

A-1677

Arthur D Little

**National Tourism
Product
Development Plan**

Final Report

Appendices
Part II

**State Sports and Tourism
Administration
Warsaw**

27 October, 1994

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Reference 45594

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Appendix 6: Representative Facility Plans

We reviewed the current status and new facility requirements by visitation category. To determine the new facility requirements we evaluated the economic attractiveness to investors of representative facilities matched to each visitation category, identified what 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.

We provide the computer model output of the economic *pro forma* for the representative facilities examined and an investment programme for the likely implementation.

Together with Edwin Schlossberg, Inc., we outlined the concept of a Cultural Heritage Centre which, we believe, would be the starting point for foreign visitors to Poland.

6.1 Current accommodation status

The existing accommodation base in Poland is extremely fragmented and does not address the future needs of the various markets to be attracted. The room stock has been developed to service a market that has not been driven by the consumer motives common in a "free" market, where value for money and choice of spend on disposable income are the prerequisites for selection.

The current process largely follows a "supply side" mentality. The success of the future tourism industry will depend upon on how effectively Poland can convert to a "demand side" approach. Consequently, the hospitality side of the industry will need to ensure that facilities are developed that attract the various market segments identified.

A significant part of this room stock lies in the various state-enterprise holiday centres developed over the years to accommodate employees and their families. These holidays were heavily subsidised and taken primarily over the summer period. There was little, if any, decision of the part of the employee as to selection of facility or the period of holiday. As a result, the hospitality industry has not been driven by a service mentality, so crucial to success.

In addition, domestic consumers have not been as demanding and discerning as international tourists. In the short term, the effects of this situation will not be dramatic, due to demand generally outweighing the available supply. However, in the medium-to-long term, a significant change in purchasing habits will occur. As disposable income increases, so will the expectations of the Polish consumers. The hospitality side of the industry will need to provide experience that matches and exceeds expectations, where value-for-money will be the overriding driving force.

In addition to the domestic market, which will be the principal source of demand, Poland must develop facilities that meet an international visitor's profile. This is crucial to ensure that visitors become repeat tourists to Poland. The on-going success of any destination is dependent upon the application of such a philosophy.

The facilities to be developed should be based on a carefully constructed plan.

A certain amount of increase will be based on natural growth in the private sector, which will be opportunity-driven. A strategy that is geared toward the long-term requirements is therefore very important. It will include facilities that are not necessarily the most profitable in the short term, but which are important for a country's image and, therefore its "brand-positioning". Funding, i.e. making such facilities attractive to investors and operators, will, therefore, be critically important.

6.1.1 Available capacity

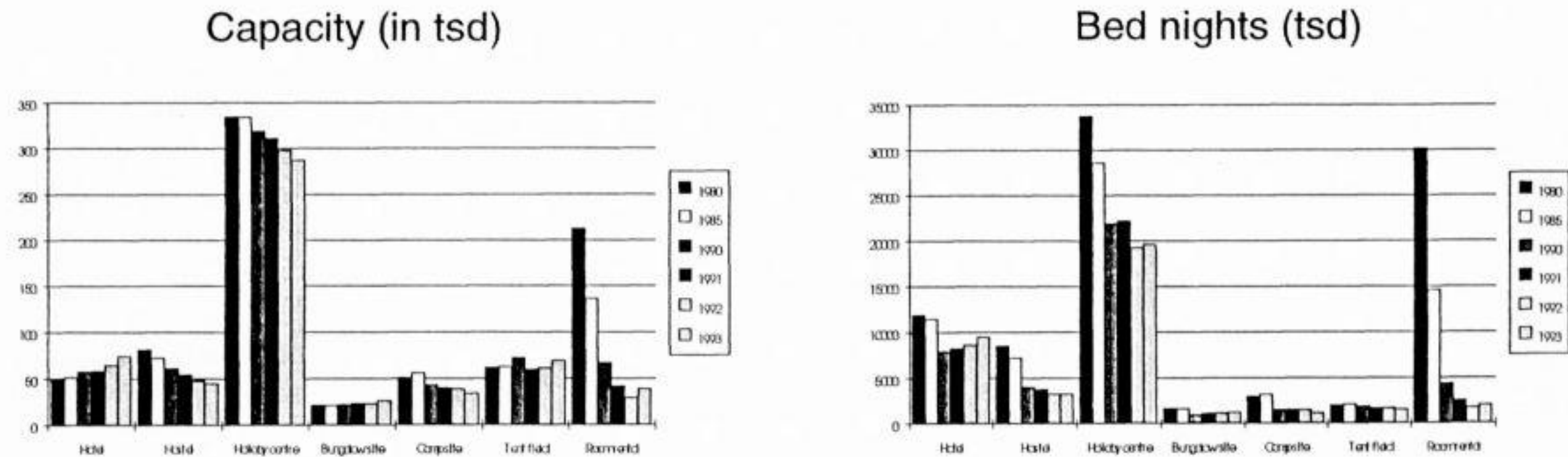
We have studied GUS statistics from 1980 to 1993 to assess the status of accommodation over the period. Figure 1 shows the evolution of accommodation capacity over the period.

Capacity evolution reflects how owners of facilities have reacted to changes in consumer behaviour and increasing differentiation of the purchasing power of holiday-makers as well as liberalisation of the Polish economy, which induced several shutdowns of loss-making facilities:

- Capacity and number of budget accommodation facilities offering low quality services to less wealthy customers have significantly decreased (hostels: -45% in 13 years, campsites: -38%, holiday centres: -15%);

Figure 1

Capacity and Bed nights for different types of accommodation



Source: GUS

- More expensive / better quality accommodation targeting foreign and high-end domestic tourists are increasing in number (hotels: +50%, motels: +140%, bed & breakfast: +100%);
- "Other" group includes training and rest centres; which capacity has grown (+20%) partly because of transformation of some holiday centres into training and rest centres.

6.1.2 Capacity utilisation

Private room rental statistics show a sharp fall. We suspect this is due to non-response to GUS questionnaires and an increase in the grey economy and non-declaration for tax purposes.

Figure 2 presents how the available capacity was used and reflects demand evolution (bed nights).

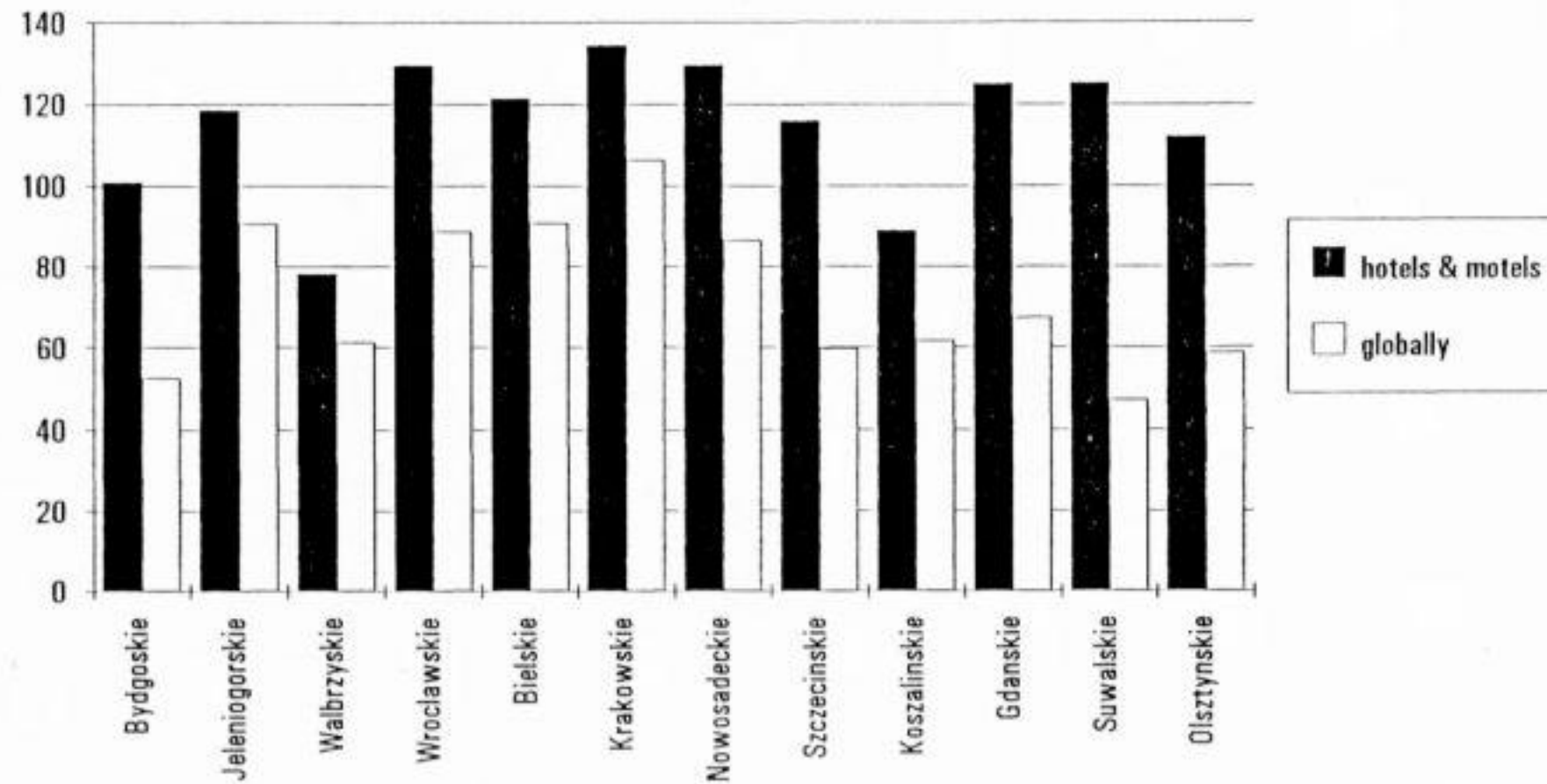
6.1.3 Bed utilisation

We have calculated and present in Figure 2 how many nights in a year each bed is occupied in selected voivodships.

In general, a bed in a hotel or a motel is used between 20% and 160% harder than a bed in a holiday centre or bungalow site, thanks to a longer opening period. Big cities tend to have a better bed utilisation rate.

Figure 2

Bed utilisation (nights/bed/year) for different Voivodships



6.1.4 Occupancy rates

The Figure 3 shows the 1993 occupancy rates recorded by GUS:

Figure 3

| Type of accommodation | Occupancy rate 1993 |
|-----------------------|---------------------|
| Hotel | 37,40% |
| Motel | 32,80% |
| Bed & Breakfast | 34,00% |
| Hostel | 33,00% |
| Mountain Hostel | 32,60% |
| Holiday centre | 54,70% |
| Bungalow site | 37,60% |
| Camp site | 29,00% |
| Tent field | 24,40% |
| Room rental | 22,50% |
| Other | 46,00% |
| Total | 40,80% |

Occupancy rates are at the same level in all types of accommodation. However, differences in the above table are due to statistical methods used and therefore the rates must be viewed with caution: For example, holiday centres are open only in summer, and this period is taken into consideration for statistical purposes. Camp sites and room rentals score low because of undeclared guests.

