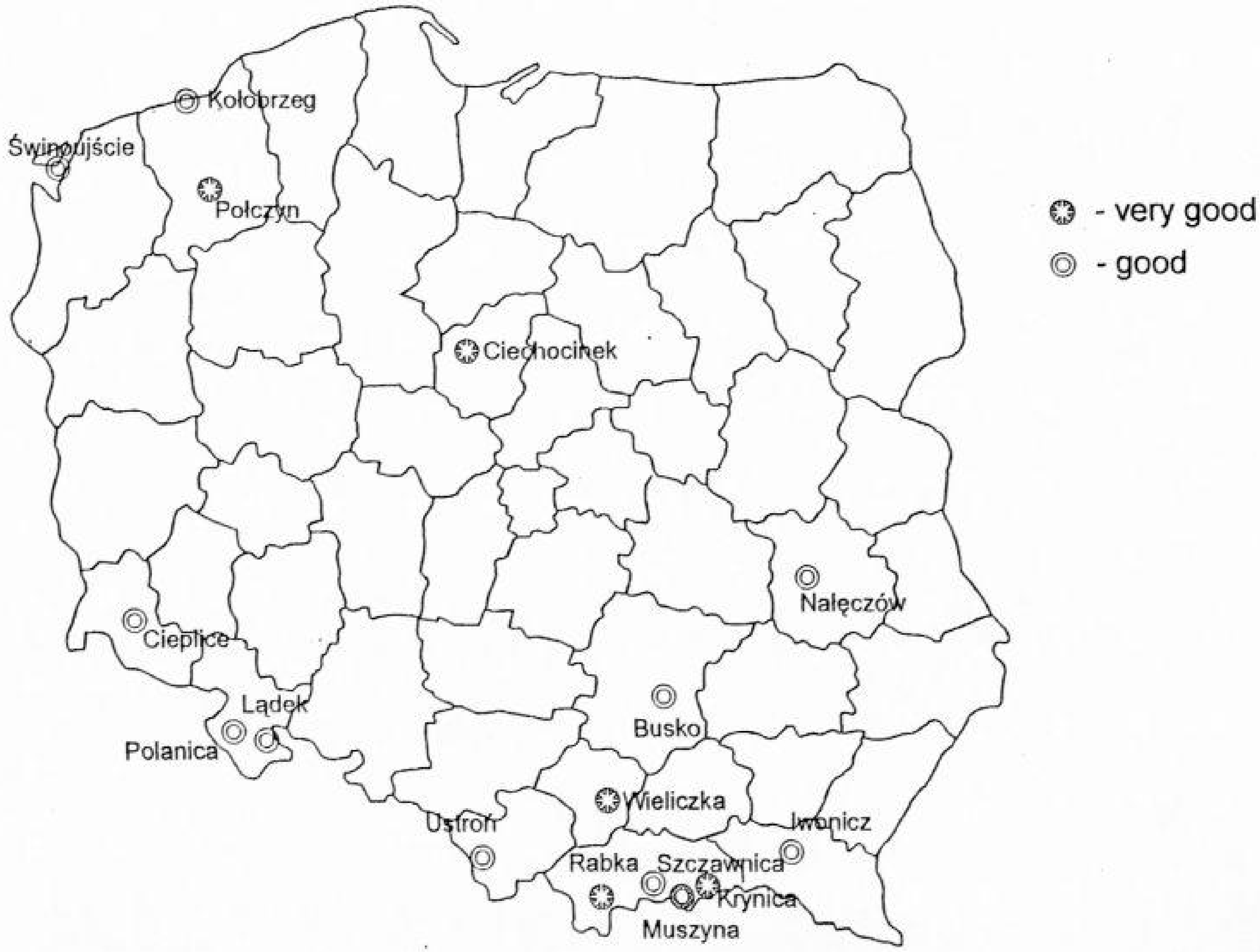


Figure 18

Special interest tourism : Examples of other special interest centres

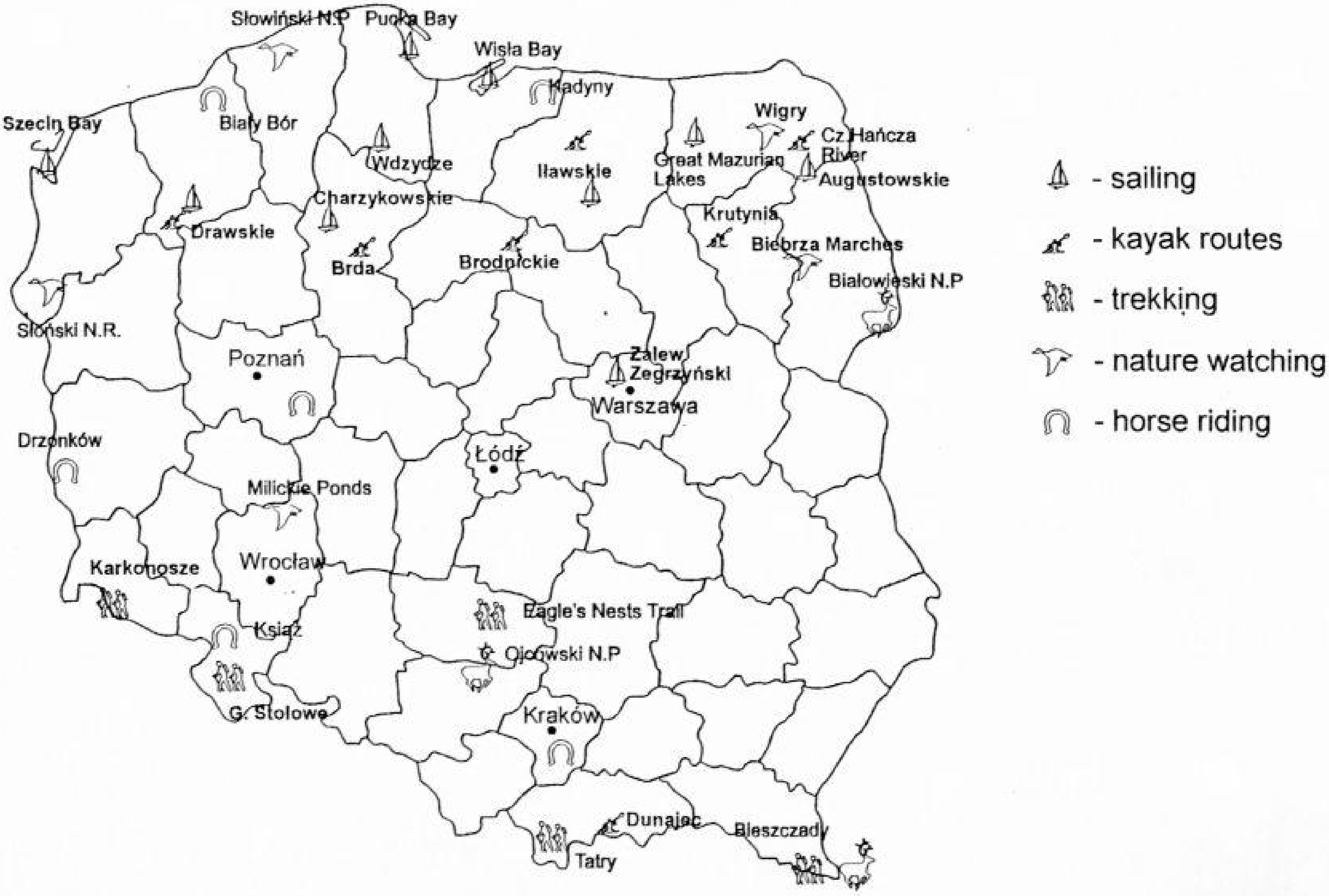
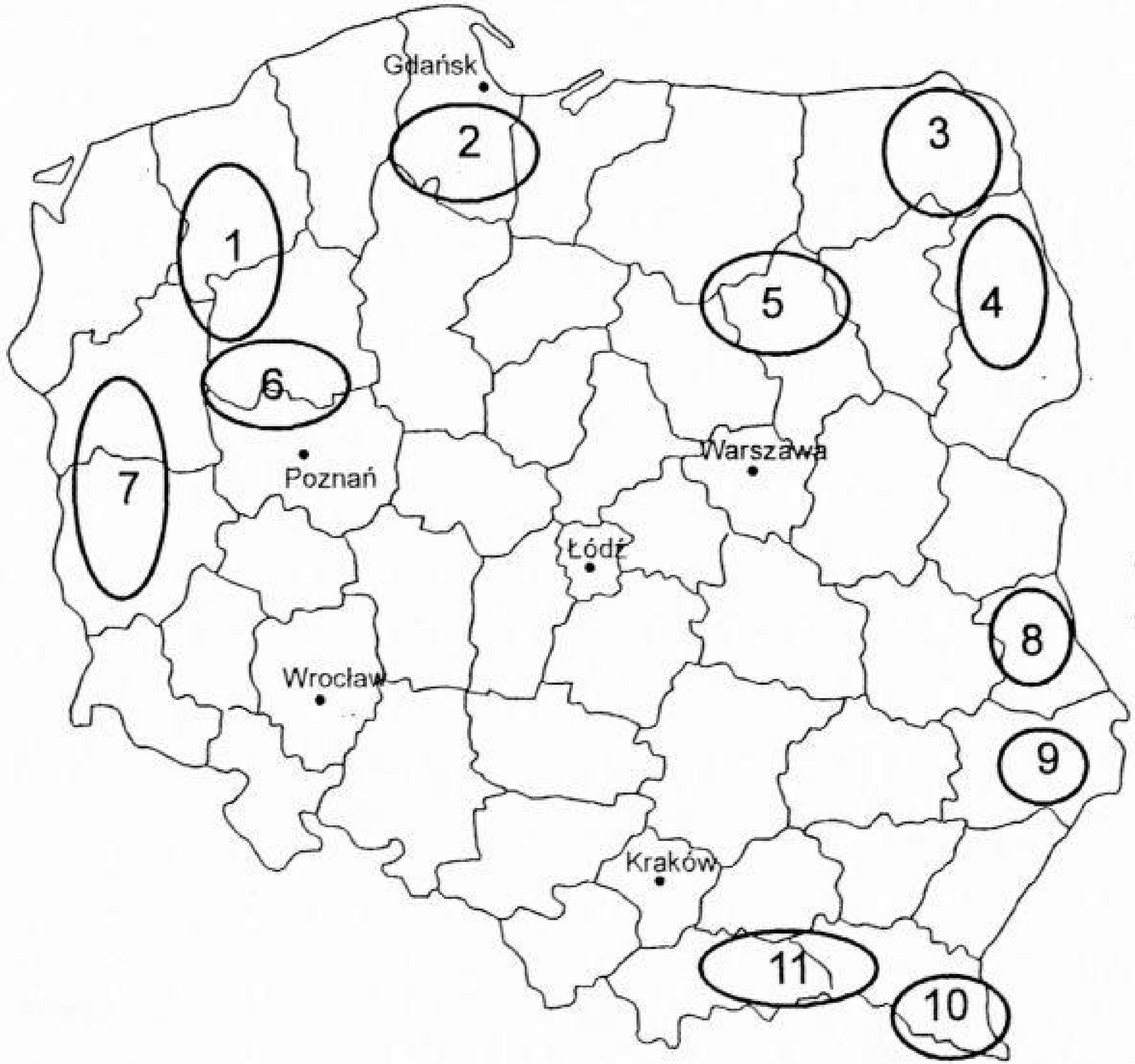


Figure 19

Examples of rural tourism areas



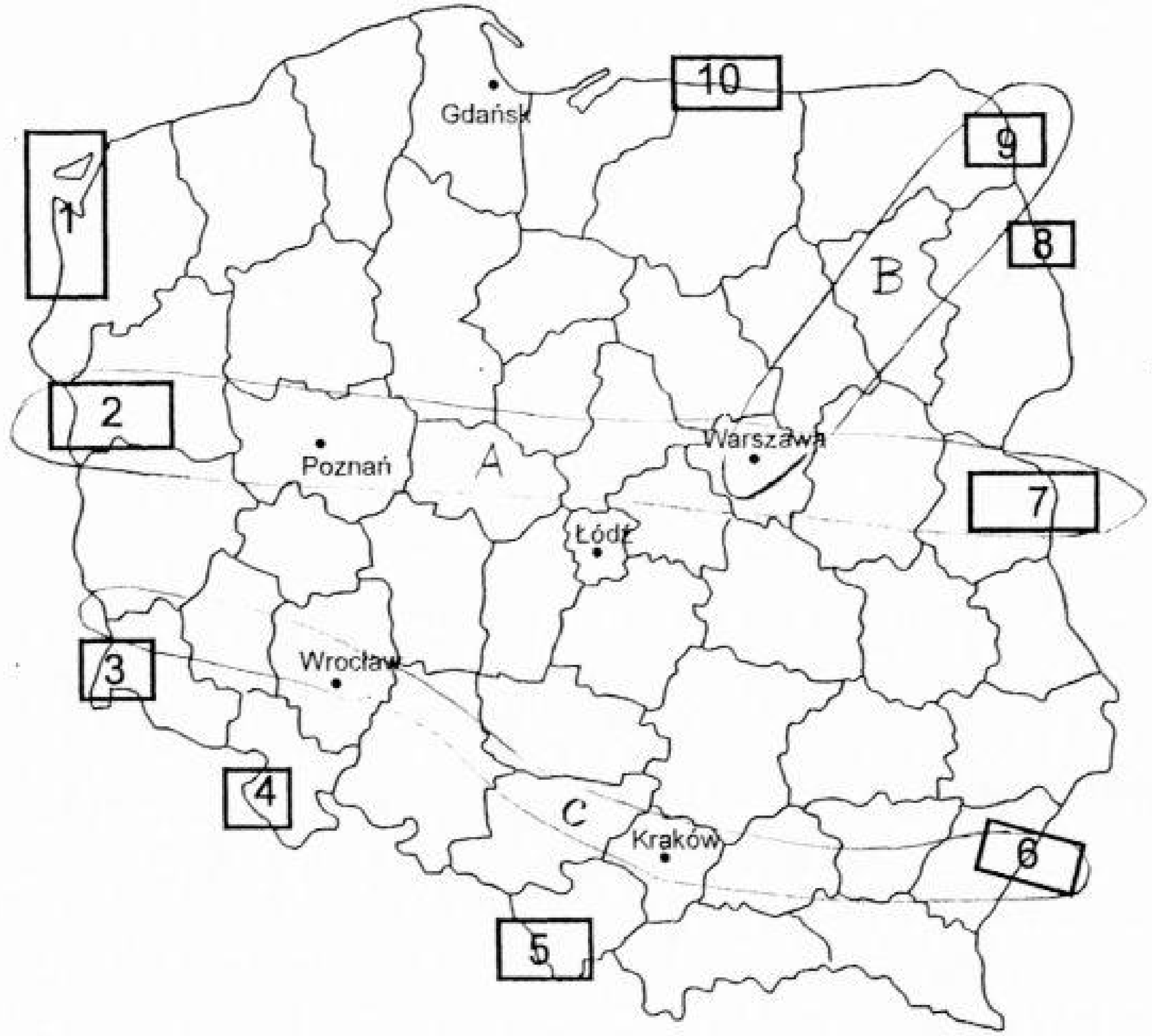
1 - Drawskie Lakeland
2 - Kaszubskie Lakeland
3 - Suwalskie Lakeland
4 - Knyszyńska Forest
5 - Kurpiowska Forest
6 - Notecka Forest
7 - Lubuska F & Zielonogórskie Woods
8 - Łęczycko-Włodawsko Lakeland
9 - Roztocze
10 - Bieszczady
11 - Beskid Niski

Figure 20

Examples of transient and cross border tourism locations

Transient Corridors

A : Germany-Russia
B : Germany - Central Poland - Lithuania
C : Germany - Ukraine



Cross-border

1 - Szczecin- Świnoujscie
2 - Słubice-Świecko
3 - Zgorzelec
4 - Kudowa Słone
5 - Cieszyn
6 - Przemyśl - Medyka
7 - Terespol
8 - Kuźnica Białostocka
9 - Ogrodniki
10- Bezledy

4.3 Product development strategies

Product development strategies fall into three main categories :

- STU-specific, which will include strategies required for the development of products related to the STUs, incorporating product-specific developmental actions as well as development actions required;
- Accommodation development strategies, based upon representative facilities by visitation category and STU;
- Facilitation strategies, which cut across all products and STUs, primarily requiring governmental and organisational initiatives from Warsaw.

4.3.1 STU-specific product development strategies

We recommend that, once created, STU managers should be commissioned to complete their individual strategy plans in detail. Hereunder, we provide elements for such STU strategies.

The basic strategy for each STU consists of product development (individual product and facility descriptions can be found in Appendix 5 and 6, respectively), support development, and marketing/promotion, preceded by a positioning statement which suggests an overall theme for each group, as well as the market-appeal characteristics of the relevant products. The strategies developed in this report will form the starting point for each STU destination to formulate its individual plans, namely :

- An accommodation plan. How many, what type and location of each unit of overnight accommodation, with zoning and environmental planning components;
- An attraction plan. How to preserve, enhance, and authenticise natural and man-made attractions and to create activities and events surrounding them;
- An interpretation plan. How to communicate and "translate" a destination to its visitors, including guides, displays, events (e.g. sound-and-light shows), and collateral materials (brochures, souvenirs, postcards).

For clarity's sake, items generic to all STUs (e.g. environmental clean up, collateral material, guide training) are detailed in the first plan and are not repeated.

4.3.1.1 Holiday centres

Examples of recommended locations : Zakopane, Karpacz, Korbielów, Szklarska Poręba, Mikołajki, Jastrzębia Góra (see Figure 14).

Positioning: "All things for all holidays"

These are resort towns and areas which are predominantly holiday destinations, either for summer holidays or winter holidays. Each area is a self-contained destination, having a full range of accommodation, activities, and regional sightseeing programs based around a primary, natural attraction (beach, lake, mountain).

The basic appeal is mass-market and family-oriented primary holiday, with an emphasis on something for everyone to do: fun, clean, no hassle/all inclusive, quiet (for the parents), busy (for the children). Origin markets will be international, with Polish domestic demand growing with the economy.

4.3.1.1.1 Product development

Accommodations

A holiday centre must offer accommodation of all types, including the potential for ownership, which can create a "base population" of seasonal residents. Careful control of intensity (quantity, type, zoning) and proximity to the main natural attractions is a core consideration. Examples are:

- To 5-star hotels with better hotels nearest to the principal activities;
- Camp sites and trailer parks located near principal attractions but in more secluded areas (unseen from roads);
- Ski chalets and hotels based around a village concept to minimise distance and create a cosy atmosphere;
- Activity-based lakeside hotels or self-contained villages (sailing, swimming, nature trails);
- Timeshare and second-home developments--with strict guidelines for zoning, height restrictions, exterior treatments.

Activities

- Restaurants of all types will be needed, with at least gourmet (can be in top-class hotel), Polish, and fast-food outlets. Snack facilities (with eco-friendly paperware and destination identification) will need to be placed near waiting, gathering, or shopping points. Night-clubs as appropriate to area.

- Activity centres for children with Polish-themed and international rides (and places for parents to sit and meet each other). Swimming areas for children (lakes and sea). Sightseeing trips to nearby areas. While amusement parks and "penny arcades" are traditional European holiday amusements, their design and location must be carefully selected, as they are focal points for trash as well as entertainment.

- The Government will have to provide "pump priming" funds to establish a series of events and to locate potential sponsors. Due to intense competition for major events (dance, music, theatre), most will have to be created and themed around local or regional cultural assets. Events such as outdoor concerts, folklore, and theatre, with some timed to extend visits (e.g. after the weekend). Destination-based, themed festivals (e.g. a Zakopane chamber music series) and race meetings (ski, sail, athletics) should also be considered. Space should also be provided for kermesses and outdoor concerts (in summer destinations). Street musicians should be accepted but must have designated places to perform.

- Car/boat/canoe/ski/bicycle rental facilities. Local "tourism trams" or mini trains can be organised to shuttle between the accommodations and entertainment centres. Pedestrian zones in town centres, boardwalks along beach fronts, and lakeside trails are essential for crowd and traffic management.

4.3.1.1.2 Support services

Environment

The single most important element of a holiday centre is its major natural attraction. Poland's international reputation, rightly or wrongly, is of smokestack pollution, and every effort must be made to clean up dirty areas and to protect people. Promotable efforts based on recognisable, international standards (EU Blue Flag Beaches, Tidy Towns, Garden Centres, Quiet Zones, Vehicle-free Beaches) are essential. Zoned lakes (restrictions on motorboats and water skiing) and international ski-slope management standards should be adopted.

Tourism infrastructure

Nature trails, litter collection receptacles, multi-language signs (*always* in Polish), special mini-information centres (can be in shops) with daily activities posted and tickets sold or provided (for undersold events). Tourism "police" provide advice and watch for litter accumulation; they should be identifiable but not in "police" uniforms. Navigation markers on lakes and in harbours, weather-warning signals, and ski-slope ratings must be according to international standards. Weather-proof strip maps of canals and lakes (showing shoreside facilities) are also essential. Control of signage lighting and special lighting of attractions for tourists will be essential to encourage night-time use of facilities.

Personnel/training

The Government will need to make sure that job opportunities are created and training provided for all personnel not directly connected to privately owned facilities, including cultural interpreters or guides (where none exist); animators (the Club Med "Gentil Organisateur" concept) for beaches and ski facilities; sports instructors and safety monitors (lifeguards, ski patrol); tourism police; product-trained information personnel; multilingual first-aid paramedics; taxi drivers (language and courtesy training). In areas where tourism has recently developed, service-culture awareness programs must be established as a co-operative venture between government and industry. This would be a national program adapted to the STU's product-specific needs.

Marketing/promotion

International marketing will be most effective in Adjacent markets, where the cost/benefit of a drive-to holiday in Poland will go furthest. Scene-setting brochures, comprised of photographs, descriptions, and benefits and advantages, should be created in Polish, German, English, and perhaps Czech. The major domestic marketing effort should focus on "lifestyle" brochures, featuring images of how people can enjoy themselves at the destination. (For details, see Figures 12 and 13 and the Product Development Plans in Appendix 5).

The Government will also have to consider an image-creation campaign, as one of the main motivators of holidays is word-of-mouth recommendations. Such a campaign must include logo-based souvenirs, postcards, and T-shirts, all with logos and all projecting the image of the destination and "displayed" in origin markets. Sponsorship and selling of the rights to use the logo are important, and marketing specialists with experience in such matters should be consulted and/or employed.

4.3.1.2 General interest tourism centres

Examples of recommended locations: Warsaw, Kraków, Gdańsk, Wrocław, Szczecin, Poznań (see Figure 15).

Positioning: "Gateway to Poland/Polish regions/Polish heritage".

General interest tourism is another way of describing survey tourism or sightseeing trips. These trips are based on culture, heritage (roots), shopping, and urban recreation (theatre, night clubs, music). Poland's major heritage cities will be the starting points and/or enroute points for such trips.

These centres should promote their image as interesting, developing, environment-friendly, and safe cities to which it is worthwhile coming for tourism and business. This can also be facilitated by developing flagship projects e.g. major international congresses, festivals, sports competitions. The idea of organising the year 2012 Olympic Games in Warsaw is consistent with this approach and we strongly support this idea.

The appeal is to tourists in Adjacent and International markets, people whose interests include visiting cultural "meccas" of art, architecture and history, understanding places and peoples, self-improvement, sophisticated recreation, good-quality generic and destination-specific shopping. They want a mix of urban, countryside, and natural-beauty experiences in a short (3-7 day) period of time. The experiences must, therefore, be understandable (well interpreted), interesting, and available at the times people want to see them (opening hour flexibility). They must also have some kind of coherence and continuity (which can be provided by an escort or guide) and must be designed to be fully enjoyed in the minimum amount of time (e.g. variable-length museum visit, routings marked by colour-coded signs).

4.3.1.2.1 Product development

Accommodations

These tours will be packaged for all price ranges and will require a range of hotels in urban centres and on en route stops.

- Urban hotels of all price ranges, but at least a selection of 4-to-5 star (individual visitor on weekend break, business-extension visitor), 2- to-3 star (mass-market package tour), and bed-and-breakfast home-stay (individual visitors who want to get to know people, families).

- Hotels outside cities can range from converted castles (which can be destinations in themselves) to more modest accommodation designed for high-turnover, short-stay experiences near points of interest outside cities. It must be remembered, however, that the basic rule of survey tourism is that "you can take people to a third-class hotel to show them a first-class site, but you can't take people to a third-class hotel to show them a third-class site."

Activities

- Citires require high quality, and affordable restaurants, snack bars, and a range of "after-hours" activities. As most Polish cities have already received large numbers of international business visitors, there is already a range of such activities. The emphasis should, therefore, be on those aimed at Polish cultural heritage (cuisine, theatre, cinema). In the countryside, good-quality but simple restaurants offering Polish and European fare located within walking distance or a short drive of tourist accommodation should suffice.

- Events are absolutely key to urban tourism and are natural season-extenders. In addition to existing events and festivals, events that will be packageable by foreign operators should be planned. These would include theme-based entertainment events (jazz, pop concerts, movie festivals) and exhibitions (by artist or period, design, crafts, architecture, cultural heritage of interest to Polish-origin tourists). This will require planning at the national STU level and close co-ordination with event promoters and agents in other European countries to get Poland on to the events circuit.

- Urban tourist transport should include easy, prepaid access to buses and trams (special fares for tourist all-day, all-weekend tickets) and taxis. Sightseeing buses offering "hop on, hop off" tours are another good way to introduce tourists to a city. (The taxi "mafias" that exist in cities like Warsaw are extremely detrimental o the tourist image of the country, as they differ widely in pricing and service quality so controls need to be introduced). Taxi drivers must be trained in languages, courtesy, and basic sightseeing information. Self-guided walking tours (with cassette recorders) should be created for each city and should be available at hotels and tourist information offices.

- The Heritage Centre concept, described in Appendix 6, would be a core feature of this strategy. Such centres bring people who are time-limited into a destination, culture, and environment quickly and effectively. They make people aware of what to do and what to buy, and they can serve as a museum, souvenir shop, and tourist information office in a "one-stop" format. The Heritage Centre could also provide offices and support services for national preservation associations (National Trust, Polish Heritage) and liaise with international preservation organisations (ICOMOS, UNESCO) or commercial sponsors of exhibitions and/or preservation initiatives.

4.3.1.2.2 Support services

Tourism infrastructure and environment

A "Clean Cities" campaign is essential and a good way to get people to help tourism while helping themselves. Cities should have a pedestrian shopping area for tourists (like Warszawa and Kraków old towns), but these need to be signed better, with store locations and types (e.g. amber, design, clothes) clearly marked on multilingual, pocket-sized maps which are also repeated on wall signs.

Personnel/training

Everyone who comes in contact with a tourist should be an "interpreter" of language and touristic needs, and training should emphasise the psychology of tourism as well as practical, service-oriented matters. Heritage Centres should be used as training centres for guides. Tourist police (described previously) are needed.

Marketing/promotion

For consumers, scene-setting brochures must be created. The key here is to create the impression that you can't understand or appreciate Poland without seeing more than one city or visiting the countryside. For the trade, suggested and/or pre-packaged itineraries are essential. As much pre-packaging already is done by many city-based incoming tour operators and ORBIS, co-ordination is necessary. Text should be written in appropriate form and structure so that entire sections can be used by tour operators. It is *absolutely essential* that native-language speakers write and edit this text, as Poland's position as a sophisticated destination starts with its promotional materials. (See Figures 12 and 13 and Appendix 5)

4.3.1.3 Special interest centres

Examples of locations for different categories of special interest centres are presented in Figures 16 (religious centres), 17 (health resorts and spas) and 18 (examples of other special types).

Positioning: "Self-discovery; reach your potential; do your own thing"

These are smaller, focused centres based on special-interest pursuits (nature, participatory sports such as horseback riding, spa therapy, religion) and are by nature complementary to facilities in cities and resort destinations. They must have their own strategies, however, as they are becoming a major competitive factor in international tourism, and Poland must develop competitive facilities and activities to attract its share of tourists and ensure that the constant innovation of other destinations is monitored. The emphasis here is more on focus and quality than on infrastructure or a range of supporting activities, as tourists will focus on their interests and seek diversions elsewhere, most likely in cities or holiday centres, visits to which may be combined with visits to special-interest centres.

The appeal is to people who are looking for "best-in-class" facilities (this does *not* mean luxury), competent staff, and goal-oriented holidays (pilgrimage, learn to ride, lose three kilos).

4.3.1.3.1 Product development

Accommodations
These are interest-specific and are defined quite closely by the interest attraction. Some are low-investment (camps and huts), and all must be of a quality that is commensurate with the activity being pursued: nature camps and tramping huts for bird watchers and hikers; hostels for pilgrims; spa-hotels with integrated treatment facilities.

4.3.1.3.2 Activities, marketing, and support services

Each interest will have its own activities and support services focused on the central attraction. As each is, by nature, a small, focused centre, the main strategic and planning functions will be national, not regional, in order to concentrate development expertise where it can be efficiently used and deployed to regions and destinations on an as-needed basis. Each interest is also a key link in the range of things to do in Poland and, consequently, Poland's brand positioning.

The special interest STU group should represent all special interests which can eventually spin off associations for each activity type as and when they develop sufficient visitation. The STU would be staffed by specialists who would :

- Set standards; for example, for bird-watching sanctuaries around the country (environmental quality, species monitoring);

- Maintain links for lobbying appropriate governmental bodies with international associations and affinity groups (the Audubon Society, Sierra Club, World Wildlife Fund);
- Create events and activities in co-ordination with other national initiatives and which could have their own, distinctive identities (a certificate program for pilot training, a species checklist competition for bird watchers, flower shows and export seed packages for professional and amateur horticulturists);
- Set up training centres for guides, interpreters, trainers, animal keepers;
- Create promotional materials for each group.

4.3.1.4 Rural touring areas

Examples recommended locations : Iwonicz Zdrój, Czaplinek, Kartuzy, Iława (see Figure 19).

Positioning: "The *real* Poland; Poland's natural heritage; Off-the-beaten-track".

This STU will have national rather than regional coverage (as for special-interest tourism) and is responsible for areas of outstanding natural beauty which offer significant tourist potential but which also require careful environmental management and pose problems in terms of product development. While such areas are centred around natural attractions (primarily lakes and mountains), it is neither appropriate nor economically sensible to turn these areas into holiday centres or mass-market destinations of any type.

The focus is not on building costly accommodations, activity centres, or attractions, but on interpreting local traditions (markets, harvests, villages) as they are and as they happen, not as staged events or themed activities. The work currently carried out in Poland by Irish and French concerns on "agrotourism" is certainly focusing on this type of holiday.

The appeal is a low-key rural attractiveness, where tourists can have individual, new, and fresh experiences and interactions with people with whom they stay (farmhouses) and whom they meet (villages, lakesides, tramping trails). These experiences can be intimate and memorable, and there are significant numbers of Western European tourists (for example, the English in Provence and the Dordogne, the Germans in Italy) who have institutionalised this kind of trip.

In examining the growth of rural tourism in other countries, experience shows that this is not a quick-building form of product. Because of its reliance on existing accommodation and on the willingness of individuals to become hosts and "interpreters", there is little that large doses of capital or the overlay of professional touring organisations can do to make it happen faster.

It depends, therefore, on organic growth. In Poland's case, it will happen because there is a village, area, or region that will encourage it to happen. It is the STU and LDO staff's job to locate potential areas (from among those suggested) and promote its benefits to the area, identify local facilitators and supporters, and provide them with the training and promotional support to encourage development. It may be best to start with one pilot project which, if and when successful, can be used as a model for other areas.

4.3.1.4.1 Product development

Accommodation
Farms, guest rooms in villages, self-catering houses or flats are the typical lodging requirements for this type of holiday. The Government's role is to ensure that hosts are adequately prepared to understand and provide the basic needs to the tourists they receive. Cleanliness and politeness are the basic requirements; given these, creature comforts or a common language are not essential and may not even be wanted.

The Government must also institute a registration and (potentially) a grading system so that foreign tourists can understand the facilities available to them before they book in. This would imply a set of quality standards which would be the same throughout the country. A good example of this is the *gites* system in use in France.

Activities
Activities need to be encouraged or improved, not created. Tourists want to feel welcome as spectators or participants in local events.

- Folk traditions, artisans, and crafts people must be supported and encouraged to ply their trades in the villages and areas where the traditions are based. Aside from some modest events for locally based people, no events need to be put on. While restaurants can be a part of such a holiday, tourists will be prepared to drive quite a distance if they want to eat out. Otherwise, evening meals will be taken at home, and lunches can be picnics; food stores (featuring local specialities such as cheese, *charcuterie*, and beverages) must be available.

- Villages should be prepared to adopt cleanup plans (garbage facilities, carting away broken-down vehicles) and should have some sort of interpretation facility. Even a sign showing the location, population, principal product, and special traditions is adequate.

- Where National Parks or lakes are concerned, it is essential that there be adequate facilities for parking, picnics, and walking trails. Canoe and boat rentals, trail maps, and interpretation signage should be made available.

4.3.1.4.2 Support services

The most important of these is basic hospitality training and local awareness (as mentioned above). In countries where rural or agrotourism has been institutionalised (notably France and Ireland), these have been the most important steps to creating and improving an off-the-beaten-track experience. A directory of all such facilities, with photos, ratings, and descriptions of accommodations, as well as descriptions of traditions to see and village event schedules (market days, cultural events, harvest times) is also essential.

Marketing and Promotion.
The directory mentioned above is the main promotional tool. Foreign tourists have become accustomed to choosing this type of holiday from such a directory and are used to going to national tourist offices (rather than travel agencies) for advice. For domestic tourism, an awareness programme should be encouraged, even integrated into school curricula. For foreign and domestic tourists, classified advertising in travel sections can be very effective and adds a personal touch in keeping with the nature of the product.

4.3.1.5 Transient and cross border areas

Examples of locations are presented in figure 20.

This STU includes areas adjacent to external borders which attract significant numbers of day trippers or excursionists, principally motivated by shopping, as well as corridors through the country along which considerable volumes of transient road traffic flows. It divides into three parts for strategic purposes:

- **Shopping-motivated day trippers ("excursionists").** Currently, this type of tourism dominates travel in Poland, with millions of people, primarily Germans, taking day trips into Poland to take advantage of relatively low prices of goods and services. Poland needs to attract these tourists, already willing to come into the country, to stay longer and to spend more. The positioning is: "Shopping Plus; Bring the Family; Come for fun as well".