6.1.5 Geographical concentration

The table below presents the spread of capacity and bed nights across the country.

| | Capacity in beds | | Bed nights | | Occupancy rate | | |
|----------------|------------------|---------------|-----------------|-----------------|-----------------|---------------|-----------|
| | Hotels & motels | Other | Hotels & motels | Other | Hotels & motels | Total | |
| Poznańskie | 3900 | 10608 | 592141 | 653920 | 42,50% | 38,50% | Centre W. |
| Bydgoskie | 1987 | 20146 | 200394 | 963487 | 30,10% | 36,90% | |
| Gorzówskie | 1078 | 9905 | 152633 | 518724 | 42,30% | 37,30% | |
| Zielonogórskie | 1016 | 12017 | 137091 | 650440 | 38,30% | 39,80% | |
| Opolskie | 1607 | 9653 | 244043 | 536685 | 42,00% | 39,10% | South W. |
| Jeleniogórskie | 2280 | 16486 | 269978 | 1432467 | 32,10% | 32,50% | |
| Wałbrzyskie | 1605 | 12524 | 125454 | 741646 | 25,40% | 26,70% | |
| Wrocławskie | 3277 | 6657 | 424047 | 456585 | 37,20% | 35,00% | |
| Bielskie | 1757 | 35859 | 213339 | 3204691 | 40,10% | 42,10% | South E. |
| Krakowskie | 5403 | 8100 | 726009 | 709290 | 40,60% | 39,70% | |
| Krośnieńskie | 599 | 11466 | 76716 | 695923 | 43,40% | 35,70% | |
| Nowosądeckie | 1724 | 50545 | 223296 | 4300017 | 39,20% | 35,00% | |
| Szczecińskie | 3595 | 68409 | 416208 | 3886819 | 34,00% | 54,30% | North W. |
| Ślępskie | 1142 | 32740 | 118903 | 1764174 | 30,70% | 60,60% | |
| Koszalińskie | 1473 | 53434 | 131131 | 3252132 | 29,50% | 61,90% | |
| Gdańskie | 4738 | 41732 | 591248 | 2541650 | 39,10% | 44,00% | |
| Elbląskie | 996 | 19400 | 107374 | 1015619 | 35,50% | 49,90% | North E. |
| Suwańskie | 1171 | 39604 | 146572 | 1776083 | 34,40% | 41,50% | |
| Olsztyńskie | 2923 | 26158 | 327294 | 1381078 | 36,10% | 42,20% | |
| Poland | 76714 | 642228 | 9836751 | 39198748 | 37,30% | 40,80% | |

Accommodation capacities are concentrated in three areas:

- Baltic Coast (voivodships of Szczecińskie, Ślępskie, Koszalińskie, Gdańskie and partly Elbląskie) - 220,000 beds;
- Western Beskidy and Tatry mountains (Bielskie, Nowosądeckie) - 90,000 beds;

- Mazury and Warmia Lake Districts (Olsztyńskie, Suwalskie, partly Elbląskie) - 80,000 beds.

The voivodships others than those shown in the chart above do not exceed 10,000 beds of accommodation capacity (excluding Warsaw).

6.1.6 Hotels: Category structure 1993

Figure 4 presents capacity, number of hotels, and capacity use analysed by category.

Although 5-star hotels are big, they represent only a small percentage of the market. Mainstream commercial / business tourists stay in 3 - 4-star hotels situated in big cities. The above analysis shows a relatively large group of 3-star hotels, while 1-and 2-star hotels have smaller capacity.

6.2 Representative Facility Plans

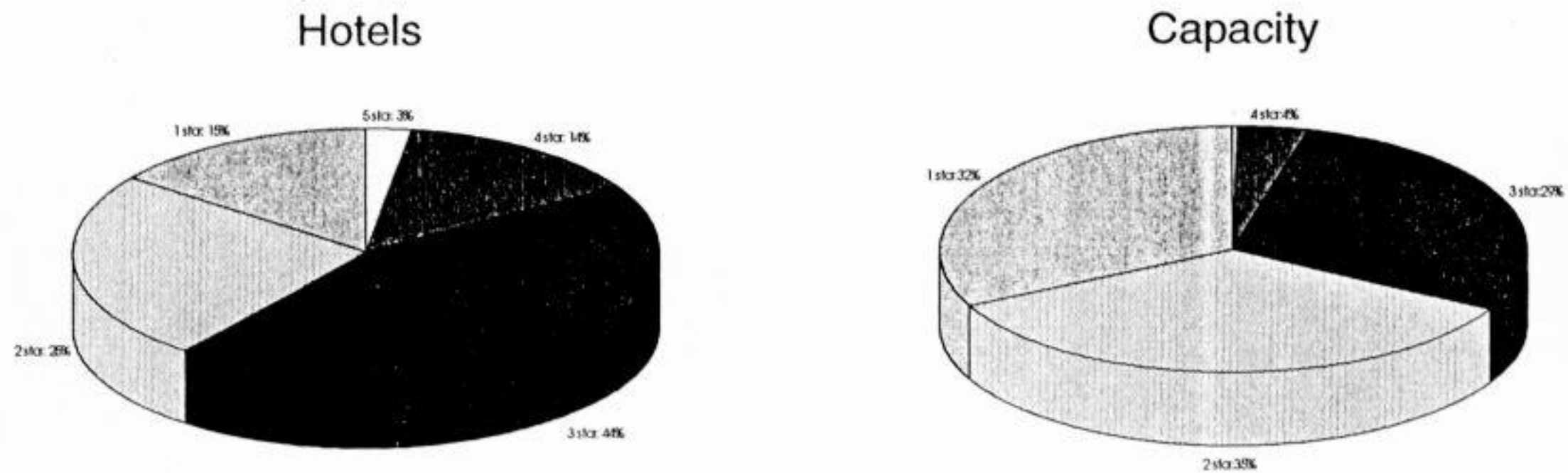
The Representative Facility Plans presented hereunder have been prepared as a development tool only. The capital and operating cost information has been supplied by Polish contractors and PAPT and has not been audited by Arthur D. Little.

The resulting economic analysis should not be used as a basis for demonstrating potential profitability of a specific project proposal, when site- and project-specific data will need to be used and applied. However, the economic model and methodology developed here can be adapted to new inputs for a specific project.

Arthur D. Little takes no responsibility for any misuse of these plans.

Figure 4

Hotel category structure (hotels/capacity)



Source: GUS

6.2.1 Seaside Holiday Village

6.2.1.1 Development overview

When reviewing the type of facility to develop as a seaside resort, it is important to analyse the market segments in order to ensure that the facility is created to meet the needs of the customer. It should therefore be "purpose-designed" which will allow the facility to trade at a higher level, trade through the seasons and trade more successfully over a longer period of time. Such facility development also does a great deal to enhance the overall image of a destination and generates, as a result, repeat tourism to the country. This, of course, is critical to develop a long-term sustainable tourism market. The key is to "know" your customer base, not only from a tactical or facility standpoint, but also from a strategic and government point of view. With the immature market base that faces Poland today, it is very important to be clear as to the markets the destination will need to concentrate on and to focus the available resources in the most effective way to generate the desired result. At this time, Poland should not try to be all things to all people. This will just dilute the required impact.

6.2.1.1.1 Facility planning

The principal segment that will be motivated to experience a seaside resort will be sun and sea. This is obviously during the summer season which on the Baltic coast is for a short duration. The principal motive is therefore sun and relaxation. In reality, the inclement weather conditions that face the destination will mean that Poland will not be the first choice in selection and therefore other benefits will need to be added to make the destination more desirable. Value will play an important part of the selection process, and while sun may not be the best attribute on offer, it can be balanced against price, access, activities, quality of facilities, outdoor leisure pursuits, attractive landscape, entertainment, and pleasing service standards.

Beach quality is of a high standard, with wide sands that are white and soft. The landscapes backing the majority of beaches are largely unspoilt, with rich forests and wildlife. There is generally good road access, with relatively good rail and air connections through Gdańsk, especially for the domestic markets.

The current coastal villages that are the main summer resorts are not particularly attractive. This is largely a result of not having to be service-minded or market-conditioned, where choice has not played a part in the selection process. Consequently these centres are unkempt and untidy.

Each commune (gmina) should produce a policy that shows their respective village in the best possible light: Well kept grass verges and lawns, no litter, good sign-posting and information, construction that is appealing from the outside, places to eat outside of the hotels or holiday centres, and to generally offer a choice of activities apart from the sun and beach motivation.

The markets need to be developed outside of the summer period. This is important, not only for local employment, but also from the profit point of view of each facility, which will be the principal driving factor for success.

Product attributes need to be created and developed to consequently broaden the season and attract customers on a year round basis.

6.2.1.1.2 Location considerations

Location is the most critical factor affecting the choice and selection of a facility that requires development or redevelopment. A facility that is developed without this consideration will not be purpose-designed or conducive to attract the various markets in the long term.

Location consideration should take account of access that includes road, rail, sea and air. This is obviously very important to identify which geographical source markets are to be concentrated on. Access review should look at capacity, frequency and quality.

Attractions that are inherent in the location should be identified, including commercial attractions such as congress centres, exhibition centres, trade fair grounds, commerce and industry etc. Heritage, cultural and natural attractions should be identified including special-interest activities that exist or could be developed.

In addition to these "inherent" attractions, a review should take place on what could be added to enhance the overall product attributes. Such attributes will normally be based on the existing "inherent" base. For instance, a conference centre should only be considered where there is an adjacent commercial draw potential with good potential access to the targeted facility. Leisure facilities should be added where there is a good local population draw potential to broaden the season for short stays or weekend visitation. Special interest activities and facilities should be based on the natural attractions that exist, such as horse-riding and hiking, where forests and National Parks are evident.

6.2.1.1.3 Supporting infrastructure

In addition to the product review, a location should be determined by the supporting infrastructure that is in place, such as sewage and waste systems, water purification, environmental and pollution restraints, government control and facility categorisation, legal process, investment incentives and strong, local government and administration policy to support development initiatives. Successful destination marketing and development will be premised on the effective partnership between local government and private investors.

A check list determining these factors is used to quantify and qualify the status for potential in each destination and locale.

6.2.1.1.4 Market demand

The principal market demand will continue to be from the domestic draw. Given the restriction on disposable income, this is a relatively "captured" market that will allow the "supply side" of the industry to catch up with the changing expectation of their customer base, which will, in time, become increasingly demanding and discerning.

A percentage of the segment mix in each facility will attract markets from the adjacent regions of Germany and Sweden, and supported from Denmark and the Netherlands. This geographic source will principally be from June through September. The trading levels have been based on a current review of existing facilities in 1994 and the projections based on the Arthur D. Little domestic survey.

6.2.1.2 Location transferability

With the assistance from the Institute of Tourism and local specialists, some 20 summer resort locations have been identified for a more focused development programme. These have been identified according to certain minimum criteria: Located on the Baltic coastline, situated on the open sea with natural sandy beaches and clean sea waters, reception and service infrastructure. The locations are primarily small towns, villages and seaside resorts that are of a medium size and attractive for family holidays. The locations shown as 1 to 3 are considered to be of a high potential for development selection. The selection of specific establishments for redevelopment has been advised by each respective voivodship. A more detailed review needs to take place on whether these are in fact appropriate for development.

6.2.1.2.1 Elbląg Voivodship

6.2.1.2.1.1 Krynica

A town and seaside resort in the wooded area of Wisła Spit. Health resort and future Spa. An existing marina and interesting architecture, with wooded area and dunes. Currently, three centres earmarked for redevelopment and privatisation.

6.2.1.2.2 Gdańsk Voivodship

6.2.1.2.2.1 Jastarnia-Jurata

A small fishing town and summer resort situated on the Hel Peninsula, which has been designated a Seaside Landscape Park. The main holiday district is situated in Jurata, where there exists holiday centres in a wooded area. A marina exists on the Bay of Gdańsk. Three holiday centres have been earmarked for redevelopment.

6.2.1.2.2.2 Jastrzębia Góra

The summer and seaside resort located at the most northern point of Poland, situated on the high cliff shore in the Rozewie Cape region. Three holiday centres have been earmarked for redevelopment.

6.2.1.2.2.3 Dąbki

Small seaside village with wide sandy beaches and surrounding forest.

6.2.1.2.3 Słupsk Voivodship

6.2.1.2.3.1 Łeba

A small town and old Kashubian fishing settlement on the Słowiński coast at the mouth of the river Łeba. Famous for the splendid beaches, it is a popular resort with interesting environment. Forests, large lakes of Łebsko and Sarbsko located in the Słowiński National Park. Two centres earmarked for development.

6.2.1.2.3.2 Rowy

Fishing village on the Słowiński coast at the mouth of the river Łupawa. In vicinity of forest area, Gardno Lake and Słowiński National Park. Two centres earmarked.

6.2.1.2.3.3 Poddąbie

Small, very picturesque seaside resort with wide beaches and cliff shore line. Good forest area with diverse landscape. One centre has been identified for redevelopment.

6.2.1.2.3.4 Ustka

Situated on the mouth of the river Słupia, on the Słowiński coast. A health and balneologic resort, and large recreation and camping town with promenade. Forest region. Three centres have been identified for redevelopment.

6.2.1.2.3.5 Jarosławiec

A village on the Słowiński coast line with fishing settlement and seaside resort in the vicinity of Wicko Lake, with surrounding forest.

6.2.1.2.4 Koszalin Voivodship

6.2.1.2.4.1 Darłowo

Historic, small town on the Słowiński coast situated on the river Wieprza. Castle of Pomeranian dukes with museum, gothic churches and other monuments. On the mouth of the Darłówka river, it is a popular resort with numerous boarding houses and surrounded by wooded area. One centre earmarked.

6.2.1.2.4.2 Dąbki

Attractive seaside village on Bukowo Lake, at the base of a long sand spit. With marina and good beaches. Two centres identified for redevelopment.

6.2.1.2.4.3. Mielno

Located on Jamno Lake and the Słowiński coast, it is a large resort famous locally for the large beaches near to Koszalin. There are spa parks and saline baths. Two holiday centres have been advised for redevelopment.

6.2.1.2.4.4 Ustronie Morskie

A very popular resort with holiday and summer camp regions, including Spa Park and saline bath establishments. One facility recommended for redevelopment.

6.2.1.2.4.5 Dźwirzyno

Fishing village on the Trzebiatów coast. In the vicinity of Resko Lake, this is a popular summer resort for campers and there are plans for a future Spa centre. One facility has been designated for redevelopment.

6.2.1.2.5 Szczecin Voivodship

6.2.1.2.5.1 Pogorzelica

Summer village and large seaside resort on the Trzebiatów coast. Wooded area with wide forests and Luza Lake, which is a swan reserve. Two centres identified.

6.2.1.2.5.2 Niechorze

Fishing village on the same coastal belt and lake. High cliff area with diversified landscape. One centre identified.

6.2.1.2.5.3 Rewal

Fishing village with steep shore on the Trzebiatów coast. Three centres identified for redevelopment, plus a number of boarding houses and near the resort centre of Nowy Śliwin.

6.2.1.2.5.4 Pobierowo

Summer village with forest and excellent beaches. Two holiday centres identified for redevelopment.

6.2.1.2.5.5 Dziwnów

The village with fishing port between the Dźwina Straits and Wrzosowskie Lake. Large resort with good beaches and coastal promenade on the spit. Numerous boarding houses, camp and tourist facilities. Good forest region and close to the sister holiday village of Dziwnówek. The immense Kamieński Bay is adjacent with the town of Kamień Pomorski, providing ample historic monuments. Two centres are identified for redevelopment.

6.2.1.2.5.6 Międzyzdroje

The town on Wolin island with numerous boarding houses and pensions. Healthy and large seaside resort with wide beaches, coastal promenade and Spa Park. Museum and numerous nature and cultural attractions. Vicinity of forests, good landscapes, and the Wolin National Park. Two centres are identified with potential for development.

6.2.1.3 Feasibility

Based upon our assumptions, the projected rate of return for a seaside holiday village on the Baltic coast is 14.91%. The acceptable minimum return for most investor sources is from 15 to 18%. This is particularly the case when looking at higher risk-related development, where returns would be expected to be even higher, from around the low to mid 20 mark.

In order to reach the minimum expected level of 15%, the authorities will need to donate¹ the land as part of the attraction to stimulate growth. A price for the land, in real terms, would overburden the cost of development and not produce a consequent yield that would be acceptable to an investor partner.

There are several opportunities that could be worked on immediately and which would involve 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 that have a high yield potential for Poland.

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

6.2.1.4 Facility impact

The following assumptions were used in all the following Economic Impact calculations:

- For all tourism facilities, investment into infrastructure such as airports, sea ports, roads, railways, and telecoms are not needed;
- Inflation, expressed in USD, is 3% p.a. in average, in the development as well as in the operating phase;
- Income will increase by 4% (1% point over average inflation rate);
- Labour productivity growth would be at a rate of 1% p.a.

We show the economic impact of the development phase and of one representative year in operations, i.e. year 2000. For more details about the economic impact methodology, please see Appendix 6.

¹When we use the term "donate the land" in this Appendix, this is short hand for applying one or other of the long-leasehold/rent free or joint venture formulae defined in the main report.

6.2.1.4.1 Development phase

| Investment in "Seaside Holiday Village" in prices of 1994 | |
|---|--------------------------|
| <i>Facilities</i> | <i>Investment in USD</i> |
| Hotels, Restaurants | 7,850,000 |
| - Inventories | 50,000 |
| - Building | 7,000,000 |
| - Plant and Machinery | 800,000 |
| FFE* (Initial) | 1,500,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 300,000 |
| Pre-Opening Costs | 200,000 |
| TOTAL INVESTMENT | 10,000,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Seaside Holiday Village" - Development Phase (1996) | |
|--|------------|
| <i>Economic impact effects</i> | <i>USD</i> |
| Gross Output | 10,609,000 |
| Value added | 4,269,645 |

6.2.1.4.2 Operating phase

| Economic impact of "Seaside Holiday Village" operating in the representative year 2000 | | | |
|--|-----------------------|-------------------------|----------------------|
| <i>Economic impact effects</i> | <i>Direct Effects</i> | <i>Indirect Effects</i> | <i>Total Effects</i> |
| Gross output (USD) | 2,628,558 | 454,728 | 3,083,286 |
| Value-added (USD) | 1,719,103 | 227,364 | 1,946,466 |
| Job creation | 213 | 29 | 242 |
| Income generation (USD) | 761,643 | 87,840 | 849,484 |
| Tax revenue (USD) | -- | -- | 169,897 |
| Consumer purchase (USD) | -- | -- | 652,403 |

Seaside Holiday Village
 300 Family Chalets
 Financial Proforma
 Commencing Jan 1996
 Capital Expenditure

Land
 Working Capital
 Inventories
 Building
 Plant and Machinery
 FF&E(Initial)
 Pre-Opening
 FF&E (Annual)
 Development Fee
 Other Expenses
 Total Project Costs
 Cost per Room

| Life in Years | US\$ | US\$ |
|------------------|------------|------------|
| | 0 | 0 |
| | 100,000 | 100,000 |
| | 50,000 | 50,000 |
| 0 | 7,000,000 | 7,000,000 |
| 15 | 800,000 | 800,000 |
| 8 | 1,500,000 | 1,500,000 |
| 5 | 200,000 | 200,000 |
| 8 | | |
| 5 | 300,000 | 300,000 |
| 5 | 150,000 | 150,000 |
| | 10,100,000 | 10,100,000 |
| | 33,667 | 33,667 |

Residual Value/Realisation
 Financing

| | | | |
|--------|---------|------------|------------|
| Equity | 60.00% | 6,060,000 | 6,060,000 |
| Debt | 40.00% | 4,040,000 | 4,040,000 |
| | 100.00% | 10,100,000 | 10,100,000 |

Equity
 Seaside Holiday Village
 Other
 Other
 Other
 Other

| | | |
|---------|-----------|-----------|
| 100.00% | 6,060,000 | 6,060,000 |
| 0.00% | 0 | 0 |
| 0.00% | 0 | 0 |
| 0.00% | 0 | 0 |
| 0.00% | 0 | 0 |
| 100.00% | 6,060,000 | 6,060,000 |

Loan
 Amount
 Year Drawn Down
 Interest free Period in Years
 Interest Only Period in Years
 Repayment Starts in Year
 Years Financed
 Interest Rate
 Initial Annual Interest
 Annual Repayment
 Exchange Rate 1.00
 Total Pre-Tax IRR

| | |
|-----------|-----------|
| 4,040,000 | 4,040,000 |
| 1 | |
| 2 | |
| 3 | |
| 6 | |
| 15 | |
| 10.00% | |
| 404,000 | 404,000 |
| 531,154 | 531,154 |
| 14.91% | |

Seaside Holiday Village
300 Family Chalets
Financial Proforma
Commencing Jan 1996