- **Tourism through-travellers ("transients").** The north-south and east-west passage of tourists going through Poland to reach other holiday destinations (the Swedes to Southern Europe, the Ukrainians to Western Europe) The positioning is: "Take a break; There's more to do here; Only 30 kilometres to a fun, family experience".

- **Professional through-travellers**. These are the freight hauliers who, while not technically "tourists", are the major users of border crossings and the highway network, and the major reason why both are congested and inadequate. There is a positioning which has to do with getting them through the country quickly and efficiently and providing them with safe parking, good, ample, cheap food (the French *relais routier* model), and repair services along the way. The STU should consider this group in its broad planning and co-ordinating with other Government agencies on developments in transportation and border facilitation, but should focus on excursionists and transients due to their touristic nature.

While excursionists and transients have common characteristics (most notably ownership of or access to an automobile) and needs, the STU must adopt strategies to deal with their separate natures, for several reasons:

- **Geography**. Dealing with day-trippers involves making improvements along the border areas and in the towns and cities where cross-border shopping takes place. The transients pass through the entire country, and their "sphere of influence" extends along major arteries and in cities and towns nearby.

- **Motivation**. Day trippers are not (usually) on holiday and are motivated by shopping, visiting friends, or simple curiosity--a Saturday outing. Transient tourists are (usually) on their way to a principal holiday and have the secondary need to break up a long journey by stopping enroute to refuel, eat, let the children play, or walk the dog.

- **Economic background**. The majority of excursionists are, and will continue to be for the foreseeable future, from Eastern Germany, where economic conditions are still not equal to those of the rest of Europe. Transient tourists are a broader mix of nationalities and, consequently, of levels of discretionary income.

One common thread to the strategy for excursionists and transients is that in the short term it will be promotion- rather than product-driven. The goal of the Government should be to reach tourists who already have reasons to come to or through Poland. The aim, then, is to influence the current trip as much as possible, but the real goal is to give them a reason to come back (in the case of excursionists), or to stop over (in the case of transients). They may not be able to spend more time during their current trip, but if they can be given adequate reasons to return, they may well do so.

4.3.1.5.1 Product development

Accommodation

Motel-type accommodation must be provided at regular intervals along major north-south and east-west arteries (see representative example in Appendix 6). It can be a part of the new highway rest stop concept discussed under Activities below. In addition, signposting leading tourists to nearby places to stay (cities, holiday centres) must be provided along the way at rest stops.

Activities

- Shopping malls with recreation and entertainment facilities for families are beginning to gain popularity in Europe. There is a major opportunity for Poland to be among the first nations of Eastern Europe to create such a magnet facility, located near enough to the German boarder to attract day trippers, but far enough inside the country to attract Poles from major urban centres.

- Top-quality highway rest stops must be built with the idea of providing a range of services and information. Together with restaurants, clean picnic areas, well-lit parking lots, and spotless toilet facilities, discovery centres and mini-Heritage Centres can inform tourists about what lies ahead and even offer booking services for hotels. This is where the ability to influence the next trip is the greatest. These rest stops can also include self-banking facilities in addition to full-service money exchange bureaus.

- Another consideration is the placing of sales offices for second homes, holiday apartments, and time share units at the rest stops.

4.3.1.5.2 Support Services

- Signposting is extremely important. Along highways, at rest stops, along secondary routes used by day trippers, signs are effective information providers and message reinforcers. Deals should be struck with authorities and private concerns in adjacent countries to post signs and information maps at rest stops and other public locations in those countries and at border crossings.

- Highway patrols and breakdown services must be visible and available. Mobile phone numbers must be prominently posted.

Marketing and Promotion
As previously stated, this STU will be at the forefront of Poland's ability to influence the largest numbers of tourists who currently visit the country. Their mandate to promote within Poland is clear, and other STUs will want to take advantage of their "ownership" of the transient and excursionist points-of-sale for promoting their own products.

However, promoting outside Poland will rely heavily not on travel-trade relationships but on relationships with organisations like automobile clubs (e.g. ADAC in Germany, ANWB in the Netherlands). These organisations have large memberships and a virtual monopoly on breakdown services in their respective countries. They are also heavy users of direct mail, publish magazines with broad circulations, and are the largest distributors of domestic and foreign maps to motorists. A co-membership or co-sponsorship program with either should be explored.

4.3.2 Accommodation Development Strategies

In this section, we identify the accommodation facilities required for each visitation category, and recommend associated strategies for the development of required facilities.

In reaching our conclusions we have evaluated the economic attractiveness to investors of representative facilities matched to each visitation category; identified the terms and conditions the Government will need to offer investors for such typical facilities to become economically interesting; indicated how many such facilities might be required and where they might be located; and estimated the economic impact of the projected new facilities.

Appendix 6 provides a review of the current status of accommodation in Poland, more details of representative facilities and the computer model output of the economic *pro forma* for these representative facilities examined, as well as the expected economic impact of the facilities, and the locations where we believe the facilities can be developed.

4.3.2.1 Accommodation strategies by visitation category

We reviewed the current status and new facility requirements by visitation category.

In Appendix 6, we present an economic study of each new Representative Facility and the locations where we believe the facilities could be replicated. Figure 21 summarises the conclusions of this economic study. The main assumptions used in the evaluations are as follows:

- Financing is 60% equity and 40% debt;
- Loans will be drawn in the first year;
- Interest per annum is 10%;
- First two years will be interest free, Years 3 to 5 interest only;
- Capital repayment starts in Year 6 and takes 10 years;
- Land is provided free or at nominal cost (by the authorities);
- The investment does not include renovation or refurbishment of heritage assets, but includes supporting infrastructure.

Figure 21

Representative facilities and key ratios

Facility	Capacity	Investment in Mio US$	IRR %	Ø Room Rate US$ (1. year)	Identified sites	Additional facilities
Seaside holiday village	300 Chalets	10,1	14.9	18	19	2 restaurants (250+80 seats)+ 2 bars, shopping + entertainment
Recreational Centre lakeside	300 Chalets	10,15	14.7	18	21	2 restaurants (250+80 seats)+ 2 bars, shopping + entertainment
Recreational centre mountain	150 Chalets	6,5	13.5	18	20	Restaurant (100 seats) and central complex
Marina resort	150 Rooms Marina port	11,65	16.6	65	15	Marina port + services, restaurants + bar
Touring Heritage Hotel	80 Rooms & suites	8,98	17.5	80	10	Restaurant and bar
Transient Motel	60 Rooms with service	2,5	11.1	24	45	Lounge and restaurant (80 seats)
City Touring Hotel	200 Rooms	15	17.0	56	16	Restaurant (200 seats) + bar (80 seats) and conference room (140 people)
Heritage Conference Centre	120 Rooms	10,11	20.5	80	9	Restaurant + 3 conference rooms (140 + 40 +40 people)

Note : Construction and operating cost data used have been provided by PART and local contractors. Arthur D. Little has not verified the data and in no circumstances assumes responsibility for its accuracy. The economic model and results have been prepared and are presented for illustration purposes only, allowing an interested party to input his own assumptions and data.

We review each visitation category below.

In evaluating the economics of new project development during the current embryonic stage of industry evolution, it is clear that the profitability (and resulting potential investor interest) are dependent upon the cost of land being provided rent free or at nominal cost.

We recommend that landowners (in many cases the gmina which will be the owners of potential land) are encouraged to offer land at terms which do not require an additional initial capital expenditure by the investor, so as to make such initial investments profitable.

Devices to achieve this would include :

- Long-term (e.g. 99 year) leasehold title to the investor, with a rent free period for, say, the first ten years.

- Joint ventures between the investor and the gmina, with land representing the gminas contribution, and profits "buying out" the land contribution prior to distribution of profits to the parties.

It will be important to demonstrate to gmina authorities the benefit of attracting an initial high quality investment project, albeit in terms of no or low initial land cost. An initial project will be a locomotive for economic development around it, resulting in a "halo effect", whereby land surrounding the project will become highly sought after and of greater value, more than amortising the original subsidy to the first investor.

Hereunder, where we describe the land as being "donated", we imply one or other of the mechanisms described above.

4.3.2.1.1 Sun and beach holidays

The type of accommodation facilities currently in operation along the Baltic coast have evolved from a "supply"-led philosophy and not from a "demand"-led approach. This means that the accommodation that has been developed to service the customer base has not been influenced by the "normal" customer considerations prevalent in a society where choice is a major factor in selecting a location and facility.

The traditional holiday centres along the coastal region consist of a large number of facilities that have serviced subsidised employee holidays. These state enterprise centres are largely non-profit-making establishments which are, in the main, poorly constructed and designed. Many are, however, in good locations.

The operation and management of these facilities are also inappropriate, and a training programme that focuses on customer service is an urgent priority, once new, efficient operators are in place. The traditional structure of subsidies from the state enterprises is now in a state of change, with many of these companies and institutions in a state of flux, undergoing privatisation and restructuring. Consequently, there is little money to maintain the establishments and no subsidies available.

The balance of accommodation in these centres is supplied by small hotels, Bed and Breakfast (B&Bs), private homes offered in season, and camping grounds. Categorisation of all these various accommodation facilities according to standards is needed, as well as grants and incentives for owners to invest in upgrading the standards, which are poor across the board. Much of the needed development will take place in time, based on the natural change in demand and the normal response to supply accommodation more appropriate to this demand.

To "kick start" the development programme, concentration should be on the privatisation of the state enterprise centres and on the development of new sites. With many of the existing facilities, this will mean demolition, and reconstruction of more appropriate accommodation. While more expensive in the short term, it will be more profitable to follow this course of action than to merely upgrade facilities that will have a very short-lived market value.

We have identified the following accommodation facilities as appropriate to service the sun and beach market in Poland:

- Resort hotels adjacent to the sea, and holiday centres (towns and villages);
- Holiday villages adjacent to the sea and accessible to a holiday centre;
- Bed and breakfast accommodation (B&Bs) in the holiday centres;
- Private homes in the holiday centres available in season;
- Caravan sites;
- Camping sites adjacent to the sea, lakes, and forests;
- Marina resorts on the sea and adjacent to principal holiday centres.

The projected rate of return for a seaside holiday village on the Baltic coast, which we have selected as our representative facility described in Appendix 6, is 14.91%. The acceptable minimum return for most investor sources is from 15 to 18%; this is particularly the case when looking at a higher risk-related development where returns would be expected to be even higher.

To reach the minimum expected level of 15%, the authorities will need to find a solution to land leasehold / property as part of the attraction to stimulate growth. Pricing the land in real terms would overburden the cost of development and not produce a yield that would be acceptable to an investor partner.

There are several opportunities that could be worked on immediately and which would involve the Polish Investment Promotion Agency (PART). The example *pro forma* calls for an investment of USD 10,100,000, of which 60% could be in equity and the balance of USD 4,000,000 in debt-financing over 15 years at 10% interest per annum, with two years of interest free over the construction phase, and Years 3 to 6 interest only, until the capital repayment schedule starts in Year 6.

It will be very important to ensure that such financing terms are available for investors developing facilities that support the targeted visitor profiles with a high yield potential for Poland.

The attached *pro forma* will indicate the projected trading results and operating costs using the uniform system of operating accounts, and the capital expenditure requirements for 300 family chalets with supporting infrastructure.

4.3.2.1.2 Recreational Holidays - Forest, Mountain and Snow

The recreational and traditional holiday centres at lakesides, mountains and snow resorts are all affected by the old system of subsidised holidays for employees. In many regards, these facilities are even more affected by the change to a market economy, and show an even greater degree of dilapidation, particularly at the lakeside locations.

Similar to the sun and beach locations, many of the recreational holiday centre are, however, in good locations for the development of facilities that are more appropriate for future markets.

In addition to the state-enterprise centres, there is a wide range of Bed and Breakfast (B&Bs) and private homes used to service the existing demand. Quality is generally poor, with little supporting infrastructure. There is a lack of associated entertainment, night life, cafés and restaurants. Outside of the facilities, there is a lack of organised interests and information on what to do, where to go and what to see. Although some facility equipment exists for special interests such as sailing, skiing, canoeing, and gliding, it is generally very limited, and only found in principal locations such as the Mazury and Zacopane. Quality is also not particularly good, and more information related to training is required.

We have identified the following facility requirements for recreational locations:

Lakeside

- Four-star and three-star hotel resorts adjacent to towns, and in lakeside settings;
- Lakeside marina and yacht club;
- B&Bs and private homes in lakeside villages and towns;
- Village holiday centres
- Camping sites on lakeside and in forest area
- Caravan sites on lakeside and in forest area.

Mountains

- Summer village holiday centre adjacent to or in forest parks
- Camping sites in forests;
- Caravan sites in forest regions;
- Health and spa resorts comprising two and three-star hotels and B&Bs.

Snow

- Skiing hotel resorts, 2-and 3-star quality;
- B&Bs;
- Health spas.

The financial projections for a lakeside holiday facilities, which we have selected as our representative facility described in Appendix 6, indicate a return similar to that of seaside vacation villages, due to the trading base from a similar customer profile. The seasonality will, however, be more rounded than that experienced in the sun and beach visitor category.

The customer profile for the *mountain village visitation* category will be primarily domestic tourists, up to 75% of demand, and the balance from foreign visitation. The trading projections, therefore similar to those identified in the other recreational categories. There will be a higher degree of special-interest customer groups with specific interest in ecotourism. The lower yield and rate of return reflects the smaller facilities that are realistic to develop, given the planning restrictions that will be applicable in large conservation areas. It is possible to raise the rate of return through cutting back the central entertainment complex and removing the health and leisure facilities. The offer would then be a central restaurant facility and reception area with lobby lounge. The rate of return would then rise to approximately 16%.

Under our assumptions, a capital expense of close to USD 12 million will be required to construct a 120-room marina resort with 60-80 berths. This equals nearly USD 80,000 per saleable room. There are a number of derelict heritage buildings that are on lakeside settings which would be appropriate for marina development. The costs for such renovation and refurbishment would be higher, and are not calculated in the *pro forma.*

USD 7 million will be required from an equity placement, with the balance arranged from a financing package over 15 years, at 10% interest per annum. During the two-year construction phase debt would be interest free, the following three years interest only, and capital repayment commences in the sixth year of the project.

Under such a funding programme, the marina resort would be likely to realise a 17% rate of return, which will be sufficient to attract the necessary investors and operator partners. The land has, again, been included without cost. PART has a number of identified locations and sites which could be worked on immediately.

4.3.2.1.3 Touring Holidays

Visitors on touring holidays in Poland are often motivated by discovery of their roots, heritage, and by curiosity discovery. These are primarily city-focused, but may also include visits to holocaust monuments, and the Pomorze, Mazury, and Śląsk regions. The types of accommodation utilised are three- and four-star hotels, a few more upmarket motels, resort centres in the mountains, lakes, and coastal regions. The demand today is very much supply-constrained, based on the quality of facility for this predominantly Western visitation segment.

This is generally a one-time visitation, and it is therefore important to ensure that visitors' impressions are positive, to stimulate repeat visitation under a different category. The danger today is that the experience will not stimulate a repeat visitation, and it is much harder to recapture such a customer.

We have identified the following accommodation facility types for touring:

- Three-star motels well located on the auto routes adjacent to areas of interest;
- Two-, three- and four-star hotels in areas of interest;
- Three and four-star resorts in areas of natural beauty;
- Heritage hotels similar to paradores, adjacent to or in heritage attractions.

The feasibility of the selected representative facility, a *heritage hotel,* does not take into account any review or investment consideration related to the renovation of the identified palace or heritage building. There will need to be a detailed study by asset, since the depth of investment required is impossible to gauge at this time. The capital expense is therefore based on the additional development cost to construct an appropriate four-star hotel adjacent to the heritage building, rather than to incorporate the hotel into the asset itself.

Trading projections are based on the level of yield currently achieved in similar facilities in Western Europe, and the assumed impact this will have in Poland from the markets that will be serviced. Seasonality is based on the segments that will be attracted to the heritage hotel, with operating costs conducive to such an establishment. The cost of operation will tend to be more in line with that in Western Europe, although a slightly higher gross operating profit will be achieved.

Given the above assumptions, a heritage hotel of 80 rooms and suites should produce a rate of return of around 17.6%. This will be based on a capital expense of close to USD 9 million, with an equity of USD 5.4 million, and debt-financing of USD 3.6 million.

The debt financing will need to be on favourable terms, to give a two-year interest-free period, followed by an interest-only period of three years, and capital repayment commencing in the sixth year.

To reach an acceptable return on investment, the land will need to be donated to the project.

4.3.2.1.4 City tours

As for the Touring category, the principal visitation motivations for City Tours are heritage, roots, and curiosity-related. The centres of Warszawa, Kraków, Poznań, Gdańsk, and Wrocław can be expected too be the principal cities visited. Visitors today generally stay in three- and four-star category hotels. (In general, this is the leading facility in each location, apart from in Warszawa, where there are five-star hotels such as the Marriott and the Bristol.) As a result of the locations, there is generally more on offer for these customers, particularly in entertainment, restaurants, cafés, heritage, and culture.