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---------------------------------|--------------|--------------|------------------|------------------|------------------|------------------|
| Year No. | 1 | 2 | 3 | 4 | 5 | 6 |
| % Occupancy | 0.00% | 0.00% | 50.00% | 58.00% | 60.00% | 75.00% |
| Average Room Rate | 0.00 | 0.00 | 18.00 | 21.00 | 23.00 | 25.00 |
| Revenue | | | | | | |
| Rooms | 0 | 0 | 988,200 | 1,333,710 | 1,511,100 | 2,053,125 |
| Food | 0 | 0 | 295,650 | 400,113 | 453,330 | 617,625 |
| Beverage | 0 | 0 | 197,100 | 266,742 | 302,220 | 411,750 |
| Telephone | 0 | 0 | 29,565 | 40,011 | 45,333 | 61,763 |
| Other Dept 1 | 0 | 0 | 100,000 | 105,000 | 110,250 | 115,762 |
| Other Dept 2 | 0 | 0 | 30,000 | 31,500 | 33,075 | 34,729 |
| Other Dept 3 | 0 | 0 | 150,000 | 165,000 | 173,250 | 181,912 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 0 | 0 | 1,790,515 | 2,342,076 | 2,628,558 | 3,476,666 |
| Profit | | | | | | |
| Rooms | 0 | 0 | 721,386 | 986,945 | 1,163,547 | 1,580,906 |
| Food | 0 | 0 | 47,304 | 64,018 | 72,533 | 98,820 |
| Beverage | 0 | 0 | 51,246 | 69,353 | 78,577 | 107,055 |
| Telephone | 0 | 0 | 17,739 | 24,007 | 27,200 | 37,058 |
| Other Dept 1 | 0 | 0 | 50,000 | 52,500 | 55,125 | 57,881 |
| Other Dept 2 | 0 | 0 | 15,000 | 15,750 | 16,538 | 17,364 |
| Other Dept 3 | 0 | 0 | 45,000 | 49,500 | 51,975 | 54,574 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 0 | 0 | 947,675 | 1,262,073 | 1,465,494 | 1,953,658 |
| Gross Operating Income % | 0.00% | 0.00% | 52.93% | 53.89% | 55.75% | 56.19% |
| Deduct from Income | | | | | | |
| General & Admin | 0 | 0 | 80,573 | 105,393 | 118,285 | 156,450 |
| Marketing | 0 | 0 | 62,668 | 81,973 | 92,000 | 121,683 |
| Property Operations | 0 | 0 | 64,459 | 81,973 | 88,057 | 114,730 |
| Energy | 0 | 0 | 46,553 | 57,381 | 59,143 | 78,225 |
| Total Deductions | 0 | 0 | 254,253 | 326,720 | 357,484 | 471,088 |
| Gross Operating Profit | 0 | 0 | 693,422 | 935,354 | 1,108,010 | 1,482,570 |
| Gross Operating Profit % | 0.00% | 0.00% | 38.73% | 39.94% | 42.15% | 42.64% |

Seaside Holiday Village
300 Family Chalets
Financial Proforma
Commencing Jan 1996

| | 2002 | 2003 | 2004 | 2005 |
|---------------------------------|------------------|------------------|------------------|------------------|
| Year No. | 7 | 8 | 9 | 10 |
| % Occupancy | 75.00% | 75.00% | 75.00% | 75.00% |
| Average Room Rate | 27.00 | 28.00 | 31.00 | 34.00 |
| Revenue | | | | |
| Rooms | 2,223,450 | 2,299,500 | 2,545,875 | 2,792,250 |
| Food | 665,213 | 689,850 | 763,763 | 839,970 |
| Beverage | 443,475 | 459,900 | 509,175 | 559,980 |
| Telephone | 66,521 | 68,985 | 76,376 | 83,997 |
| Other Dept 1 | 121,551 | 127,628 | 134,010 | 140,710 |
| Other Dept 2 | 36,465 | 38,288 | 40,203 | 42,213 |
| Other Dept 3 | 191,008 | 200,559 | 210,586 | 221,116 |
| Other Dept 4 | 0 | 0 | 0 | 0 |
| Total Revenue | 3,747,683 | 3,884,710 | 4,279,988 | 4,680,236 |
| Profit | | | | |
| Rooms | 1,712,057 | 1,770,615 | 1,960,324 | 2,150,033 |
| Food | 106,434 | 110,376 | 122,202 | 134,395 |
| Beverage | 115,304 | 119,574 | 132,386 | 145,595 |
| Telephone | 39,913 | 41,391 | 45,826 | 50,398 |
| Other Dept 1 | 60,775 | 63,814 | 67,005 | 70,355 |
| Other Dept 2 | 18,233 | 19,144 | 20,101 | 21,107 |
| Other Dept 3 | 57,302 | 60,168 | 63,176 | 66,335 |
| Other Dept 4 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 2,110,017 | 2,185,082 | 2,411,019 | 2,638,217 |
| Gross Operating Income % | 56.30% | 56.25% | 56.33% | 56.37% |
| Deduct from Income | | | | |
| General & Admin | 168,646 | 174,812 | 192,599 | 210,611 |
| Marketing | 131,169 | 135,965 | 149,800 | 163,808 |
| Property Operations | 123,674 | 128,195 | 141,240 | 154,448 |
| Energy | 84,323 | 87,406 | 96,300 | 105,305 |
| Total Deductions | 507,811 | 526,378 | 579,938 | 634,172 |
| Gross Operating Profit | 1,602,206 | 1,658,704 | 1,831,081 | 2,004,045 |
| Gross Operating Profit % | 42.75% | 42.70% | 42.78% | 42.82% |

6.2.2 Recreational holiday village, lakeside, mountain & snow

The current accommodation stock that serves the recreational tourism sector is generally not appropriate for the mid- to long-term markets. There is a traditional tourism base that covers all three segments of recreational tourism, particularly from the domestic markets. This, like the sun and sea holiday segment, has had a heavy concentration of state enterprise holiday centres with subsidised holidays for employees and their families.

These centres are generally in block form as small hotels or cabins that are extremely basic. There are little funds available to upkeep and manage the facilities, which is very evident from the locations visited. The benefit lies in the location of these centres, which tend to be in very attractive settings and certainly with potential for redevelopment.

There are a great number of fine lakes that cover Poland and which are enveloped by mature forest belts and National Park lands. These lakelands are accessible from all points from within the domestic market and seasonally have the potential for a more rounded draw potential than the sun and beach market. The lakelands will be a principal asset that Poland will become renown for and which should be built on from a "brand" positioning point of view. It projects wide open spaces, outdoor activity and special interest opportunities. This is of growing importance for the image within tourism markets.

The first priority for lake land development, from a national view, is the Mazury Lake district. This is a national asset of European importance, with excellent potential for development. The Pomorze lakes also have very good potential, primarily for the adjacent and domestic markets. There are further lake and forest regions across the country, that are good from the domestic market point of view, particularly in the Central/East region and South/East.

6.2.2.1 Lakeside holiday village

The identified development project that would be ideal for this recreational customer segment would be a Lakeside Holiday Village. The facility outline and projected costs would be the same as for the Seaside Holiday Village. The details have been identified in the previous section and can be replicated for this category.

6.2.2.1.1 Transferability

| | Name | Village/town | Voivodship | Town/centre | Lakes (area in ha) | Large forests, etc. | Remarks/ location |
|----|---------------------|--------------|------------|-------------------------|---|---|--------------------------------------|
| 1 | Ługi | Village | Gorzów | Dobiegniewo | Osiek (550), Lipie (200) | Puszcza Drawska | By lake/ forest |
| 2 | Lubiniewice | Village | Gorzów | Dobiegniewo | Osiek (550) Lipie (200) | Puszcza Drawska | By lake/ forest |
| 3 | Trzciel | Village | Gorzów | Dobiegniewo | Osiek (550) Lipie (200) | Osiek (550) Lipie (200) | By lake/ forest |
| 4 | Tuczno | Town | Piła | | Zamkowe, Liptowakie | Puszcza Drawska; Drawieński NP | |
| 5 | Marginin | Town | Piła | | Margonińskie | | South of town |
| 6 | Cieszyno | Village | Koszalin | Złocjaniec | Siecino (700) | Drawski LP | West of village |
| 7 | Lubieszewo | Village | Koszalin | Drawsko Pomorskie | Lubie (1,500) | | Lake: forest, south of village |
| 8 | Silnowo Dojna | Village | Koszalin | | Pile (1,000) | | South of village |
| 9 | Stare Wierzchowo | Village | Koszalin | Biały Bór | Wierzchowo (750) | Stud farm at BB | East of lake |
| 10 | Jasień | Village | Ślupsk | | Jasień (600) | Folklore | North of village |
| 11 | Sominy | Village | Ślupsk | | Somińskie (450) & others | Zaborski LP, folklore | East of lake |
| 12 | Pakotulsko | Village | Ślupsk | Czuchów | Szczytno (650) | Nature reserves | |
| 13 | Funka | Village | Bydgoszcz | Chojnice; Charzykowo | Charzykow- skie (1,400) | Zaborski LP, Bory Tucholskie | |
| 14 | Łława | Town | Olsztyn | | Jeziorak (3,500) | Puszcza Łławska | Island Wielka Zuława |
| 15 | Kątno | Village | Olsztyn | Ostróda | Szeląg Wielki (600) | Puszcza Taborska | |
| 16 | Kobyłocha | Village | Olsztyn | Szczytno | Susek Wielki (900) | | |
| 17 | Sorkwity- Młynik | Village | Olsztyn | Mragowo | Giołdźkie (500), Lampackie (200) | Krutnynia Kayak route | |
| 18 | Karwica | Village | Suwałki | | Nidzkie (1,800) | Puszcza Piska Great Mazurian lakes trail | Natural landscape, reserve |

| | <i>Name</i> | <i>Village/town</i> | <i>Voivodship</i> | <i>Town/centre</i> | <i>Lakes (area in ha)</i> | <i>Large forests, etc.</i> | <i>Remarks/ location</i> |
|----|------------------|---------------------|-------------------|--------------------|---|---|--|
| 19 | Okarłowo | Village | Suwałki | Orzysz | Tyrkło (240) Sniardwy | Great Mazurian lakes trail | By Turło lake and forest |
| 20 | Ogonki | Village | Suwałki | Wegorzewo | Stręgiel (400) Święcsjty (900) | Great Mazurian lakes trail | By Stręgiel lake and forest |
| 21 | Czerwony Dwór | Village | Suwałki | | Szwałk Wielki (200) Łażno (560) and others | Puszcza Borecka, nature reserves, bison farm in Borki | |
| 22 | Stare Juchy | Village | Suwałki | | Jędrzelewo Łaśmiady (900) | | East of village of Łaśmiady lake |
| 23 | Serwy | Village | Suwałki | Augustów | Serwy (500) | Puszcza Augustowska Aug. canal | |

6.2.2.1.2 Feasibility

The financial projections indicate a very similar return on investment to the seaside vacation village, due to the trading base from a similar customer profile. The seasonality will, however, be more round than that experienced in the sun and beach visitation category (see attached financial *pro forma*).

6.2.2.1.3 Facility impact

6.2.2.1.3.1 Development phase

| :Investment in "Lakeside Vacation Village" in prices of 1994 | |
|---|--------------------------|
| <i>Facilities</i> | <i>Investment in USD</i> |
| Hotels, Restaurants | 7,850,000 |
| - Inventories | 50,000 |
| - Building | 7,000,000 |
| - Plant and Machinery | 800,000 |
| FFE* (Initial) | 1,500,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 300,000 |
| Pre-Opening Costs | 200,000 |
| TOTAL INVESTMENT | 10,000,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Lakeside Vacation Village" - Development Phase (1996) | |
|---|------------|
| <i>Economic impact effects</i> | <i>USD</i> |
| Gross Output | 10,609,000 |
| Value added | 4,269,645 |

6.2.2.1.3.2. *Operating phase*

| Economic impact of "Lakeside Vacation Village" operating in the representative year 2000 | | | |
|---|------------------------------|--------------------------------|-----------------------------|
| <i>Economic impact effects</i> | <i>Direct Effects</i> | <i>Indirect Effects</i> | <i>Total Effects</i> |
| Gross output (USD) | 2,528,533 | 439,724 | 2,968,257 |
| Value-added (USD) | 1,649,085 | 219,862 | 1,868,947 |
| Job creation | 205 | 28 | 233 |
| Income generation (USD) | 732,660 | 84,942 | 817,602 |
| Tax revenue (USD) | -- | -- | 163,520 |
| Consumer purchase (USD) | -- | -- | 627,919 |

6.2.2.2 Mountain holiday village

Similar to the natural assets outlined under Recreational Lakeside, the mountain district in the south of Poland is a major tourism asset, particularly for the domestic market and adjacent East and West countries . The health spas are a particular facility and tourism product that should be further developed and promoted collectively. This, again, presents Poland in a good light from an image stand point, with Dolny Slask, with the Sudety mountains of primary importance, and the South East with the Tatras and Beskidy.