Facility types in Warsaw:

- Four-star hotels in city centre. Addition of 500 rooms (2 hotels);
- Three-star hotels in city centre. Addition of 800 rooms (4 hotels);
- Two-star hotels in city centre. Addition of 800 rooms (6 hotels).

Facility types in Kraków:

- Four-star hotels in city centre. Addition of 400 rooms (1-2 hotels);
- Renovation and modernisation of four-star hotels. 400 rooms (3-4 hotels);
- Three-star hotels in city centre. Addition of 600 rooms (3 hotels);
- Two-star hotels in city environment. 400 rooms (5-6 hotels).

Facility types in Poznań:

- Four-star hotels. Addition of 500 rooms (2-3 hotels);
- Three-star hotels. Addition of 500 rooms (3-4 hotels).

Facility types in Wrocław:

- Four-star hotel in city centre. 300 rooms to add (1 hotel);
- Three-star hotel in city centre. 600 rooms to be added (3 hotels)

Facility types in Gdańsk:

- Four-star hotel. 500 rooms to be added (2 hotels);
- Three-star hotel. 600 rooms to be added in city centre (3-4 hotels).

There are a number of existing facilities that need to be renovated in each of the centres, and which would upgrade the room stock to a more appropriate level. The above estimates are considered to be the minimum to add to the principal centres over the next 10 years, according to our best industry assumptions on the supply and demand factors affecting the growth of each centre.

Although this sector relates to the City Tour visitor category, it should, of course, be noted that these facilities will predominantly service the commercial market segments, and therefore must be developed accordingly, with meeting rooms and conference centres located within easy access to principal business interests. Although Kraków is less commercial, it is considered to be in an excellent position for the conference-related market segment. Additional three-star hotels should also be constructed in Lublin and Toruń.

The ideal hotel to meet the demands of the City Touring visitor category will be a three-star city centre hotel of approximately 200 rooms.

On our assumptions, the capital expense for such a facility will be in the range of USD 15 million, excluding land cost. This would include the development of accommodation en-suite, at a square metre area per unit of 26 m. The hotel should provide a multi-purpose restaurant of approximately 200-seat capacity, with lobby lounge and bar for up to 80 seats. An all-purpose room of 500 m for banquets and private parties to support a conference area that can offer space for 80 people, class-room style, or 140, theatre-style, depending on the configuration. An area for in-house shopping should offer essential facilities such as newsagents, boutiques, local arts and crafts, and hairdressing salons. Consideration should be given to a health centre, although this has not been included in our capital expense estimates.

The equity consideration will need to be 60%, or USD 9 million, with debt-financing placed at USD 6 million, over 15 years at 10%. A package that will include a two years interest-free debt repayment holiday, to cover the construction period, three years interest-only to cover the start-up years, with the repayment schedule commencing in the sixth year. With such a finance package, the projected return on investment is 17%. This is an acceptable yield from an investor/operator point of view, but clearly, concessions need to be given to reach this rate.

The principal market segments that will support these facilities will be from the commercial sector, with a house business mix of up to 65%. The balance will be drawn from the leisure markets or the city touring visitation category. A similar overall percentage mix will be expected from the geographic source of origin, with 35% generated from the domestic market, principally commercial, and the balance from foreign market visitation.

There are a number of international operators who would be attracted to manage and invest in such a development. It is important to ensure that the necessary legal aspects relating to land title and planning are not restrictive, and that there are strong incentives to attract such investor/operator partners to the specified cities. The gminas and voivodships need to promote a flexible and supportive attitude, which is crucial, and to begin the identification process of appropriate locations and sites.

4.3.2.1.5 Transient

The Transient market is split into two principal categories: Pass-Through and Excursionist. "Pass-Through" are those visitors who access a destination, region, or location, for the sole purpose of reaching another destination. Their motive will be to find the easiest and most "hassle-free" route. Invariably, this will mean a route that provides safe, direct access and which provides services for their journey. Depending on the ultimate destination, these services will be accommodation, food, fuel, and related services. In addition, the Pass-Through market can be induced to stay-over where there are facilities that are offered over and above essential needs. Such facilities would provide entertainment, shopping and leisure-related amenities and activities.

The market will be divided into commercial traffic, which will include truck drivers and traders, leisure traffic, which will include domestic holiday-makers moving from one side of the country to the other, and foreign visitors touring the country by private car and coach, including those travelling through Poland to an alternate destination.

The "Excursionist" segment covers those visitors who access Poland for the purpose of a day trip and do not stay overnight in the country. The principal purpose of this segment is to purchase goods. Today, this is a significant segment, due to the purchasing power against the PLZ. The aim should be to entice this segment, when visiting the country, to stay over and become a tourist. The primary border-crossing should be identified where the main flow of visitors exists. This is currently the western crossing to the adjacent German markets.

The facilities that should be developed need to provide close access to the current shopping centres and include, on site, additional retail outlets. These additional outlets would include items for purchase, that would also appeal to the domestic market. Such shops could retail electrical appliances, home appliances, Western clothing, etc.

In addition to retail outlets, the facilities should offer overnight accommodation at the two- and three-star levels, with entertainment and leisure facilities, and essential services such as fuel and mechanic services. The authorities should also review the possibilities of a tax-free zone for the centres, which should incite further demand.

Entertainment should include restaurants, cafés, bars, night-clubs, and casinos. Leisure offerings would include a health centre, and indoor pool and spa.

Facility type - "Pass Through"

- Two-star motels, with secure truck parking facilities. Forty rooms adjacent to service station. Located on east/west and north/south motorway axis and at principal cross-border points. Positioned every 250 km. Estimated minimum of 15 facilities (600 rooms).

- Three-star motels with car service and parking facilities. Sixty rooms, located on the principal motorway axis and main auto routes between each major town and city, including tourism location points of interest. Estimated minimum of 45 locations (2,700 rooms).

Facility type - "Excursionist"

- Integrated retail and entertainment facility. Combining accommodation at the two-star level, with leisure and indoor pool and spa. Full entertainment facilities. Estimated minimum of six centres along the western border with Germany, with a possibility of replicating the facility type at the Czech border in Lower Silesia, and at the eastern border-crossing. Each hotel/motel to offer a minimum of 120 rooms, with more added if a major casino is included in the facility (720 rooms).

We have examined PART's review of the locations that would be required to service the transient market through Poland and into Poland from an excursionist point of view.

Current facilities are inappropriate to service future, and indeed, current demand. There are few motorway motels that are well placed on the principal access points and that have the type of facility. There are some good Austrian facilities on the north-south access points in Wielkopolska. However, these are few and far between.

The location of motels should obviously be on the principal access routes that can currently be determined. This should include the existing motorways and the principal routes that link the motorways to tourist and commercial centres.

Typical facilities should contain approximately 60 rooms that are around 25 m^2 in size and which have bathroom/shower en-suite. The overall construction should be inexpensive and maintain the traditional style. Public space should incorporate a lobby lounge and be opens with additional bar area off the lounge, and a restaurant that would seat 80 to 100 persons in a multi-purpose room.

Other amenities such as leisure and entertainment facilities should be considered where the draw potential includes nearby population that can be attracted to the facility.

The effect on the trading position of such a facility due to seasonality would be less dramatic because of the travel pattern of commercial segments. Each facility would, however, attract a pass-through leisure market and touring markets in the spring through summer period. This would, consequently, be the high season.

The geographic origin of customers would be Polish, Adjacent East and West countries, with some European and Overseas segments from the touring categories until more appropriate facilities exist.

An estimated 45 locations have been designated for motels in Poland today, with PART having established a development programme that includes a greater number across all primary and principal routes. A number of investor operators have shown interest in further discussions.

The total cost for 60 rooms with service facilities is projected to be USD 2,5 million, to give a yield of on our assumptions 18.23%. The *pro forma* utilises a debt-financing structure of 40% or USD 1 million, with an interest-free period of one year, with two years interest-only before capital repayment in the fourth operating year. We have assumed that the land will be donated free of cost.

4.3.2.1.6 Commercial

The scope of our work has not covered commercial development of facilities. The growth of this sector will be based more on the natural effects of supply and demand. The recommended development of facilities in the City Tour category will address some of the supply required for the commercial sector. Additional facilities in the three-star category are required in a number of towns and cities across Poland.

However, while the commercial sector of foreign visitation will, to some degree, occur regardless of what is offered, it is a segment of the market that should be more aggressively pursued from a tourism point of view. Commercial travellers and delegates should be enticed to lengthen their stray through pre- and post-tourism, and if their experience of Poland is positive while on business, they would then consider returning to the country as tourists.

The other areas that should be considered to attract a greater number of commercial and business-related visitors are congress- and association-related travel, international exhibitions, and international trade fair delegations.

Facility type - "Congress"
Congress Centre in Warsaw and Kraków. Multi-purpose congress-, exhibition- and trade-fair centres.

Facility type - "Conference Centres"
Regional facilities that combine accommodation at a four-star level. Linked to a heritage hotel, and therefore offering the required support amenities conducive to this segment. Minimum of 120 rooms in nine identified locations (1,080 rooms).

Facility type - "Commercial"
In addition to the previously identified city centre accommodation requirements, a 400-room four-star facility should be developed in Łódź, and three-star developments in such centres as Gorzów, Częstochowa, Gdynia, Jelenia Góra, Katowice, Leszno, Nowy Sącz, and Szczecin.

Commercial Conference Facility
Despite not being covered under the scope of our project, we have evaluated the economics of a conference facility based upon an appropriate heritage hotel.

The ideal facility to develop, to attract the conference meetings and seminar markets should be accessible to the principal commercial centres in surroundings that are attractive and more conducive to learning -- in other words, outside of the frenetic pace of city life, where there are activities for the delegates to relax.

A conference centre that is adjacent to, or integrated into a heritage hotel would be suitable to attract such a segment. Such a facility would require a greater number of rooms than a heritage hotel of 80 rooms. A further 40 would be recommended to ensure the available space and stimulate demand and growth. There is a demand today, that is restricted by the available facilities that are on offer.

The conference centre should be purpose-designed, with a minimum of one large room offering capacity for 80 people classroom-style, and 120-140 people theatre-style. There should be two additional rooms for 40 people classroom-style, or 60 theatre-style, and at least six break-out rooms for up to 20 people each. There should be good ventilation, heating, and lighting. Natural light will be a prerequisite in each room. Where possible, the seating should be ergonomically designed to allow for comfort and support..

A typical heritage asset would have a number of rooms that could be adapted to offer interesting meeting rooms. This needs to be carefully integrated to ensure that the integrity of the facility is not threatened, while also meeting the needs of the conference organiser.

The feasibility *pro forma* estimates a business mix in such a facility to be 45% commercial or conference-related, with the balance drawn from the leisure market or touring visitor segments. Forty percent of the overall business will be domestic, with the balance from foreign visitation. The projected trading levels take into account the segmentation and prices currently reached in similar facilities in Germany, Western Europe, and Poland today.

The estimated capital expense would be over USD 10 million. That does not include renovation or refurbishment of the heritage asset itself. The money for such a programme would need to be from the state or from alternative institutional funding.

The investment would call for a USD 6 million equity participation, with financing at USD 4 million over a 15-year period, with capital repayments commencing in the sixth year of the project, including the construction phase of two years interest-free, with three years interest-only at 10% per annum. Such financing would give an investment return of over 20%. This would be an attractive proposition for investors/operators and would promote the image of Poland, in addition to preserving the country's assets in a viable manner.

4.3.2.2 Facility Development Summary

Appendix 6 describes the locations where we believe our representative facilities can be replicated. :

Sun & Beach Holidays	Seaside Holiday Village	20 locations
Lakeside Recreational	Lakeside Holiday Village	15 locations
Mountain Recreational	Vacation Village	20 locations
Touring	Heritage Hotels	30 locations
City Tours	Three-Star Hotels	16 locations
Special-Interest	Lakeside Marinas	15 resorts
Transient	Pass-Through Motels	45 locations
Commercial	Heritage Conference	9 locations
Total		***170 facilities***

The potential economic impact of these facilities is also presented in Appendix 5.

4.3.3 Product development facilitation strategies

We propose strategies for product development facilitation hereunder under three categories

- product and infrastructure development
- promotion and information services
- industry organisation.

4.3.3.1 Product and infrastructure development

4.3.3.1.1 Reinforcement of a new product development function

In a well -established, mature tourism market, private industry (through representative associations) will take the initiative to identify and market tourism products to chosen customer groups. It will identify the tourism products ("integrated visitation experiences") required to meet market demand and the product development requirements for association members to meet the requirements of final consumers. In a mature market, association members will ensure that all products -- ranging from a simple stay in a farmhouse, where the visitor makes arrangements for transportation to and within the country, to an inclusive package tour packaged and sold by a tour operator, covering accommodation and transportation in and to a range of destinations including associated activities -- are defined, developed, marketed and promoted appropriately.

In the current early stages of development of Polish tourism, the Government will need to have a role in ensuring that new product development opportunities are identified and developed right through to sale to tour operators and listing in foreign distributors' manuals. This current National Tourism Product Development Plan is the first initiative by the Government in this direction. It will be vital that this is not a "once-off" initiative and that a continuous new product development function is established and empowered within the Polish tourism sector.

It is recommended that this function be established within the SSTA or similar organisation (see below) and resourced with high-quality industry expertise -- including in the short term foreign tourism professionals under contract -- so as to support the STU groups in identification and development of new products through to marketing and sale. The STUs themselves would be charged with the responsibility of working with industry associations and entrepreneurs to ensure good co-ordination and buy-in from them on product ideas under development.

In this context, it is recommended that the Government establish a new product development research and advisory service in association with industry representatives so as to pool common research functions and knowledge in the interest of all industry participants. Such a research and advisory service could either be located within SSTA or attached to the portfolio of responsibilities of the Institute of Tourism.

4.3.3.1.2 Intervention in facilities development

In a well-developed market, private entrepreneurs or companies will develop their own business proposals for tourism facilities such as accommodation, road transportation and entertainment facilities and receive the necessary financing from risk-taking financial institutions. In the current embryonic tourism market, the Polish Government will need to be more interventionist so that private entrepreneurs are encouraged to make investments that meet Government objectives which they might otherwise perceive as risky and potentially unprofitable.

The Government should facilitate this process in the following ways :

- Prepare tourism industry specific documentation that clarifies the details of the investment law and other national, regional, fiscal and other incentive regimes (such as tax holidays and capital allowances) and other related legislation and regulations. Our examination of the Investment Law and discussions with investors and lawyers acting on behalf of foreign investors lead us to believe that the fiscal, investment and incentive regime applying in Poland is generally favourable and competitive with countries that would be competing for foreign inward investment in the tourism industry.

  However, problems have been highlighted : principally, the granting of real estate licenses (particularly in border regions) and inconsistency in the granting of planning and building regulation approvals in different gminas across the country. Furthermore, as is well known, a major constraint limiting more rapid development of tourism and facilities is the inability to obtain clean title to land. In many cases, the original beneficial ownership remains unclear, and the threat of a claim from an original owner can complicate the new investor's interest in risking capital. The current law before Parliament should clarify this procedure.

- Provide grant-in-aid as "pump priming" for both public-sector infrastructure and private investment to get new facilities established. In the current embryonic stage of development, and given the risk-averse nature of financial institutions in Poland and high interest rates, few private investors and entrepreneurs are prepared to make risk investment in any project where profitability is less than guaranteed. It will be vital for the Government to make available grant-in-aid cash funds for suitable projects.

  In the next section (Dedicated funding facility for tourism projects), we offer two alternatives for obtaining adequate facility development funds. Such funds would be directed to projects that meet government objectives, such as the generation of incremental foreign investors, the creation of sustainable employment, the extension to the season and, in the case of public projects, the generation of economic benefit from the development of small infrastructure projects (such as tramping and cycling trails).

  To ensure that the administration of these funds is perceived by the investors to be impartially and transparently administered, we recommend that an independent management entity be set up to review proposals submitted by Government and private investors and to select those that meet objectives for submission to an independent Investment Committee for approval.

  Making such grant-in-aid funds available for projects that meet national objectives and for private projects, where profitability and viability are likely after a period of structural adjustment, is likely to be a precondition of success in Poland. Experience elsewhere (e.g. Ireland) has demonstrated that carefully applied and administered grant aid is a most effective way of encouraging the development of appropriate facilities during the embryonic stage. We believe that the availability of adequate funds (say, in the region of 50 million ECU over a five-year period) and the effective and independent administration of the disbursement of such funds is probably the single most important requirement to give tourism industry development a "kick start".

- Seek means to clarify and rationalise the sources of potential funding of investment projects. We have been impressed by the energy and commitment of the PART investment promotion agency. It has, in effect, acted as a "one-stop shop" for corporations and entrepreneurs seeking to invest in the tourism industry. Many projects have been developed by PART, some have been integrated into the product and facilities development plans outlined in Appendices 5 and 6 to this report.

However, the main constraint that has retarded the scale of inward investment in the tourism industry has been the fragmented and unclear nature of financing within Poland. The national development and commercial banks, international aid agencies and others have an ambivalent attitude to commercial investment opportunities, and impose often unreasonable personal capital contributions upon private investors, irrespective of whether the individuals have the managerial capabilities for success. Apart from that provided by the Polish American Investment Fund, there exists little if any real venture or risk capital within Poland, although some banks have been known to make equity investments in certain circumstances.