The facility to be replicated for this visitation category is the construction of a mountain holiday village. The location would need to be in, or adjacent to a forest or national park setting. The project would, again, be similar to that of the Lakeside Holiday Village, with Finnish style family chalets that include heating, and a central public area that includes restaurants and entertainment. Construction should utilise natural material that would be sensitive to the environment. The number of units would be less than that indicated for the lake side and coastal region, numbering 100.

6.2.2.2.1 Transferability

The following locations have been identified with the assistance of the Institute of Tourism, and include regions that are selected national and landscape parks. The locations are close to mountain towns where a more adequate service infrastructure exists and where there is a greater opportunity for supporting attributes such as entertainment and provisions.

6.2.2.2.1.1 Karpacz, Jelenia Góra voivodship

Town and large recreation, tourist, and health centre in Karkonosze mountain, at the foothills of Mt. Śnieżka. Main starting point and crossroad of marked trails of eastern part of Karkonosze. Hotels, B&Bs, excursion hotels, and shelters in higher parts of the mountains. Among them: "Samotnia".

6.2.2.2.1.2 Szklarska Poręba, Jelenia Góra voivodship

Town and large recreation, tourism and health centre at foothills of Karkonosze and Izerskie mountains. Main starting point for higher parts of Western Sudety. B&Bs, hotels and shelters for tourists in mountains. Among them: "Na Hali Szrenickiej". In vicinity, border crossing to Czech Republic.

6.2.2.2.1.3 Kudowa-Zdrój, Wałbrzych voivodship

Town and famous spa. Large recreation and tourist centre at foothills of Stołowe and Orle mountains. Border crossing to Czech Republic in Kudowa Słone. Hotels, B&Bs. Cultural events.

6.2.2.2.1.4 Karlów, Wałbrzych voivodship

Village in Stołowe mountains, at foothills of Szczeliniec Wielki. Tourist centre and main starting point to the highest peaks of the mountains. Shelter on Szczeliniec Wielki.

6.2.2.2.1.5 Łądek-Zdrój, Wałbrzych voivodship

Historic town and spa in Złote mountain. Main tourist centre and starting point to Eastern Sudety and Bialskie mountains. Rich service infrastructure.

6.2.2.2.1.6 Międzygórze, Wałbrzych voivodship

Very picturesque village in mountains at foothills of Mt. Śnieżnik. Large tourist and recreation centre built in Tyrolese style. Good starting point to Śnieżnik massif. Numerous B&Bs and two mountain shelters. Żywiec Landscape Park

6.2.2.2.1.7 Korbielów, Bielskie voivodship

Summer village in Beskid Zywiecki, with great health and landscape value. Starting point to Mount Pilsko. Tourist and recreation establishments, and mountain shelters. Among them, "Pilsko" and "Na Hali Miziowej".

6.2.2.2.1.8 Rycerka Górna, Bielskie voivodship

Picturesque tourist and recreation village in Beskid Zywiecki. Crossroad of marked trails and starting point to Mt. Wielka Rajcza. In the higher parts, shelters. Among them: "Na Wielkiej Rajczy".

6.2.2.2.1.9 Ujsoly, Bielskie voivodship

Summer village in Beskid Zywiecki and starting point for hiking. Hotels, B&Bs, mountain shelters and huts. Among them: "Rysianka".

6.2.2.2.1.10 Zawoja (Widły), Bielskie voivodship

Large and picturesque tourist village at foothills of Babia Góra massif. Great health and recreation value. Crossroad of marked tourist trails and headquarters of management of national parks. Numerous B&Bs, mountain shelters and huts. Among them "Na Markowych Szczawinach".

6.2.2.2.1.11 Rabka, Nowy Sącz voivodship

Small town at foothills of Gorce mountains. Famous health resort for children and holiday facilities (Zaryte). Starting point to Mt. Turbacz and Luboń Wielki. Numerous B&Bs and hotels, mountain shelters and huts. Among them: "Turbacz".

6.2.2.2.1.12 Poręba Wielka, Nowy Sącz voivodship

Summer and health, picturesquely situated resort in Gorce mountain, starting point to Mts. Groń and Turbacz. In village: palace, shelter and large tourist and recreation centre.

6.2.2.2.1.13 Zakopane, Nowy Sącz voivodship

Town at foothills of Tatra mountains, with long cultural tradition, capital of mountain tourism in Poland. Headquarters of national park, nature, and other museums. Junction of marked tourist trails and excursions to Tatras. Rich service infrastructure. Numerous hotels, high standard B&Bs. In the higher parts: mountain shelters. Among them: "Kalatówki", "Murowaniec", "Pięć Stawów", "Na Polanie Chochołowskiej".

2.2.2.1.14 Bukowina Tatrzańska, Nowy Sącz voivodship

Large tourist village at Gubałówka Hills. One of the highest in Poland, with beautiful panorama of Tatras. Great health value and good starting point to Tatras. Numerous B&Bs and private accommodation.

Pieniny National Park

6.2.2.2.1.15 Krościenko, Nowy Sącz voivodship

Summer village, and tourist and recreation centre on river Dunajec at foothills of Pieniny mountains. Starting point for excursions in Pieniny, headquarters and museum of National park. B&Bs and mountain shelter "Orlica". In vicinity of large spa and holiday facilities of Szczawnica.

6.2.2.2.1.16 Piwniczna, Nowy Sącz voivodship

Small town and spa in Beskid Sądecki, in gorge of river Poprad valley. Good starting point to Beskid Wysoki Massif. Numerous B&Bs and mountain hotels and shelters. Among them: "Czercz".

6.2.2.2.1.17 Krynica, Nowy Sącz voivodship

Historic town and spa in Beskid Sądecki, "pearl" of Polish spas. Starting point to Massif Jaworzyna and other parts of Beskid Wysoki. Cultural tradition and events. Tourist and recreation infrastructure. Numerous B&Bs, hotels and shelters. Among them: "Na Jaworzynie Krynickiej".

6.2.2.2.1.18 Cisna (Dolzyca), Krosno voivodship

Summer village on river Solinka in Bieszczady Wysokie at foothills of Łopiennik. Motel and recreation centre. Good starting point to Bieszczady.

6.2.2.2.1.19 Wetlina, Krosno voivodship

Tourist village in Bieszczady Wysokie at foothills of Połonina Wetlińska. Good starting point to main Połoniny and Wieka Rawka. B&Bs.

6.2.2.2.1.20 Ustrzyki Górne, Krosno voivodship

Village of tourists and foresters on Wołosaty, amongst the highest peaks of Bieszczady. Main starting point to Wielka Rawka and Połoniny massif, with Tarnica group. Headquarters of national park. B&Bs, shelters, and huts.

6.2.2.2.2 Feasibility

The customer profile for the mountain visitation category will be primarily domestic up to 75% and the balance from foreign visitaiton. The trading projections therefore take a similar estimate as that 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 planning restrictions that will be applicable in largely 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. This would consequently offer a central restaurant facility and reception with lobby lounge. The rate of return would then be raised to approximately 16% (see attached financial *pro forma*).

6.2.2.2.3 Facility impact

6.2.2.2.3.1 Development phase

| Investment in "Mountain Holiday Village" in prices of 1994 | |
|--|-------------------|
| Facilities | Investment in USD |
| Hotel, Restaurants | 4,225,000 |
| - Inventories | 25,000 |
| - Buildings | 3,800,000 |
| - Plant and Machinery | 400,000 |
| FFE* (Initial) | 800,000 |
| Other Costs | 100,000 |
| Development Costs (architects, planning, legal) | 120,000 |
| Pre-Opening | 50,000 |
| TOTAL INVESTMENT | 5,295,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Mountain Holiday Village" - Development Phase (1996) | |
|---|-----------|
| Economic impact effects | USD |
| Gross Output | 5,617,466 |
| Value added | 2,265,022 |

6.2.2.2.3.2 Operating phase

| Economic impact of "Mountain Holiday Village" operating in the representative year 2000 | | | |
|---|-----------------------|-------------------------|----------------------|
| <i>Economic impact effects</i> | <i>Direct Effects</i> | <i>Indirect Effects</i> | <i>Total Effects</i> |
| Gross output (USD) | 1,290,494 | 223,796 | 1,514,290 |
| Value-added (USD) | 842,902 | 111,898 | 954,800 |
| Job creation | 105 | 14 | 119 |
| Income generation (USD) | 373,930 | 43,231 | 417,161 |
| Tax revenue (USD) | -- | -- | 83,432 |
| Consumer purchase (USD) | -- | -- | 320,379 |

Lakeside Vacation Village
 300 Family Chalets
 Financial Proforma
 Commencing Jan 1996
 Capital Expenditure

Land
 Working Capital
 Inventories
 Building
 Plant and Machinery
 FF&E(Initial)
 Pre-Opening
 FF&E (Annual)
 Development Fee
 Other Expenses
 Total Project Costs
 Cost per Room

| Life in Years | US\$ | US\$ |
|------------------|------------|------------|
| | 0 | 0 |
| | 150,000 | 150,000 |
| | 50,000 | 50,000 |
| 0 | 7,000,000 | 7,000,000 |
| 15 | 800,000 | 800,000 |
| 8 | 1,500,000 | 1,500,000 |
| 5 | 200,000 | 200,000 |
| 8 | | |
| 5 | 300,000 | 300,000 |
| 5 | 150,000 | 150,000 |
| | 10,150,000 | 10,150,000 |
| | 33,833 | 33,833 |

Residual Value/Realisation
 Financing

| | | | |
|--------|---------|------------|------------|
| Equity | 60.00% | 6,090,000 | 6,090,000 |
| Debt | 40.00% | 4,060,000 | 4,060,000 |
| | 100.00% | 10,150,000 | 10,150,000 |

Equity
 Lakeside Vacation Village
 Other
 Other
 Other
 Other

| | | | |
|--|---------|-----------|-----------|
| | 100.00% | 6,090,000 | 6,090,000 |
| | 0.00% | 0 | 0 |
| | 0.00% | 0 | 0 |
| | 0.00% | 0 | 0 |
| | 0.00% | 0 | 0 |
| | 100.00% | 6,090,000 | 6,090,000 |

Loan
 Amount
 Year Drawn Down
 Interest free Period in Years
 Interest Only Period in Years
 Repayment Starts in Year
 Years Financed
 Interest Rate
 Initial Annual Interest
 Annual Repayment
 Exchange Rate 1.00
 Total Pre-Tax IRR

| | | |
|--------|-----------|-----------|
| | 4,060,000 | 4,060,000 |
| 1 | | |
| 2 | | |
| 3 | | |
| 6 | | |
| 15 | | |
| 10.00% | | |
| | 406,000 | 406,000 |
| | 533,784 | 533,784 |
| | 14.74% | |