The conditions applied to credit (level of interest rates and term) can make the difference in whether a project is initiated, since a high proportion of cash flow is required to service debt. It is therefore recommended that the Government initiate a consultation with the financial institutions based upon the representative product plans developed by us in this study to demonstrate the potential attractiveness and benefit of typical types of tourism projects and to create a simple information booklet identifying the institutions that are prepared to finance tourism investments, under what circumstances and terms, and which organisations are prepared to invest equity alongside the capital contributions of private entrepreneurs and companies.

4.3.3.1.3 Dedicated funding facility for tourism projects

As indicated in the previous section, we believe that making "pump priming" grant aid money available both to entrepreneurs and local authorities for facilities and small infrastructure development will be vital to achieve a rapid acceleration in the development of the tourism industry. We see two possible models for achieving this: a tourism programme similar to STRUDER or establishment of a Tourism Development Facility.

In deciding on the most effective structures for administering Government grant-in-aid funds, the following objectives need to be satisfied :

- Efficiency. Review, decision-making, disbursement and supervision need to be conducted by investment professionals, at least cost to the taxpayer.

- Effectiveness. Monies need to be channelled only to those projects that would not otherwise be funded by private capital.

- Transparency. Allocation of funds and decision-making must be perceived to be without political or other influence. All stakeholders (public, industry, Government) must believe that funds have been allocated against clear criteria, without bias by those responsible for its administration.

- Accountability. The use of funds must be accountable to public authorities so as to evaluate whether objectives have been satisfied.

Model 1 : A tourism programme similar to STRUDER. We recommend that the Government explore with the European Union or other development agencies a Programme for Tourism Development Assistance, along the same lines as STRUDER. The programme would be administered by PART following the same principles, criteria and processes as those applying to STRUDER.

Model 2 : Establishment of a Tourism Development Facility. The Government would sponsor the collection of investment funds with wider investor participation, administered by an impartial private-sector management company.

This option is made up of the following components :

- A Polish Tourism Development Facility (or a "shadow fund", committed by investors but not immobilised in a separate facility). The facility could be jointly sponsored by the Government and the EU (each committing, for example, up to ECU 5 million of funds), with other aid agencies and international foundations solicited for additional donor funding, with the objective of leveraging the Government's commitment by up to 10 times.

- A management company ("the Managers") would be contracted to be the manager of the facility.

The Managers would publicise the criteria for qualifying for grant aid. Such criteria for private-sector investments might include numbers of incremental foreign visitors, job creation, season extension prospects, as well as regional development and social policy criteria. For municipal infrastructure investments, criteria would include tourism debottlenecking measures, job creation, and social parameters.

In either case, the Managers would evaluate three categories of investment:

- ***Small infrastructure.*** These submissions would be from local authorities and local governments, covering investments that could facilitate local tourism development -- cycling trails, sign posting, amenity landscaping, mooring facilities, highway rest areas, picnic sites, etc. They would be appraised against objective criteria laid down by the Government and administered by PART or the Managers.

- ***"Of right" submissions.*** Applications would be based on pre-defined levels of finance available for specified small additions to facilities, provided "of right", subject to inspection. For example, subject to verification, the Programme or Fund would pay out $x per bedroom or toilet on qualifying B&B or guest house facilities. This process ensures that a multitude of small facilities can be funded with low administration costs.

- ***Discretionary applications.*** These projects would be subjected to comprehensive screening and evaluation procedures by the Managers. Business plans for projects meeting performance criteria and objectives would be prepared by the Managers in association with the promoters, and financing proposals would be prepared involving bank credits and, as relevant, private equity financing with or without a grant-in-aid slice of financing. (Negotiations would need to be concluded with banks and private commercial investment funds, so that the manager would have a greater incentive to apply commercial funds, rather than grant aid. In this way, there would be greater probability that grant aid funds would only be channelled to deserving projects that would not otherwise be funded.)

Using either of these models, proposals for grant aid would be submitted to an independent Investment Committee made up of representatives of investors and other personalities independent of Government, industry, or Managers' influence. Approval by this Committee would be for the disbursement of funds. After disbursement, the Managers would be responsible for overseeing the investment, monitoring progress and accounting for performance to an appropriate forum on an annual basis.

4.3.3.1.4 Grading and accreditation of tourism facilities

Not only will the Government need to intervene to encourage the development of appropriate accommodation and other tourism facilities by the private sector through the provision of grant aid and other incentives, it will also need to intervene in the effective quality control of facilities. Both the Government and the industry have a common interest in ensuring that the facilities offered to consumers "deliver" in terms of quality and expectation. The principal mechanisms for upgrading the quality of facilities are those of the "carrot and stick".

The "stick" component is the effective application of existing laws and regulations. Facilities that do not meet minimum criteria would either not allowed to trade -- for example, through the exercise of planning and building regulations -- or would be required to comply with health and safety, fire or environmental regulations or face closure.

We understand that the administration of planning and building regulations and the policing of health and safety, fire, and environmental regulations are patchy across the country. Some voivodships and gminas seem to have efficient processes and apply effective controls. However, across the majority of the country, the application of regulations and their policing are inconsistent to the extent that even minimum criteria are often not satisfied. This has serious implications for the quality and reputation of the Polish tourism products. It is recommended that the SSTA prepare and publish guidelines for all voivodships and communities as to what is expected in terms of the application of regulations to tourism facilities (hotels, guest houses, farmhouses, pensions, campsites, bed and breakfast).

The "carrot" component should be introduced through the registration and grading of facilities. We recommend that the SSTA define a suitable "logo" that will be offered to owners and operators of hotels, farmhouses, guest houses, campsites, bed and breakfasts, restaurants and other facilities that meet acceptable standards clearly defined by SSTA. Owners and operators of facilities would apply for grading and accreditation based upon international standards.

If and when they achieve pre-defined standards in terms, service and quality, the facilities would be offered a label, star-rating or equivalent, which would inform customers and tour operators that a minimum international standard is on offer. This should, in turn, translate into a potential commercial advantage to the operator, expressed in incremental business or margin potential. An approved grading or accreditation would be provided in return for a fee to the accreditation agency.

In mature markets, grading and accreditation systems are generally administered by independent and specialist organisations, often with international reputations, such as Michelin, which provide customers and operators international recognition and quality warranty.

In the current state of development of the Polish tourism industry, grading and accreditation will need to be launched and operated by the Government itself. However, the effective development of grading and accreditation systems is a challenging and time-consuming task that will require the involvement of specialists. It is recommended that the Government define the scope of what is required for grading and accreditation, translate this into terms of reference for external specialist services, and invite a number of organisations to bid for the management of the services. We believe that international and national aid agencies may be interested in financing the cost of external specialist services during the initial launch phase when the service will require financing by the Government. At a later stage, once the system is established, fee income should provide a large part of the operating costs of the administration of the service, and Government financial support can be withdrawn.

4.3.3.1.5 Provision of industry training services

Together with the development of suitable accommodation and other tourist facilities, probably the greatest priority for the development of the Polish tourism industry is in the training and education of tourism personnel.

Reactions from tour operators (presented in our Inception Report) demonstrated that they and the tourists that have visited Poland with them believe that the standard of welcome and service in Poland is poor and significantly short of internationally acceptable standards. This contrasts with the experience of people who know Poland well, who confirm that the Polish people are warm, welcoming and seeking to please.

This apparently contradictory phenomenon is due to the fact that during a 40-year period of near isolation from international visitors, the country has fallen behind Western European and other destinations in the development of a service culture. Consequently, a considerable effort needs to be made in personnel training and in adapting university and institute of education programmes to the development of tourism service standards. The importance of training is acknowledged in the current EU PHARE Tourin I programme

The experience of Marriott Hotels and the Forte Group has been that there is no cultural or other reason to constrain the development of high quality and service levels. Both the Bristol Hotel and the Marriott offer a quality product and levels of service that equal those provided anywhere in the world. And, dramatic changes have already taken place in terms of service orientation within the country -- service levels in shops in Warsaw and the major cities have improved since 1989.

It has been clearly demonstrated in other environments that one of the most effective ways of rapidly upgrading standards of service and technical competence in an embryonic tourism market such as Poland's is through the privatisation of key facilities. In this context, we strongly recommend that new and privatised labels should be sold in preference to investors that will provide an international-standard operation. If international operators of hotels and other key facilities in the tourism industry take direct control of operations, they themselves will take on the responsibility for tourism in technical, vocational, and service provision.

In addition to such initiatives, it is recommended that the Government continue to pursue the training program initiatives defined by the PHARE programme.

4.3.3.1.6 Upgrading of the transport infrastructure

A fast, efficient and affordable access and transit infrastructure is probably the greatest single facilitator of tourism development. We summarize our recommendations concerning initiatives in rail, road, air, and sea transport.

More detailed analysis and recommendations are presented in Appendix 7 to this report, including a study of the main tourism access routes from abroad and within Poland on which the following summary recommendations are based.

Poland has a good basic rail system with international connections that could benefit tourism significantly. We have reviewed new infrastructure development plans and identified projects that should be priorities.

We believe that the E-20 line (Berlin - Poznań - Warsaw - Terespol) should be the first line to be modernised. It is meant to serve 6 - 7 million international passengers on the Poznań-Berlin stretch, and 1.2 - 1.3 million domestic passengers on the Poznań-Warszawa stretch. Another priority is the E-65 line (Gdynia - Gdańsk - Warsaw - Katowice - Zebrzydowice), which connects Scandinavian countries with the south of Europe.

The development of a system of high-speed rail lines is planned to be completed by 2020 and is a long-term priority to integrate Poland in the emerging high-speed system in Europe.

The highway building programme is of particular importance in the development of tourism in Poland. Three highways, of a total length of 1,961 km seem to be priority investments:

- A1 (Gdańsk - Toruń - Częstochowa - Katowice - Gorzyce);
- A2 (Świecko - Poznań - Warsaw - Terespol);
- A4/A12 (Zgorzelec - Legnica - Wrocław - Gliwice - Katowice - Kraków - Tarnów - Medyka/Olszyna - Krzyżowa).

There is a great deal of controversy as to the order in which road construction should be implemented. Poland's neighbours prefer priority to the East-West route; it is also in Poland's interest to develop its maritime economy and tourism, and there is a lobby to build the A1 highway first.

To benefit tourism construction should ideally be started in Gdańsk and continue southward as well as on the Łódź-Częstochowa and Toruń-Łódź sections. Construction of the A1 highway in Gdańsk will significantly encourage tourism from Scandinavian countries. This investment should be accompanied by construction of the TEM central port terminal in Gdańsk Wiślinka, where there is sufficient space reserved to build 12 berths for passenger and car ferries, as well as train ferries and roll on/roll off vessels. This 5 km^2 complex could serve tourist traffic of 7 million people per year.

Building modern, safe and well equipped parking areas, located every 50 km along the main roads, would be very important to the development of tourism and a relatively easy investment to implement .

Modernisation of access roads to border crossings, as well as border crossing stations themselves, will be another priority investment.

Passenger cross-border traffic is currently concentrated at a small number of border crossings. The growth of tourist traffic is expected to result in a further concentration and a two- or two-and-a half-fold increase in traffic at the main border crossings as well as high demand at numerous regional border crossings. Taking these trends into account, it is crucial that the Government focuses investment resources on modernisation of the existing border crossings to ensure smooth traffic and radical improvement of the standards of services.

Opening new regional border crossings should not require major investment outlays.

Creating a network of modern, efficient airports will also be of key importance to the development of tourism. We believe the system should consist of :

- Three first-class airports to serve domestic, regional and international long distance flights (Warsaw, Gdańsk, Kraków);
- Five second-class airports to serve domestic flights and, as the airports are developed, regional and international flights (Katowice, Poznań, Rzeszów, Szczecin, Wrocław);
- Four third-class airports to serve domestic air traffic (Koszalin, Słupsk, Bydgoszcz, Zielona Góra).

4.3.3.1.7 Liberalisation of air access

This subject is also contentious and complex and would be closely linked to any decision to privatise LOT.

Under the current regulated regime, as compared with other tourism destinations, Poland suffers from the high cost of air access, which in turn acts as a brake on tourism industry development from long- and short -haul destinations. LOT and foreign carriers flying to Poland design their product offer to high yield business traveller. There little real fare competition and no charter air traffic.

Driven primarily by the EU, the process of liberalisation of the airline industry in Europe is accelerating. Co-operation agreements with the EU, together with the longer term aspiration for Poland to become a full member of the Union, mean that Poland has an economic interest in gaining the considerable benefits of liberated access to the country, even given the short-term social costs resulting from efficiencies and likely redundancies in LOT staff.

Some liberalisation has already been achieved in Poland :

- Elimination of pool arrangements and general interline agreements;
- Limited controls on fare setting;
- More liberal provisions in negotiated bilateral agreements with US and other countries;
- Liberalised regional air traffic arrangements in the Poland/German/Scandinavia area.

The introduction of an even more liberal regime of air access would effectively mean that the only criteria for licensing carriers in Polish air space would be technical and financial sufficiency. Based upon experience elsewhere, we would expect new entrants (both Polish and foreign) to start-up operations, improve product service levels and frequencies, and significantly lower fares. (For example, the liberalisation of air access and deregulation of fares were considered by the Irish tourism authorities to be one of the largest single contributors to the rapid increase in tourism in Ireland since 1988.)

4.3.3.2 Promotion and information services

4.3.3.2.1 Development and management of the Polish tourism "brand"

Poland is one of many countries competing in the international market for tourism visitors. In practice, "Poland" is a consumer product offer for potential visitors. The country needs to project a clear identity -- in effect an "umbrella brand" -- which is consistently applied in the generic promotion of Poland as a destination and to which all promotional activities undertaken by private industry are encouraged to conform. Promotional efforts consistent with brand values will reinforce the country's strengths and objectives.

It is strongly recommended that SSTA and the Agency for the Polish Promotion of Tourism (PAPT) are given the responsibility to identify the values of a tourism brand and to put in place a system whereby marketing and promotion activities consistent with brand values are funded.

As an example, brand identity and values might be captured in the phrase : "A country of outstanding and unspoiled natural attractions with a unique historical and cultural heritage at the cross-roads of Europe". A specialist corporate entity and advertising agency should be charged with the development of an identity and brand development programme consistent with such a theme.

The marketing and promotion budget allocated by the Government to tourism should be broken down into two major components :

- Direct promotion of this brand in target markets through appropriate media, trade fairs and other activities. In a sense, SSTA or PAPT would act as the "brand manager" for Poland and take responsibility for generic brand advertising across the world.

- Stimulation of promotional initiatives within industry associations, tourist regions and STUs, whereby they propose product or regional marketing and promotion programmes developing the values of their own products and areas, but remaining consistent with the overall brand and identity. SSTA and/or PAPT would fulfil an internal promotional function and would be able to exercise an effective lever by offering regions and associations matching funds to support programmes that meet their agency's approval. SSTA and PAPT would provide financial and technical support to initiatives of the private sector and of regional Governments, always ensuring consistency with the brand values.

4.3.3.2.2 Promotion and marketing of tourism products to target markets and customers

In addition to the brand management activity recommended above, the Government will need to put into place an effective promotion and marketing activity for the country during this embryonic phase of industry development. Given that individual owners of facilities do not normally have an adequate scale to promote themselves directly to end consumers in a multitude of origin markets, they must bind together into homogeneous industry associations to which they will pay a membership fee to finance the publication of handbooks and other promotional materials and marketing and promotional activities abroad. They will also market themselves directly to tour operators abroad so that their facilities can be listed in the brochures or integrated into packages sold by tour operators.

In the current immature market in Poland, the Government needs to take a proactive role in filling the vacuum during the early stages of development, by undertaking the following functions :

- Act as a "pre-packager", i.e. select products that meet the demands of identified target customer groups abroad, secure the interest and commitment of owners of facilities that make up a particular product offer, and market and promote the products to each end-consumer group in origin markets and to intermediaries such as tour operators.

- Develop marketing and promotional activity in collaboration with industry associations following the principles of "matching funds", as defined earlier. Programmes should be developed over two to three years, initiated by the Government but led by the industry associations themselves, and should include a "phase out" plan over a number of years whereby the industry associations take greater and greater responsibility for the marketing and promotion of their products abroad, and the Government fulfils a support and matching-fund financing role only.

  Under the EU PHARE program, proposals are being prepared for a three-year marketing and promotion program for the industry. It is vital that marketing and promotion activities focus on products that have attained a satisfactory level of quality delivery and service, meeting international standards. In short, Poland must "deliver" on the marketing and promotion promises to foreign and domestic consumers; otherwise, efforts will turn out to be counterproductive, with consumers disappointed and, therefore, not recommending Poland as a tourism destination to their friends.

4.3.3.2.3 Provision of information support services

An ongoing role of the Government will be provision of specialised information services, hard-copy materials, as well as computer information systems, to assist private industry in distributing and marketing its products at home and abroad.

Foreign tour operators are increasingly expecting the national tourism organisations of destination countries to provide computer-based, on-line information services about hotels, transportation and other accommodation in origin markets.

Poland will need to develop a system similar to the Austria On-Line AOL system (developed with the assistance of Arthur D. Little), which identifies those elements tour operators can use to develop their offers. In essence, the system becomes a computer-based pre-packaging system, as well as being available to travel agents to provide advice to clients who wish to visit Poland on their own without a tour operator intermediary.

Poland will need to investigate whether to add on a reservation facility to this core pre-packaging system. There is a trade-off, since this facility could be linked to global CRS-systems, which would add significantly to the challenge of the system's development (see Appendix 8 for analysis).

In any event, it will be important to avoid duplication between systems that are available as a service to private industry. Both the Institute of Tourism and PAPT are in the process of developing computer-based information systems -- it will be important to focus the efforts of both into a unified system. An important part of the EU PHARE Tourin II programme is destined for development of such an information system.

In addition, PAPT should continue in its valuable role as publisher of information brochures about the Polish tourism industry. The existing wide range of titles might benefit from rationalisation and focus on the following key priorities :

- "Know Your Markets" series, providing information to suppliers about the foreign market opportunity and structure, and identifying tour operators handling different types of tourism products in the main origin markets, Western Europe and North America and, progressively, in the Far East.

- "Know Your Products" series for suppliers, highlighting the critical requirements of product development, marketing and distribution of mainstream products, as well as special-interest products to target domestic and foreign markets.

- Series of information booklets in key languages (principally English, German, French, Italian, and Japanese) highlighting the national and regional attractions by main product group, together with a series of publications for main regions and STUs.

This publication function of the PAPT will need to continue to be financed largely by Government, although the agency may be able to increase its own income through publication under contract of tourism booklets for the private sector and for regional entities. The Government should investigate the possibility of providing the agency with state-of-the-art design and printing facilities to help it compete effectively with private designers and publishers. Total privatisation of PAPT should be considered in the longer term.

The Institute of Tourism currently provides market and operational statistics and other information on the tourism industry to the Government and private industry. This is a vitally important requirement, not only for Government planning purposes but also for private industry and foreign tour operators to plan for product development and exploitation. It will, therefore, be important to continue to provide the Institute with the required financial and other resources.

4.3.3.2.4 Foreign representation

Before 1992, general promotion and information for prospective tourists was handled by ORBIS. In 1992, SSTA started to organise Polish Tourist Information Centres in main foreign markets. Today these centres exist in Sweden, Germany, the US (New York and Chicago), the Netherlands, and Belgium. Opening of the new London office is expected soon. Centres are entirely financed by the Government (SSTA). Currently, the main role of the centres is to provide individual clients with tourist information (Brussels offices sends 20 brochures per day), information on tour operators, train connections and schedules, opening hours of museums, etc. Centres do not handle reservations or commercial activity. Their principal aim for the future is to work closely with foreign tour operators and agencies.

ORBIS has several 50-100% owned tourism agencies in the world (Belgium, Italy, Germany, France, UK, Sweden, US, Israel, the Netherlands, Austria, Spain) that sell mainly ORBIS products to individual and institutional clients except Israel, where ORBIS gives its name to Polish Tourism Information Office. ORBIS cannot be considered a national tourist information office; its role has become purely commercial.

One of the most critical responsibilities of Government in the future will be the effective representation of the tourism industry in major origin markets abroad through the local Polish Tourism Information Centre, which should provide comprehensive destination marketing services in these key origin markets. These services should include local promotion, information, trade fair organisation, public relations and analogous functions for product suppliers in Poland who wish to develop their offers to tour operators and travel agencies in the origin market. Local staff would provide facilitation and support services to Polish industry (e.g. introductions to tour operators), and open appropriate channels for direct communication with customers. The local Centre should also take the initiative in the application of marketing and promotional programmes defined and agreed within Poland.

With the privatisation of ORBIS's tourism operations and the required focus by LOT on marketing and promotion for its own commercial interests to improve its operating performance, a new situation emerges for foreign representative offices. The SSTA has already agreed to fund a number of foreign offices (see above) but it will be important to ensure that the requisite funding is given to key offices over the next few years. These key offices would include those located in Germany and the US.

We recommend that discussions be held with LOT, Orbis and the Ministry of External Trade to investigate the extent to which space and personnel in foreign offices can be shared so as to develop Polish tourism representatio more widely and at lower cost. Such a solution would avoid costly duplication of facilities across the world.

4.3.3.2.5 Domestic market representation

In Poland, tourist information is handled by the Regional Centres of Tourist Information. There are 40 centres in major cities and places with tourist attractions. Centres are financed by local administrations (voivodships) and receive logistical and know-how support from PAPT. Their number is increasing and the quality of services improving, as the Institute of Tourism surveys show.

The following services are usually available : information about attractions, museums, opening hours, maps, brochures and, in a few centres, reservation of accommodation. However, they have no computerised reservation systems.

Our investigation of a number of tourism information offices shows that information availability and quality is extremely patchy, and that little if any information was available at these offices in any language other than Polish. It should be the responsibility of PAPT to define a minimum listing of brochures and pamphlets available in each office, in which language, and to work, if necessary, with local voivod and gmina authorities to develop the appropriate materials in the necessary languages.

It will be necessary to ensure that both domestic and foreign tourists are adequately served by tourism information offices in the main tourism centres. Each major area identified by STUs should have a local tourism information office with appropriate information on attractions to be visited, accommodation, and recreational offers available in the locality.

We recommend that the Polish Government adopt the model applied in a number of other countries (e.g. Ireland, whereby Regional Tourism Organisations (RTOs) are established and funded by central government, the local administration and, if possible, local private-sector interests). In this way, the interests of all parties are taken into account in the development of local informational and other support services (e.g. training and market information). The LDO concept, described previously, lends itself to this objective.

4.3.3.3 Industry organisation

4.3.3.3.1 Encouragement of development of industry associations

As previously mentioned, one important Government objective will be to encourage different sectors of the tourism industry to organise in such a way that they can themselves define products and marketing and promotion programs tailor-made to their own members' requirements. There is already a multitude of industry associations established in Poland (for example, PTTK). To date, most of these associations have a technical, intellectual or social function, -- providing a forum for like-minded members to exchange views relating to their activity -- rather than having a commercial mandate.

The Government should develop a charter for industry associations and define the conditions under which Government support will be forthcoming. For example, matching funds for association promotional initiatives for foreign markets would be provided from national marketing and promotion funds, so long as the programmes meet Government guidelines and the Polish tourism brand values defined by the Government (see below).

The Government might also wish to make available technical assistance funds to facilitate the establishment of industry associations, including provision of trained marketing graduates and other professionals to the associations during the early stages of their development.

The rate at which viable commercial industry associations are established and become operational, taking responsibility for product development and marketing and promotional initiatives and supported as necessary by the Government will be a key measure of success in the development of the Polish tourism industry -- consequently, it merits particular attention in the allocation of Government effort and resources.

4.3.3.3.2 Reinforcement of the tourism industry organisation

We obtained consistent feedback on visits inside the country as well as from foreign tour operators on the way the tourism industry is currently structured inside Poland. Tourism industry investors and operators believe that responsibility amongst the various organisations responsible for tourism is unclear:

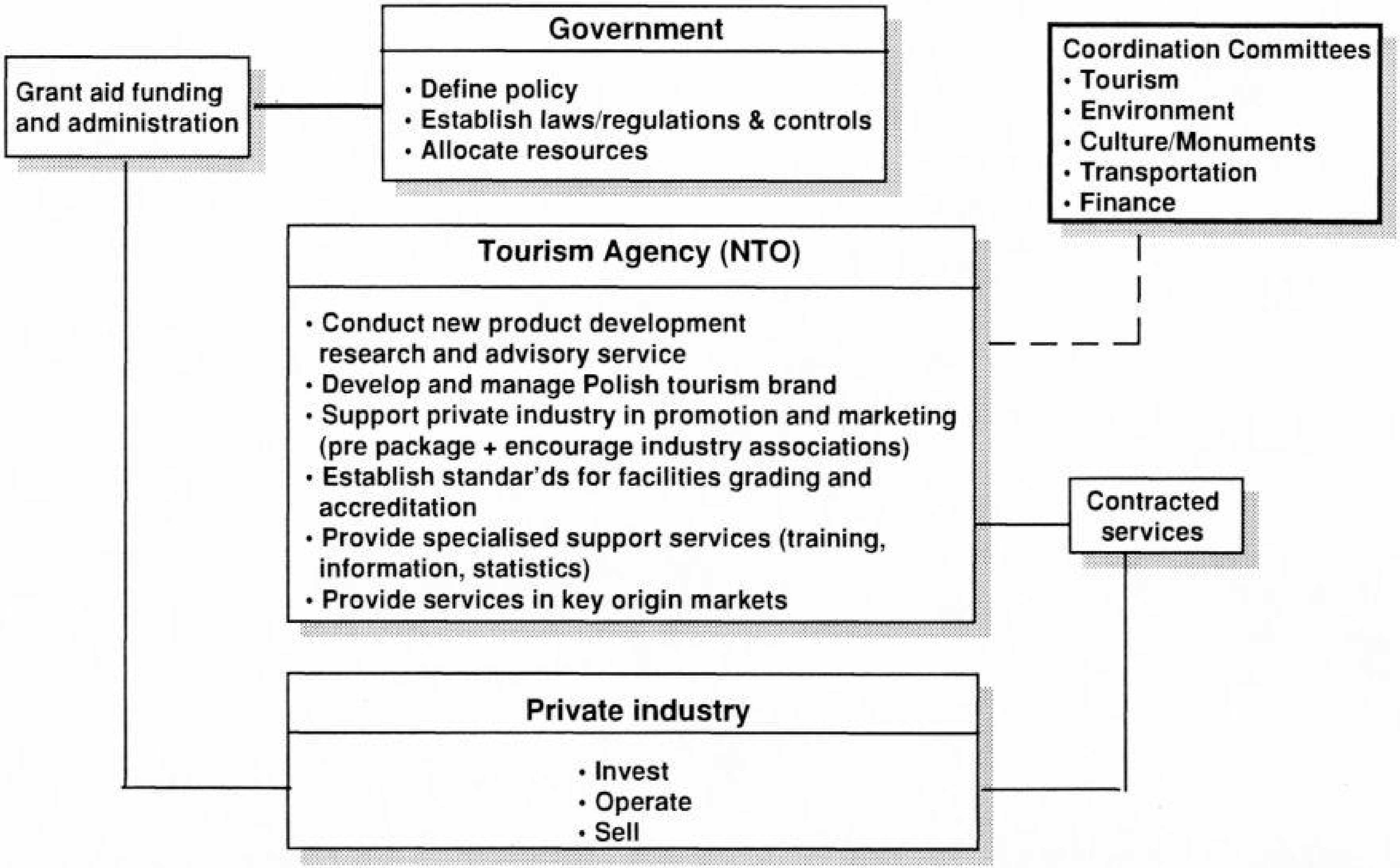
- Policy, regulatory, resource allocation and implementation roles of SSTA;
- Roles of marketing and promotion between SSTA and PAPT;
- Responsibilities for computer-based information services between PAPT and the Institute of Tourism;
- Responsibilities of tourism organisations within the voivodships and those within SSTA.

We believe that, in the longer term, the Government should consider evolving toward a more classical functional model for the industry as illustrated in Figure 22. In this model, the SSTA retains responsibilities for definition of policy, implementation of legislation and regulations consistent with that policy, provision of financial resources consistent with the implementation of policy, and effective co-ordination of Government organs responsible for implementation. This role should be distinct from Government's execution role. In most countries, governments have set up NTOs to help the industry meet Government objectives and targets. No such NTOs formally exist within Poland, although the relevant functions (see Figure 122) exist within SSTA, PART, PAPT, and other structures.

We recommend that, at a minimum, the Government institute a reallocation of responsibilities within the SSTA to ensure that policy making and other Government roles are distinguished from the implementational roles that would otherwise be assumed by an NTO. Furthermore, as developed in section 4.2. of this report, the Government should consider creating multi-disciplinary STUs within the SSTA, giving support to the development of products within each STU across the country.

Figure 22

Roles in the Polish tourism industry



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5.0 The potential pay-off for Poland

In this final chapter, we present a framework within which the Government can assess the benefits to the country of implementing the strategic measures recommended in the report. We present the approach we have used, describe the assumptions and models we have applied and illustrate potential pay-off.

Whilst we were not commissioned in the Terms of Reference to conduct an assessment of economic benefit of the proposed strategy, we believe that the SSTA will need to justify any proposals to the Government on the basis of expected gain to Poland. Consequently, as proposed in our Technical Proposal, we have developed an Economic Impact Model which calculates economic benefit for **individual facility projects**. This model will be available to the SSTA and others as a tool to evaluate project benefits in the future.

We have extended the evaluation of project benefits into an estimate of economic benefits of different development scenarios. We must emphasise that these estimates **must not at this stage be considered as forecasts. They represent an analytical framework for the future assessment of benefits.**

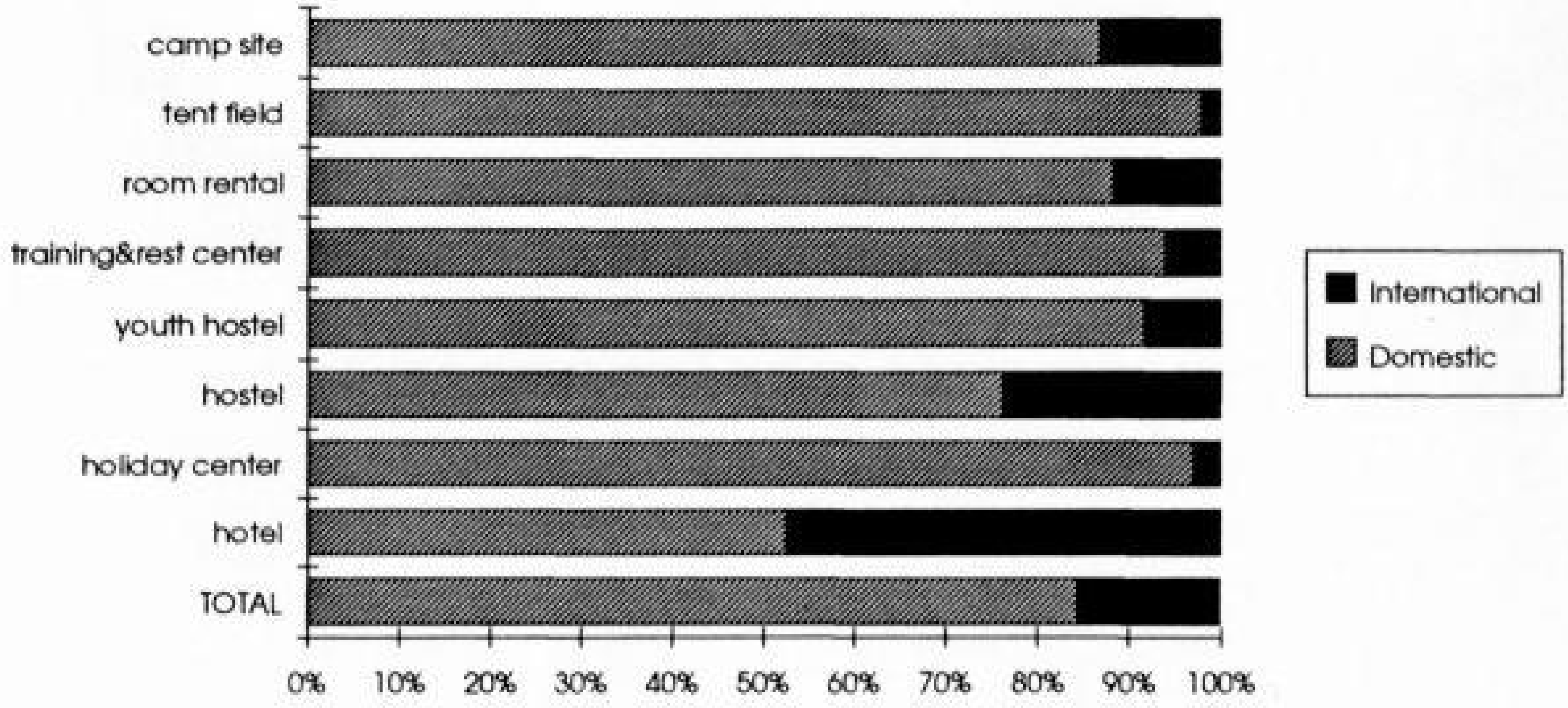
We recommend that the Government allocates resources to work with the Central Planning Office and university professors, to prepare a comprehensive Tourism Economic Model. This would be based upon National Accounts and Input-Output Tables, the structure of which already exists within the CPO, but which needs to be adapted for tourism industry planning and policy development purposes.

5.1 Approach

In Chapter 1 of this report, we presented a "base case" scenario of the potential evolution of tourism. This assumed no fundamental change of approach by the Government with respect to the tourism industry. It assumed that domestic Polish tourism demand and the "supply side" would grow naturally as the economy strengthened and purchasing power improved as a result. It assumed that Poland would obtain its share of growth in international tourists predicted for Europe.

In 1993, the number of nights spent by leisure tourists was estimated at 160 million. This is over five times higher than the 31 million nights spent by international leisure tourists the same year.