Lakeside Vacation Village
300 Family Chalets
Financial Proforma
Commencing Jan 1996

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|--------------------------|-------|-------|-----------|-----------|-----------|
| Year No. | 1 | 2 | 3 | 4 | 5 |
| % Occupancy | 0.00% | 0.00% | 50.00% | 58.00% | 60.00% |
| Average Room Rate | 0.00 | 0.00 | 18.00 | 21.00 | 23.00 |
| Revenue | | | | | |
| Rooms | 0 | 0 | 988,200 | 1,333,710 | 1,511,100 |
| Food | 0 | 0 | 295,650 | 400,113 | 453,330 |
| Beverage | 0 | 0 | 197,100 | 266,742 | 302,220 |
| Telephone | 0 | 0 | 29,565 | 40,011 | 45,333 |
| Other Dept 1 | 0 | 0 | 60,000 | 63,000 | 166,150 |
| Other Dept 2 | 0 | 0 | 30,000 | 31,500 | 33,075 |
| Other Dept 3 | 0 | 0 | 15,000 | 16,500 | 17,325 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 0 | 0 | 1,615,515 | 2,151,576 | 2,528,533 |
| Profit | | | | | |
| Rooms | 0 | 0 | 721,386 | 986,945 | 1,163,547 |
| Food | 0 | 0 | 47,304 | 64,018 | 72,533 |
| Beverage | 0 | 0 | 51,246 | 69,353 | 78,577 |
| Telephone | 0 | 0 | 17,739 | 24,007 | 27,200 |
| Other Dept 1 | 0 | 0 | 30,000 | 31,500 | 83,075 |
| Other Dept 2 | 0 | 0 | 15,000 | 15,750 | 16,538 |
| Other Dept 3 | 0 | 0 | 4,500 | 4,950 | 5,198 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 0 | 0 | 887,175 | 1,196,523 | 1,446,667 |
| Gross Operating Income % | 0.00% | 0.00% | 54.92% | 55.61% | 57.21% |
| Deduct from Income | | | | | |
| General & Admin | 0 | 0 | 72,698 | 96,821 | 113,784 |
| Marketing | 0 | 0 | 56,543 | 75,305 | 88,499 |
| Property Operations | 0 | 0 | 58,159 | 75,305 | 84,706 |
| Energy | 0 | 0 | 42,003 | 52,714 | 56,892 |
| Total Deductions | 0 | 0 | 229,403 | 300,145 | 343,880 |
| Gross Operating Profit | 0 | 0 | 657,772 | 896,378 | 1,102,786 |
| Gross Operating Profit % | 0.00% | 0.00% | 40.72% | 41.66% | 43.61% |

Lakeside Vacation Village
300 Family Chalets
Financial Proforma
Commencing Jan 1996

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Year No. | 6 | 7 | 8 | 9 | 10 |
| % Occupancy | 75.00% | 75.00% | 75.00% | 75.00% | 75.00% |
| Average Room Rate - | 25.00 | 27.00 | 28.00 | 31.00 | 34.00 |
| Revenue | | | | | |
| Rooms | 2,053,125 | 2,223,450 | 2,299,500 | 2,545,875 | 2,792,250 |
| Food | 617,625 | 665,213 | 689,850 | 763,763 | 839,970 |
| Beverage | 411,750 | 443,475 | 459,900 | 509,175 | 559,980 |
| Telephone | 61,763 | 66,521 | 68,985 | 76,376 | 83,997 |
| Other Dept 1 | 174,458 | 183,180 | 192,339 | 201,956 | 212,054 |
| Other Dept 2 | 34,729 | 36,465 | 38,288 | 40,203 | 42,213 |
| Other Dept 3 | 18,191 | 19,101 | 20,056 | 21,059 | 22,112 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 3,371,640 | 3,637,405 | 3,768,919 | 4,158,407 | 4,552,576 |
| Profit | | | | | |
| Rooms | 1,580,906 | 1,712,057 | 1,770,615 | 1,960,324 | 2,150,033 |
| Food | 98,820 | 106,434 | 110,376 | 122,202 | 134,395 |
| Beverage | 107,055 | 115,304 | 119,574 | 132,386 | 145,595 |
| Telephone | 37,058 | 39,913 | 41,391 | 45,826 | 50,398 |
| Other Dept 1 | 87,229 | 91,590 | 96,170 | 100,978 | 106,027 |
| Other Dept 2 | 17,364 | 18,233 | 19,144 | 20,101 | 21,107 |
| Other Dept 3 | 5,457 | 5,730 | 6,017 | 6,318 | 6,633 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 1,933,889 | 2,089,260 | 2,163,287 | 2,388,134 | 2,614,188 |
| Gross Operating Income % | 57.36% | 57.44% | 57.40% | 57.43% | 57.42% |
| Deduct from Income | | | | | |
| General & Admin | 151,724 | 163,683 | 169,601 | 187,128 | 204,866 |
| Marketing | 118,007 | 127,309 | 131,912 | 145,544 | 159,340 |
| Property Operations | 111,264 | 120,034 | 124,374 | 137,227 | 150,235 |
| Energy | 75,862 | 81,842 | 84,801 | 93,564 | 102,433 |
| Total Deductions | 456,857 | 492,868 | 510,688 | 563,464 | 616,874 |
| Gross Operating Profit | 1,477,032 | 1,596,391 | 1,652,598 | 1,824,670 | 1,997,314 |
| Gross Operating Profit % | 43.81% | 43.89% | 43.85% | 43.88% | 43.87% |

Mountain Holiday Village
 150 Family Chalets
 Financial Proforma
 Commencing Jan 1996
 Capital Expenditure

Land
 Working Capital
 Inventories
 Building
 Plant and Machinery
 FF&E(Initial)
 Pre-Opening
 FF&E (Annual)
 Development Fee
 Other Expenses
 Total Project Costs
 Cost per Room

| Life in Years | US\$ | US\$ |
|------------------|-----------|-----------|
| | 0 | 0 |
| | 80,000 | 80,000 |
| | 25,000 | 25,000 |
| 0 | 3,800,000 | 3,800,000 |
| 15 | 400,000 | 400,000 |
| 8 | 800,000 | 800,000 |
| 5 | 50,000 | 50,000 |
| 8 | | |
| 5 | 120,000 | 120,000 |
| 5 | 100,000 | 100,000 |
| | 5,375,000 | 5,375,000 |
| | 35,833 | 35,833 |

Residual Value/Realisation
 Financing

Equity
 Debt

| | | |
|---------|-----------|-----------|
| | 6,500,000 | 6,500,000 |
| 60.00% | 3,225,000 | 3,225,000 |
| 40.00% | 2,150,000 | 2,150,000 |
| 100.00% | 5,375,000 | 5,375,000 |

Equity
 Mountain Holiday Village
 Other
 Other
 Other
 Other

| | | |
|---------|-----------|-----------|
| 100.00% | 3,225,000 | 3,225,000 |
| 0.00% | 0 | 0 |
| 0.00% | 0 | 0 |
| 0.00% | 0 | 0 |
| 0.00% | 0 | 0 |
| 100.00% | 3,225,000 | 3,225,000 |

Loan
 Amount
 Year Drawn Down
 Interest free Period in Years
 Interest Only Period in Years
 Repayment Starts in Year
 Years Financed
 Interest Rate
 Initial Annual Interest
 Annual Repayment
 Exchange Rate 1.00
 Total Pre-Tax IRR

| | |
|-----------|-----------|
| 2,150,000 | 2,150,000 |
| 1 | |
| 2 | |
| 3 | |
| 6 | |
| 15 | |
| 10.00% | |
| 215,000 | 215,000 |
| 282,669 | 282,669 |
| 13.58% | |

Mountain Holiday Village
150 Family Chalets
Financial Proforma
Commencing Jan 1996

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---------------------------------|--------------|--------------|----------------|------------------|------------------|
| Year No. | 1 | 2 | 3 | 4 | 5 |
| % Occupancy | 0.00% | 0.00% | 50.00% | 58.00% | 60.00% |
| Average Room Rate - | 0.00 | 0.00 | 18.00 | 21.00 | 23.00 |
| Revenue | | | | | |
| Rooms | 0 | 0 | 494,100 | 666,855 | 755,550 |
| Food | 0 | 0 | 147,825 | 200,057 | 226,665 |
| Beverage | 0 | 0 | 98,550 | 133,371 | 151,110 |
| Telephone | 0 | 0 | 4,928 | 6,669 | 7,556 |
| Other Dept 1 | 0 | 0 | 30,000 | 31,500 | 133,075 |
| Other Dept 2 | 0 | 0 | 15,000 | 15,750 | 16,538 |
| Other Dept 3 | 0 | 0 | 0 | 0 | 0 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 0 | 0 | 790,403 | 1,054,201 | 1,290,493 |
| Profit | | | | | |
| Rooms | 0 | 0 | 360,693 | 493,473 | 581,774 |
| Food | 0 | 0 | 23,652 | 32,009 | 36,266 |
| Beverage | 0 | 0 | 25,623 | 34,676 | 39,289 |
| Telephone | 0 | 0 | 2,957 | 4,001 | 4,533 |
| Other Dept 1 | 0 | 0 | 15,000 | 15,750 | 66,538 |
| Other Dept 2 | 0 | 0 | 7,500 | 7,875 | 8,269 |
| Other Dept 3 | 0 | 0 | 0 | 0 | 0 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 0 | 0 | 435,425 | 587,784 | 736,668 |
| Gross Operating Income % | 0.00% | 0.00% | 55.09% | 55.76% | 57.08% |
| Deduct from Income | | | | | |
| General & Admin | 0 | 0 | 19,760 | 26,355 | 32,262 |
| Marketing | 0 | 0 | 15,808 | 21,084 | 25,810 |
| Property Operations | 0 | 0 | 28,454 | 36,897 | 43,232 |
| Energy | 0 | 0 | 20,550 | 25,828 | 29,036 |
| Total Deductions | 0 | 0 | 84,573 | 110,164 | 130,340 |
| Gross Operating Profit | 0 | 0 | 350,851 | 477,620 | 606,328 |
| Gross Operating Profit % | 0.00% | 0.00% | 44.39% | 45.31% | 46.98% |

Mountain Holiday Village
150 Family Chalets
Financial Proforma
Commencing Jan 1996