Domestic nights versus International nights for registered accommodation



Source: GUS 1993

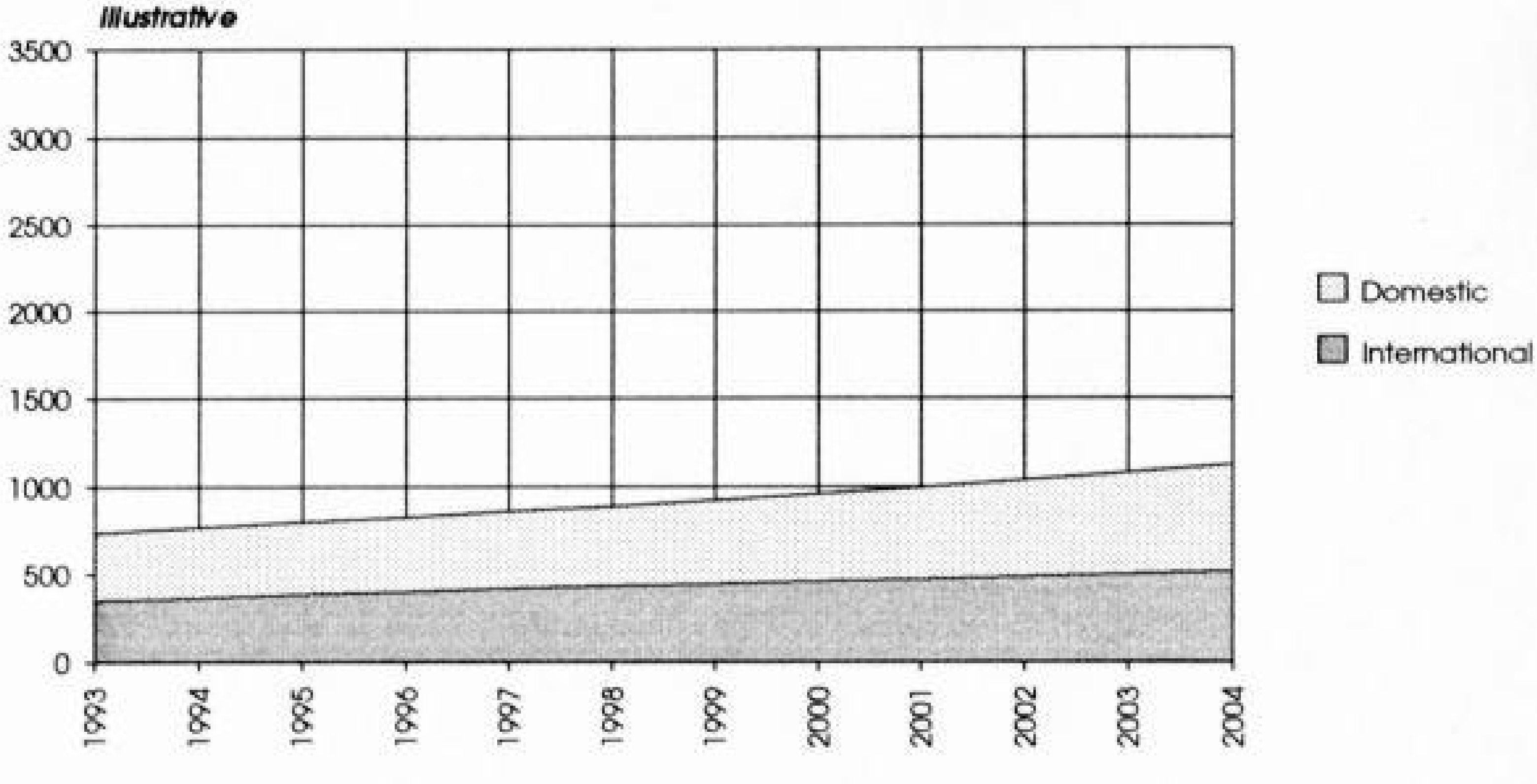
However, the economic benefit of one international tourist is currently considerably greater than that of one domestic tourists. For international leisure tourists in Poland, *all* their spending in Poland is in macro-economic terms defined as an export, and can be credited to the tourism sector. If they wouldn't take their holiday in Poland, all the money they spend during their holiday -- even shopping expenditures -- would be lost for the Polish economy.

For domestic leisure tourists, not all their spending during holidays is taken into account. As explained in Chapter 1, for the next few years we assume that few domestic tourists will have sufficient purchasing power to consider a foreign holiday. So we assume that shopping during holidays, including food, drinks and subsistence, would have occurred anyway, even if the tourists would have stayed at home and therefore it does not add additional value for the Polish economy. Only incremental expenditures which are directly linked with holiday taking, like money spend on accommodation, are credited to the tourism sector.

In the medium- and long-term, we assume that purchasing power will increase to the extent that 50% of the Polish tourist population will be able to purchase a foreign holiday -- consequently, the full cost of their holiday including food and shopping would represent added expenditure to the Polish economy. (If they went abroad, the expenditure would be lost to Poland.)

Estimates of the economic value-added[1] by the tourism sector based on the tourism expenditure growth presented in Chapter 1 are presented below.

Value-added for the base scenario [mln USD]



Source: Arthur D. Little

As we have indicated in previous chapters of this report, the Government has a wide range of strategic options available to influence this natural growth in tourism. These include:

- Measures that encourage investment (i.e. accelerating the growth rate by closing the "supply side" gap in the availability of quality facilities);
- Strategies targeted at the tourism industry which will improve its effectiveness and efficiency;
- Investing in infrastructure and taking other initiatives which will benefit the whole economy, bringing significant collateral benefit to tourism.

Against the "base case" senario, the Government needs to be able to assess the additional benefit to the economy of implementing our recommendations and targeting scarce resources to the tourism industry as a consequence.

Ideally, the assessment of benefits should allow the Government to determine the **absolute** effect of implementation of strategies given certain assumptions (i.e.

1 Value-added effect: Difference between total sales (gross output) and goods and services purchased. It expresses the value added by companies involved in direct and indirect tourism-related activities. Value-added includes wages and salary. It is calculated by taking 50% of the tourism expenditures.

calculate the economic value-added and job creation resulting directly from the measures recommended), as well as the **relative** benefit (i.e. show that $ 1 invested in tourism yields a greater return to the Polish economy than if invested in other sectors competing for scarce funds).

(As stated previously, we were not commissioned to develop complex models to achieve this as part of our study. However, work done by the World Travel and Tourism Council and others lead us to suspect that Government facilitation funds invested in tourism will, in fact yield a high economic return to the country than that from most other industrial and service sectors.)

In order to profile and illustrate what might be the potential benefit of strategy implementation as compared to the "base case" scenario, we have evaluated economic value-added against two scenarios:

- "High Intervention" case -- this is made up of two components. The "Facilities" component assumes the implementation of the facility development programme defined in our report (Chapters 2 to 4). The "Strategy implementation" component assumes that the Government implements the strategies recommended for tourism, but makes no significant additional investment in infrastructure, nor implements the other measures recommended in Chapter 5.

- "High Intervention/High Investment" case. This illustrates the potential incremental benefit of investment in improved (mainly road and airport) infrastructure and the implementation of the other measures outlined in Chapter 5.

In evaluating these illustrations, the reader can reach its own view as to the rate of implementation -- for example, if only half can be achieved, then the effect will be broadly 50% less.

5.2 Analytical tools

For each of these cases, we defined a range of assumptions (see below).

For the "Facilities" component of the "High Intervention" case, we have taken the representative facilities described in Chapter 4 of this report, assumed the implementation of such facilities in the locations we defined in Appendix 6 and assumed that private industry would itself naturally implement as many other locations as those we identified. We then applied our Economic Impact Model to estimate economic impact derived from these facilities, expressed in gross economic output, value-add effect, income effect, consumer purchasing power and tax effect. The structure and methodology of this model is presented in Appendix 10 to this report.

In each case we have also estimated increases in domestic and international leisure tourism expenditure assessed as potentially to be derived from the implementation of the strategies recommended. From expenditures, we calculate economic value-added, assuming the same coefficients as those we applied in the Economic Impact Model.

For the "Facilities" component, we used the Tourism Expenditure Model as outlined in Appendix 11, while for the other scenarios we analysed the developments for all segments (visitation categories and source markets) over time.

5.3 Presentation of results

We present the results of this analysis in the figures below. We repeat that these **conclusions must be interpreted with caution. These are illustrations and not predictions, which can only be arrived at with greater confidence once the economic modelling we have recommended is concluded.**

5.3.1 "High Intervention" case

5.3.1.1 "Facilities" component

For all representative facility plans, it was assumed that investment takes place in 1996 and that operations start in 1998. All economic impact effects are calculated for the year 2000, some time after the start-up phase as assumed and described in Appendices 6 and 10. The gross output[2] and value-added[3] effects are also calculated for the whole lifetime[4] of the facility. The discounted[5] stream of economic impacts gives an idea of the value each representative facility represents today.

Facility	Gross-Output [000 USD]	Value-added [000 USD]	Permanent Jobs created (2000)
Seaside	26,394	14,605	242
Lakeside	25,705	14,142	233
Heritage	25,669	14,395	132
City Centre	45,747	25,666	227
Motel	7,268	4,109	78
Marina	34,794	19,531	160
Mountain	13,214	7,249	119
Conference	35,747	20,535	164

If the investment schedule of all representative facilities and their copies, as mentioned in Chapter 4 (170 facilities spread between 1996 and 2002), is taken into account, then we obtain the total economic impact of the projects.

2 Gross output effect: Describes the total production output resulting from operation of tourism facilities.

3 Value-added effect: Difference between total sales (gross output) and goods and services purchased. It expresses the value added by companies involved in direct and indirect tourism-related activities. Value-added includes wages and salary.

4 A lifetime of 15 years is assumed: the initial investments will cover operations for a period of 15 years.

5 A hurdle rate of 15% above inflation (3%) was used to include cost of capital and risk potential.

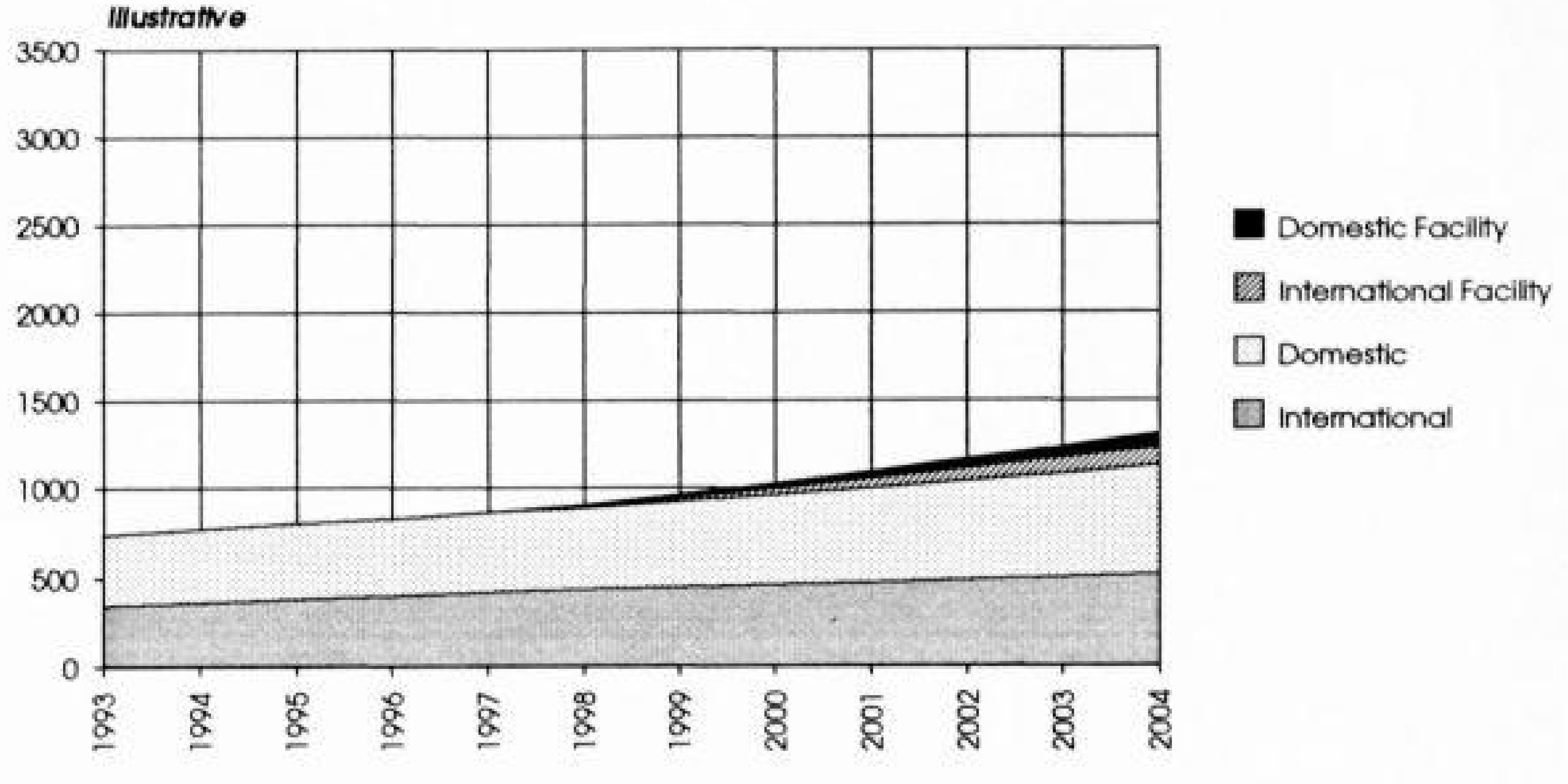
Programme	Gross-Output [000 USD]	Value-added [000 USD]	Permanent Jobs Created
Seaside	184,631	102,165	3,227
Lakeside	161,828	89,034	2,936
Heritage	399,307	223,933	3,960
City Centre	313,305	175,780	2,960
Motel	168,334	95,168	3,510
Marina	272,877	153,177	2,400
Mountain	92,433	50,712	1,587
Conference	180,996	103,972	1,476
	1,773,711	993,942	22,000

The total number of permanent jobs created is in the order of 22,000. During the development phase, many more people are directly or indirectly involved in the construction. Those persons are not added to the job effect since their jobs will not be continuously supported by the tourism sector. In addition, the outlined facility development programme will trigger parallel developments by the private sector. If a "one to one" ratio is assumed, 44,000 permanent jobs would be created from facilities.

The Tourism Expenditures Model isolates leisure expenditure from total expenditure and makes a distinction between domestic and international tourist expenditure. For both types, different factors are used to estimate their total impact, in terms of value-added on the economy. In addition, only expenditures originating from 'new' tourists are taken into account: the spending of tourists who would take their holiday in Poland, irrespective of the presence of the new facilities, are not counted.

The value-added effect superimposed on the base evolution is:

Value-added from facilities [mln USD]



Source: Arthur D. Little

Only the value-added of new leisure tourists staying at the facilities is shown. The value-added created during the facility development is not. The full impact will be felt some years after 2004, the horizon of our study. Only then will all facilities operate in a steady state. The availability of high-quality facilities will reduce the need for outbound tourism by Poles. This effect is included in the strategy component which is discussed next.

5.3.1.2 "Strategy" component

The different visitation categories and source markets have been analysed and the impact of the strategy implementation over time is illustratively forecast. For international leisure tourists, we have assumed the following representative effects:

Year 1996

- After promotion, the number of City Tour tourists increases in the short term ince some infrastructure is already available. Western tourists' spending in this egment increases.
- The number of recreational tourists in te mountains increases with better tourist nformation (indication of walking tours, etc.). The increase is not dependent on new facility developments. Spending remains at the same low level.

Years 1997 & 1998

- Water treatment facilities of an acceptable quality trigger the development and promotion of lakeside tourism;
- An organised tourism sector increases tourists' spending. (This includes graded accommodation, tourism information, commercial activities oriented towards tourists, etc.)

Year 1999 & 2000

- More tourist infrastructure is in place: more opportunities to spend money in the recreational segments exist. Mainly Adjacent-West tourist will move from their current low level spending to higher levels.