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| Year No. | 6 | 7 | 8 | 9 | 10 |
| % Occupancy | 75.00% | 75.00% | 75.00% | 75.00% | 75.00% |
| Average Room Rate - | 25.00 | 27.00 | 28.00 | 31.00 | 34.00 |
| Revenue | | | | | |
| Rooms | 1,026,563 | 1,111,725 | 1,149,750 | 1,272,938 | 1,396,125 |
| Food | 308,813 | 332,606 | 344,925 | 381,881 | 419,985 |
| Beverage | 205,875 | 221,738 | 229,950 | 254,588 | 279,990 |
| Telephone | 10,294 | 11,087 | 11,498 | 12,729 | 14,000 |
| Other Dept 1 | 139,729 | 146,715 | 154,051 | 161,753 | 169,841 |
| Other Dept 2 | 17,364 | 18,233 | 19,144 | 20,101 | 21,107 |
| Other Dept 3 | 0 | 0 | 0 | 0 | 0 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 1,708,637 | 1,842,103 | 1,909,318 | 2,103,991 | 2,301,047 |
| Profit | | | | | |
| Rooms | 790,453 | 856,028 | 885,308 | 980,162 | 1,075,016 |
| Food | 49,410 | 53,217 | 55,188 | 61,101 | 67,198 |
| Beverage | 53,528 | 57,652 | 59,787 | 66,193 | 72,797 |
| Telephone | 6,176 | 6,652 | 6,899 | 7,638 | 8,400 |
| Other Dept 1 | 69,864 | 73,358 | 77,025 | 80,877 | 84,921 |
| Other Dept 2 | 8,682 | 9,116 | 9,572 | 10,051 | 10,553 |
| Other Dept 3 | 0 | 0 | 0 | 0 | 0 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 978,113 | 1,056,023 | 1,093,779 | 1,206,021 | 1,318,885 |
| Gross Operating Income % | 57.25% | 57.33% | 57.29% | 57.32% | 57.32% |
| Deduct from Income | | | | | |
| General & Admin | 42,716 | 46,053 | 47,733 | 52,600 | 57,526 |
| Marketing | 34,173 | 36,842 | 38,186 | 42,080 | 46,021 |
| Property Operations | 56,385 | 60,789 | 63,007 | 69,432 | 75,935 |
| Energy | 38,444 | 41,447 | 42,960 | 47,340 | 51,774 |
| Total Deductions | 171,718 | 185,131 | 191,886 | 211,451 | 231,255 |
| Gross Operating Profit | 806,395 | 870,892 | 901,892 | 994,570 | 1,087,630 |
| Gross Operating Profit % | 47.20% | 47.28% | 47.24% | 47.27% | 47.27% |

6.2.3 Lakeside marina resort

There are many opportunities to develop appropriate marina resorts in Poland. The existing facilities are few and far between with those that are in existence not appropriate to service the potential markets.

There is no doubt that the destination offers very good sailing opportunities, accessible from most points within the domestic market. The quality of sailing is as good as any in Western Europe and the Mazury is one of the leading European sailing environments.

The facilities that are offered are not sufficient, today, to attract the sailing community from the western European countries, who require secure docking and servicing facilities. In addition, the amenities that are offered for essential purchases are largely non-existent, and supporting leisure facilities such as restaurants and night life are in short supply.

In addition to the marinas it is important to provide accommodation facilities that offer an integrated environment. Out of season, such facilities need to attract a customer base broader than the sailing community. Meetings and touring visitation groups need to be drawn to the facilities to consequently ensure a year-round sustainable business base.

It is estimated that there will be a minimum of 75% leisure, and the balance to meetings segments. The majority of business will emanate from foreign origin at 60%, with the balance derived from the domestic markets.

6.2.3.1 Transferability

6.2.3.1.1 Mazurian Lake District

The main trail is 110 km long. There are few smaller side-trails. In the existing plans, the main marinas, in so-called "sailors villages", are to be found in Giżycko, Mikołajki, Pisz, Ruciane-Nida, Sztynort, and Węgorzewo. Along the main trail are numerous tourist establishments and sailing facilities, managed by various organisations.

6.2.3.1.1.1 Giżycko, Suwałki voivodship

The largest town and main water-tourism centre in the Mazurian Lake district. There are tourist establishments and sailing ports on the Kisajno Niegocin, Tałty lakes. Among them: the International Centre of Sailing and Water tourism "Almatur" (Międzynarodowe Centrum Zeglarstwa i Turystyki Wodnej "Almatur"), Centralny Ośrodek Sportu. In the town, the impressive Boyen fortress.

6.2.3.1.1.2 Mikołajki, Suwałki voivodship

Picturesque town on the skirt of Piska forest. Numerous B&Bs, and water tourism establishments. Among them: a sailing village on Mikołajki Lake.

6.2.3.1.1.3 Piaski, Suwałki voivodship

Town on Beldany Lake, surrounded by a forest (Mazury Landscape Park). Many B&Bs and TKKF sailing port, with interesting architecture.

6.2.3.1.1.4 Ruciane-Nida, Suwałki voivodship

Large tourism and recreation town in Piska forest. Water tourism establishments on the Nidzkie Lake.

6.2.3.1.1.5 Ryn, Suwałki voivodship

Historic town with huge Teutonic Knights' castle. On Ryńskie Lake, tourist establishments and large sailing port near the miners' holiday centre.

6.2.3.1.1.6 Sztynort, Suwałki voivodship

On Sztynorckie Lake, large sailing port. In the village: baroque palace complex (devastated). Farm buildings are used by sailors.

6.2.3.1.1.7 Wierzba, Suwałki voivodship

On Beldany Lake, holiday centre belonging to the Polish Academy of Science (PAN), with sailing port and ferry service. In vicinity, in Popielno, PAN Experimental and Breeding Station (famous tarpans). Territory of Mazurski Landscape Park.

6.2.3.1.2 Suwałki Lake district

6.2.3.1.2.1 Augustów, Suwałki voivodship

Small town in Augustowska forest on the Necko, Białe and Sajno lakes, connected by historic Augustowski Canal. Large recreation and tourist town, and future spa. Numerous B&Bs, and water sports centres. On Necko lake, PTTK B&B with sailing port.

6.2.3.1.3 Iława Lake district

6.2.3.1.3.1 Iława, Olsztyn voivodship

Historic town and tourist centre on Jeziorak Lake and Zulała Lake, prepared for tourism development. Nearby vast Iławskie woods and landscape park. On the lake PTTK water tourism establishments, with B&Bs and sailing port.

6.2.3.1.3.2 Pilawki, Olsztyn voivodship

Recreation and tourist village near Ostróda on Drwęckie Lake, by the historic Elbląg Canal. Very good conditions for water sports. PTTK water tourism establishments with port.

6.2.3.1.4 Brodnica Lake district

6.2.3.1.4.1 Bachotek, Toruń voivodship

Village on Bachotek Lake, amidst woods in Brodnica landscape park. PTTK water establishment with port and other tourist establishments.

6.2.3.1.5 Kaszubian Lake district

6.2.3.1.5.1 Chmielno, Gdańsk voivodship

Old Kaszubian village on the Białe, Kłodno and Raduńskie lakes on the trail of river Radunia. Summer and tourist settlement. Kaszubian original folklore.

6.2.3.1.6 Other Lakes

6.2.3.1.6.1 Wdzydze Kiszewskie, Gdańsk voivodship

Kaszubian village on Wdzydze lake (complex of 5 lakes, with 1,700 ha of surface), surrounded by woods. Numerous tourist establishments and water hostel with port.

6.2.3.1.6.2 Charzykowy, Bydgoskie voivodship

Summer village on the Charzykowskie Lake (1,400 ha). Large sailing and ice-boat sport centre. B&Bs and tourist establishments with ports.

6.2.3.1.6.3 Czaplinek, Koszalin voivodship

Small town on Drawsko (1,400 ha) and Czaplinek lakes. Recreation and tourist settlement with B&Bs, and water tourism establishments, among them PTTK excursion house and sailing port.

6.2.3.2 Feasibility

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

USD 7 million will be required from an equity placement, with the balance arranged from a financing package over fifteen years at 10% interest per annum. Over the two-year construction phase, it would be free of interest, with the following three years of the project interest only. Capital repayment schedule starts in Year 6.

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 have a number of identified locations and sites which could be worked on immediately (see attached financial *pro forma*).

6.2.3.3 Facility impact

6.2.3.3.1 Development phase

| Investment in "Marina Resort" in prices of 1994 | |
|---|--------------------------|
| <i>Facilities</i> | <i>Investment in USD</i> |
| Hotel, Restaurants | 9,100,00 |
| - Inventories | 50,000 |
| - Buildings | 8,500,000 |
| - Plant and Machinery | 550,000 |
| FFE* (Initial) | 1,800,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 300,000 |
| Pre-Opening | 150,000 |
| TOTAL INVESTMENT | 11,500,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Marina Resort" - Development Phase (1996) | |
|--|------------|
| <i>Economic impact effects</i> | <i>USD</i> |
| Gross Output | 12,200,350 |
| Value added | 4,927,881 |

6.2.3.3.2 Operating phase

| Economic impact of "Marina Resort" operating in the representative year 2000 | | | |
|--|-----------------------|-------------------------|----------------------|
| <i>Economic impact effects</i> | <i>Direct Effects</i> | <i>Indirect Effects</i> | <i>Total Effects</i> |
| Gross output (USD) | 3,963,263 | 693,039 | 4,656,302 |
| Value-added (USD) | 2,577,184 | 346,520 | 2,923,704 |
| Job creation | 116 | 44 | 160 |
| Income generation (USD) | 1,148,384 | 133,875 | 1,282,259 |
| Tax revenue (USD) | -- | -- | 256,452 |
| Consumer purchase (USD) | -- | -- | 984,775 |

Marina Resort
 150 Rooms & Marina
 Financial Proforma
 Commencing Jan 1996
 Capital Expenditure

Land
 Working Capital -
 Inventories
 Building 0
 Plant and Machinery 15
 FF&E(Initial) 8
 Pre-Opening 5
 FF&E (Annual) 8
 Development Fee 5
 Other Expenses 5
 Total Project Costs
 Cost per Room

| Life in Years | US\$ | US\$ |
|------------------|------------|------------|
| | 0 | 0 |
| | 150,000 | 150,000 |
| | 50,000 | 50,000 |
| 0 | 8,500,000 | 8,500,000 |
| 15 | 550,000 | 550,000 |
| 8 | 1,800,000 | 1,800,000 |
| 5 | 150,000 | 150,000 |
| 8 | | |
| 5 | 300,000 | 300,000 |
| 5 | 150,000 | 150,000 |
| | 11,650,000 | 11,650,000 |
| | 77,667 | 77,667 |

Residual Value/Realisation
 Financing

| | | | |
|--------|---------|------------|------------|
| Equity | 60.00% | 6,990,000 | 6,990,000 |
| Debt | 40.00% | 4,660,000 | 4,660,000 |
| | 100.00% | 11,650,000 | 11,650,000 |

| | | | |
|---------------|---------|-----------|-----------|
| Equity | | | |
| Marina Resort | 100.00% | 6,990,000 | 6,990,000 |
| Other | 0.00% | 0 | 0 |
| Other | 0.00% | 0 | 0 |
| Other | 0.00% | 0 | 0 |
| Other | 0.00% | 0 | 0 |
| | 100.00% | 6,990,000 | 6,990,000 |

Loan
 Amount
 Year Drawn Down
 Interest free Period in Years
 Interest Only Period in Years
 Repayment Starts in Year
 Years Financed
 Interest Rate
 Initial Annual Interest
 Annual Repayment
 Exchange Rate 1.00
 Total Pre-Tax IRR

| | | |
|--------|-----------|-----------|
| | 4,660,000 | 4,660,000 |
| 1 | | |
| 2 | | |
| 3 | | |
| 6 | | |
| 15 | | |
| 10.00% | | |
| | 466,000 | 466,000 |
| | 612,668 | 612,668 |
| | 16.66% | |