Year 2002

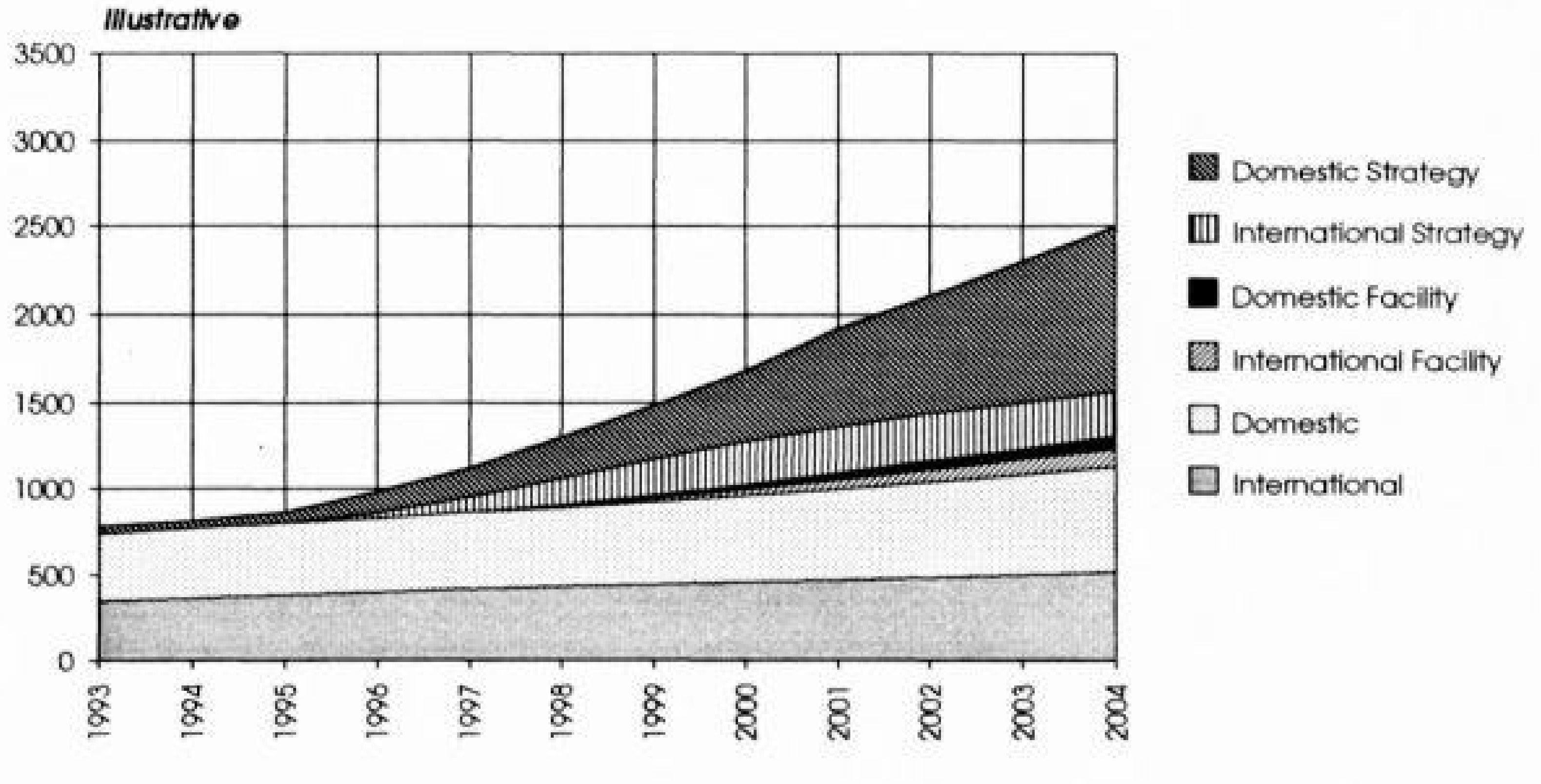
- International tourism stabilises while domestic tourism is still growing.

For domestic leisure tourists we have assumed the following effects of strategy implementation:

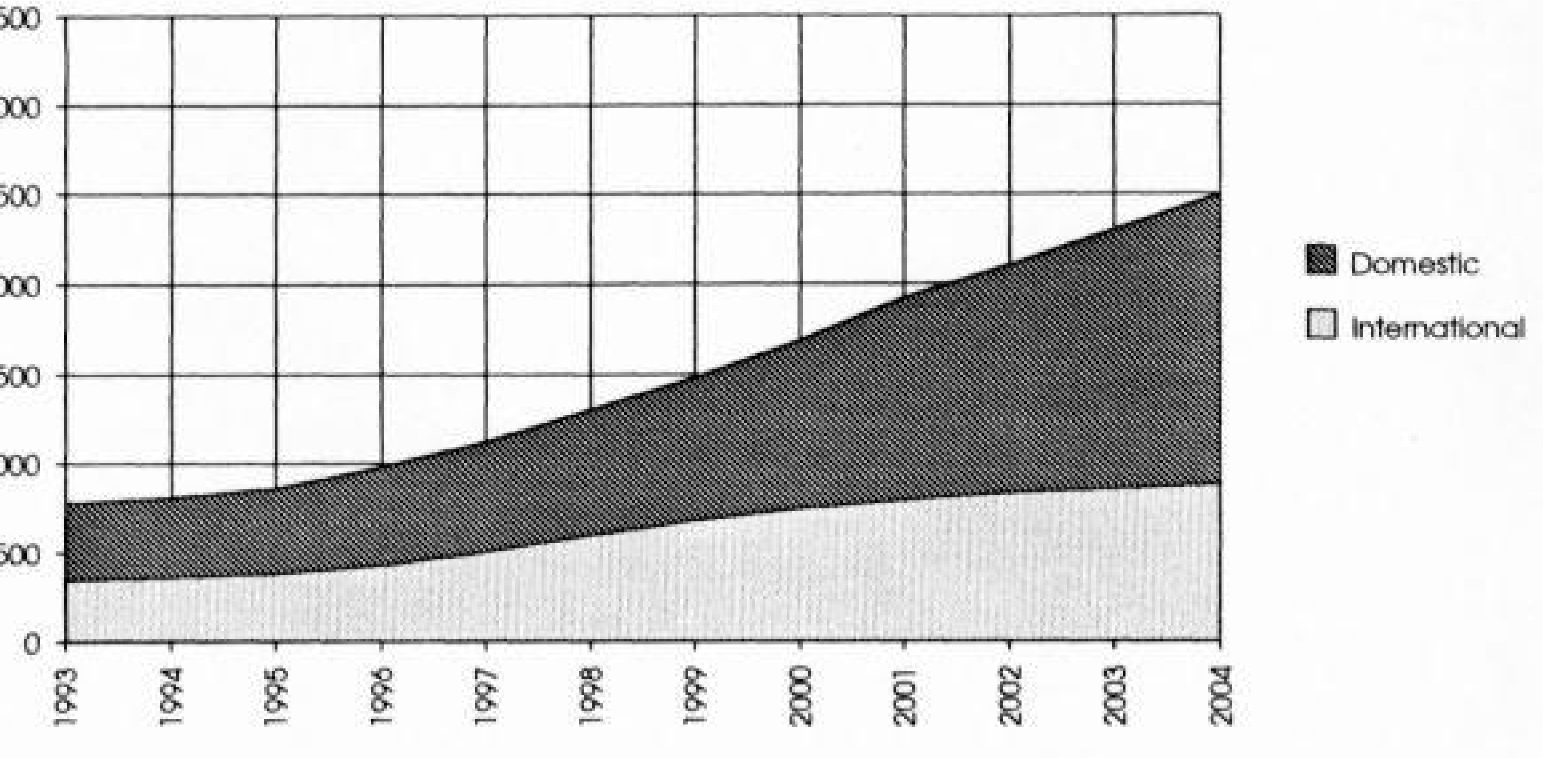
- Five years from now, the disposable income starts to rise with the same speed as hat in the European Community during the eighties.
- By the year 2004, the relative level of spending on tourism rises to the same level as Western Europe.

The impact in terms of added-value above the already mentioned base case and facility component is presented below:

Value-added for the "High Intervention" scenario [mln USD]



Value-added of domestic versus international leisure tourists [mln USD]



Source: Arthur D. Little

It is mainly the Adjacent West source market that will drive growth from added-value international tourists. Domestic tourism will grow faster than international tourism in a later phase, even when expressed in terms of value-added.

5.3.2 "High Intervention/High Investment" case

We have also analysed the different visitation categories and source markets to assess the potential impact of new infrastructure implementation, which would come into place in the 1997 - 2000 period. We have assumed a new priority road building and airport development programme, translating into the following illustrated effects:

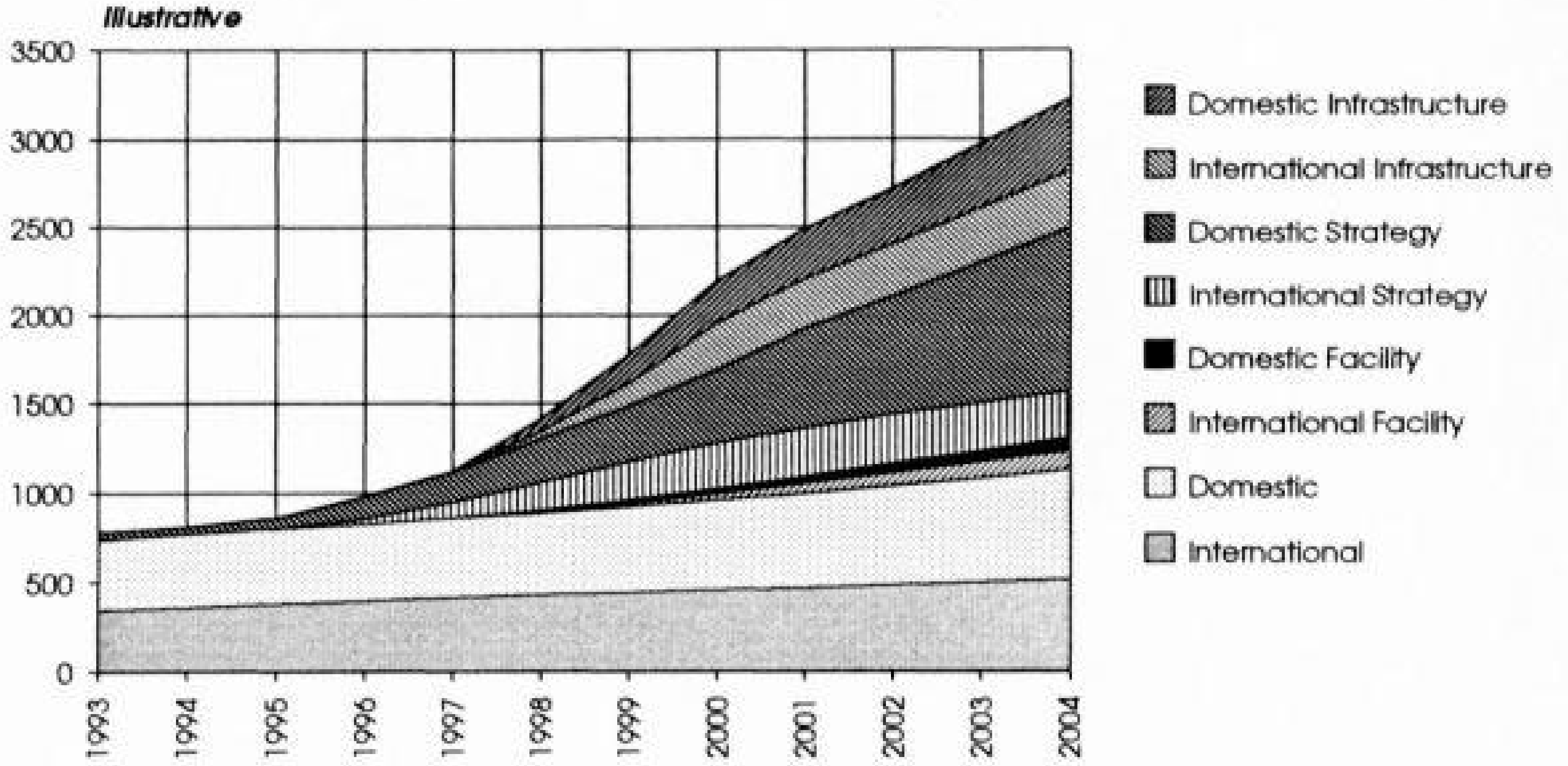
For example for international leisure tourists:

- Many more tourists from Adjacent East markets pass through Poland;
- The number of Adjacent West tourists increases in all visitation segments;
- The Touring segment from Adjacent West markets will grow significantly.

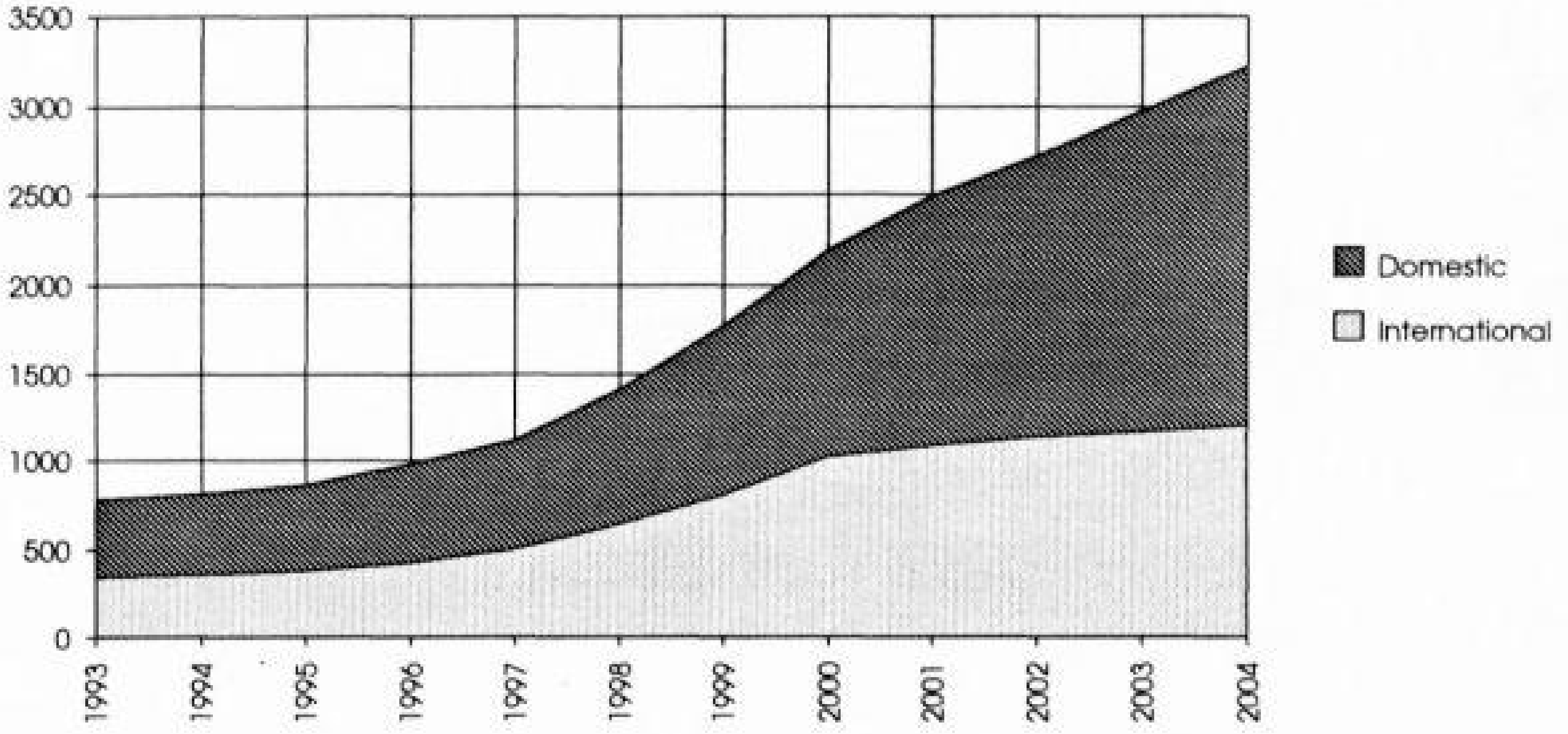
For domestic leisure tourists, tourism-related activities will grow over the 1997-2000 period by 25%, facilitated by easier access.

The impact in terms of added-value above and beyond the base scenarios mentioned is:

Value-added for the "High intervention/High investment" scenario [mln USD]



Value-added of domestic versus international leisure tourists [mln USD]



Source: Arthur D. Little

In terms of impact on tourism, the infrastructure works will mainly increase tourists from adjacent markets on these assumptions.

5.4 Conclusions

Recognising that the above scenarios are illustrations rather than predicitons and the need for caution in their interpretation, there are a number of interesting lessons that can be drawn from this analysis:

- Domestic tourism will remain the main element in the Polish tourism market hroughout the period -- indeed its share will increase over time. However, in the short-term, high economic benefit will be derived from international tourists.
- The value-added created by facilities alone is modest in comparison with the strategy and infrastructure-related impacts. The facility development programme s, however, very important in terms of providing the "supply side" stimulus for development of the whole tourism sector. It also illustrates that the job creation effect is sizeable, even when assessing benefits of the operating phase alone (i.e. without job creation during construction).
- Based on the assumptions and methods used, the "stakes are high" for the Government:
    - A potential doubling of value-added to the economy by the year 2004 to be derived from the implementation of the recommended strategy in the "High ntervention" case (equivalent to 1.2 billion USD p.a. in 2004).
    - Job creation benefit related to new facilities of 44,000 new jobs (considerably more when job creation during construction, other strategy and infrastructure mpacts are taken into account).
    - A large benefit for tourism will be derived from infrastructure development (principally roads and airports) -- an additional 724 million USD p.a. on assumptions used.
- Although domestic tourism will have a dominant state in the year 2004, the Government must not focus on domestic tourism as the primary locomotive of tourism development. While domestic tourists will continue to outnumber international visitors by a ratio of 2 to 1 (25 mln domestic leisure tourists versus 12 mln international) and the economic benefit of domestic tourists will be higher, the Government needs an approach to tourism development that does not distinguish international and domestic tourists. The **standard** of development (quality requirements) should be that required by **international** tourists drawn from the market segments identified. There should not be two different strategies and sets of standards for international and domestic tourism; **one international set of standards is required**. There will be a resulting knock-on benefit for domestic tourism if this approach is followed - particularly as domestic tourists become more discerning and demanding over time.