Marina Resort
150 Rooms & Marina
Financial Proforma
Commencing Jan 1996

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|--------------------------|-------|-------|-----------|-----------|-----------|
| Year No. | 1 | 2 | 3 | 4 | 5 |
| % Occupancy | 0.00% | 0.00% | 50.00% | 58.00% | 60.00% |
| Average Room Rate | 0.00 | 0.00 | 65.00 | 70.00 | 75.00 |
| Revenue | | | | | |
| Rooms | 0 | 0 | 1,784,250 | 2,222,850 | 2,463,750 |
| Food | 0 | 0 | 533,813 | 666,855 | 739,125 |
| Beverage | 0 | 0 | 355,875 | 444,570 | 492,750 |
| Telephone | 0 | 0 | 53,381 | 66,686 | 73,913 |
| Other Dept 1 | 0 | 0 | 130,000 | 136,500 | 143,325 |
| Other Dept 2 | 0 | 0 | 30,000 | 31,500 | 33,075 |
| Other Dept 3 | 0 | 0 | 15,000 | 16,500 | 17,325 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 0 | 0 | 2,902,319 | 3,585,461 | 3,963,263 |
| Profit | | | | | |
| Rooms | 0 | 0 | 1,302,503 | 1,644,909 | 1,897,088 |
| Food | 0 | 0 | 85,410 | 106,697 | 118,260 |
| Beverage | 0 | 0 | 92,528 | 115,588 | 128,115 |
| Telephone | 0 | 0 | 32,029 | 40,011 | 44,348 |
| Other Dept 1 | 0 | 0 | 65,000 | 68,250 | 71,663 |
| Other Dept 2 | 0 | 0 | 15,000 | 15,750 | 16,538 |
| Other Dept 3 | 0 | 0 | 4,500 | 4,950 | 5,198 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 0 | 0 | 1,596,969 | 1,996,155 | 2,281,208 |
| Gross Operating Income % | 0.00% | 0.00% | 55.02% | 55.67% | 57.56% |
| Deduct from Income | | | | | |
| General & Admin | 0 | 0 | 130,604 | 161,346 | 178,347 |
| Marketing | 0 | 0 | 101,581 | 125,491 | 138,714 |
| Property Operations | 0 | 0 | 104,483 | 125,491 | 132,769 |
| Energy | 0 | 0 | 75,460 | 87,844 | 89,173 |
| Total Deductions | 0 | 0 | 412,129 | 500,172 | 539,004 |
| Gross Operating Profit | 0 | 0 | 1,184,839 | 1,495,984 | 1,742,204 |
| Gross Operating Profit % | 0.00% | 0.00% | 40.82% | 41.72% | 43.96% |

Marina Resort
150 Rooms & Marina
Financial Proforma
Commencing Jan 1996

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Year No, | 6 | 7 | 8 | 9 | 10 |
| % Occupancy | 75.00% | 75.00% | 75.00% | 75.00% | 75.00% |
| Average Room Rate | 77.00 | 80.00 | 84.00 | 88.00 | 92.00 |
| Revenue | | | | | |
| Rooms | 3,161,813 | 3,294,000 | 3,449,250 | 3,613,500 | 3,777,750 |
| Food | 951,143 | 985,500 | 1,034,775 | 1,084,050 | 1,136,430 |
| Beverage | 634,095 | 657,000 | 689,850 | 722,700 | 757,620 |
| Telephone | 95,114 | 98,550 | 103,478 | 108,405 | 113,643 |
| Other Dept 1 | 150,491 | 158,016 | 165,917 | 174,212 | 182,923 |
| Other Dept 2 | 34,729 | 36,465 | 38,288 | 40,203 | 42,213 |
| Other Dept 3 | 18,191 | 19,101 | 20,056 | 21,059 | 22,112 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 5,045,576 | 5,248,632 | 5,501,613 | 5,764,129 | 6,032,691 |
| Profit | | | | | |
| Rooms | 2,434,596 | 2,536,380 | 2,655,923 | 2,782,395 | 2,908,868 |
| Food | 152,183 | 157,680 | 165,564 | 173,448 | 181,829 |
| Beverage | 164,865 | 170,820 | 179,361 | 187,902 | 196,981 |
| Telephone | 57,069 | 59,130 | 62,087 | 65,043 | 68,186 |
| Other Dept 1 | 75,246 | 79,008 | 82,958 | 87,106 | 91,462 |
| Other Dept 2 | 17,364 | 18,233 | 19,144 | 20,101 | 21,107 |
| Other Dept 3 | 5,457 | 5,730 | 6,017 | 6,318 | 6,633 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 2,906,779 | 3,026,981 | 3,171,053 | 3,322,313 | 3,475,065 |
| Gross Operating Income % | 57.61% | 57.67% | 57.64% | 57.64% | 57.60% |
| Deduct from Income | | | | | |
| General & Admin | 227,051 | 236,188 | 247,573 | 259,386 | 271,471 |
| Marketing | 176,595 | 183,702 | 192,556 | 201,745 | 211,144 |
| Property Operations | 166,504 | 173,205 | 181,553 | 190,216 | 199,079 |
| Energy | 113,525 | 118,094 | 123,786 | 129,693 | 135,736 |
| Total Deductions | 683,675 | 711,190 | 745,469 | 781,039 | 817,430 |
| Gross Operating Profit | 2,223,104 | 2,315,791 | 2,425,585 | 2,541,274 | 2,657,635 |
| Gross Operating Profit % | 44.06% | 44.12% | 44.09% | 44.09% | 44.05% |

6.2.4 Touring heritage hotel

The ideal facilities to develop for the Touring visitor categorisation are Heritage Hotels. Such facilities would be similar to the Paradores concept successfully developed in Spain. This is an excellent concept to attract the necessary investment into the many historic buildings that cover all of Poland. The country is particularly rich in such heritage and this should be enhanced to promote to the international community which, again, will place Poland in a very good light from a "brand" positioning point of view. In addition, such an approach will offer a viable use for preserving the heritage assets that are so important to the destination. The principal client base will be foreign and largely leisure-oriented, with some support from small company meetings and seminar business.

6.2.4.1 Transferability

Many old residences, castles, palaces, and manor houses have been converted into accommodation sites. In general, they have become hotels or holiday centres. According to the authorities in charge of the preservation of historical monuments, at least 200 other buildings could be converted into hotels or other types of accommodation, after some preservation, modernisation and adaptation work. The historic hotels in big towns are very attractive. Most of them were built or acquired in the 19th or early 20th century: Hotel Royal, Grand Hotel and Hotel "Pod Różą" in Kraków; Bristol Hotel and Polonia Hotel in Warsaw; Dwór Wazów in Wrocław, and Hotel Bazar in Poznań (currently being renovated).

6.2.4.1.1 Selected potential establishments

6.2.4.1.1.1 Kamieniec Ząbkowicki, Wałbrzych voivodship

Neo-gothic palace (19th century), with mausoleum and farm buildings. Other interesting monument in the vicinity: former Cistercian abbey.

6.2.4.1.1.2 Krag, Koszalin voivodship

Renaissance castle (16th century), currently under reconstruction.

6.2.4.1.1.3 Kruszyna, Częstochowa voivodship

In summer village: baroque palace with pavilions and chapel in park.

6.2.4.1.1.4 Krzeszowice, Kraków voivodship

Residence complex with romantic style palace and classicist style buildings.

6.2.4.1.1.5 Książ Wielki, Kielce voivodship

Renaissance Mirów palace (16th century) with pavilions on lake. In the middle of a park.

6.2.4.1.1.6 Niepołomice, Kraków voivodship

Royal renaissance hunting castle in historic town, situated near river Vistula and the Niepołomice forest.

6.2.4.1.1.7 Pęzino, Szczecin voivodship

Village near Stargard Szczeciński. Late-gothic style castle and renaissance palace.

6.2.4.1.1.8 Szczekociny, Częstochowa voivodship

Classicist style palace (18th century) in old park, with gallery, outbuildings and pavilions.

6.2.4.1.1.9 Węgorzewo, Suwałki voivodship

Town and tourist centre by river Węgorapa and Mazurian Lake district. Teutonic Knights' castle (14th-18th centuries) under reconstruction.

6.2.4.1.1.10 Wolbórz, Piotrków voivodship

Historic village near Piotrków Trybunalski. Baroque palace (18th century) with outbuildings and park. In vicinity of Bogusławice horse stud farm.

6.2.4.1.1.11 Sucha k. Lesnej, Jelenia Góra voivodship

Neo-romantic castle with rich interiors, 98 beds

6.2.4.1.1.12 Krokowa, Gdańsk voivodship

Nineteenth century palace and park, recently renovated.

6.2.4.2 Feasibility

The facility feasibility *pro forma* 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.

The trading projections are based on the level of yield currently being achieved in similar facilities in Western Europe, and the assumed impact this will have in Poland from the markets that will be serviced. The 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 of 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 USD 3.6 million 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.

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

6.2.4.3 Facility impact

6.2.4.3.1 Development phase

| Investment in "Heritage Hotel" in prices of 1994 | |
|--|--------------------------|
| <i>Facilities</i> | <i>Investment in USD</i> |
| Hotel, Restaurants | 7,030,000 |
| - Inventories | 180,000 |
| - Buildings | 6,400,000 |
| - Plant and Machinery | 450,000 |
| FFE* (Initial) | 1,200,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 300,000 |
| Pre-Opening | 150,000 |
| TOTAL INVESTMENT | 8,830,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Heritage Hotel" - Development Phase (1996) | |
|---|------------|
| <i>Economic impact effects</i> | <i>USD</i> |
| Gross Output | 9,367,747 |
| Value added | 3,794,839 |

6.2.4.3.2 Operating phase

| Economic impact of "Heritage Hotel" operating in the representative year 2000 | | | |
|---|-----------------------|-------------------------|----------------------|
| <i>Economic impact effects</i> | <i>Direct Effects</i> | <i>Indirect Effects</i> | <i>Total Effects</i> |
| Gross output (USD) | 2,842,564 | 492,961 | 3,335,525 |
| Value-added (USD) | 1,856,643 | 246,480 | 2,103,123 |
| Job creation | 101 | 31 | 132 |
| Income generation (USD) | 823,653 | 95,226 | 918,879 |
| Tax revenue (USD) | -- | -- | 183,776 |
| Consumer purchase (USD) | -- | -- | 705,699 |

Heritage Hotel
80 Rooms & Suites
Financial Proforma
Commencing Jan 1996
Capital Expenditure

| | Life in Years | US\$ | US\$ |
|---------------------|------------------|-----------|-----------|
| Land | | 0 | 0 |
| Working Capital | | 150,000 | 150,000 |
| Inventories | | 180,000 | 180,000 |
| Building | 0 | 6,400,000 | 6,400,000 |
| Plant and Machinery | 15 | 450,000 | 450,000 |
| FF&E(Initial) | 8 | 1,200,000 | 1,200,000 |
| Pre-Opening | 5 | 150,000 | 150,000 |
| FF&E (Annual) | 8 | | |
| Development Fee | 5 | 300,000 | 300,000 |
| Other Expenses | 5 | 150,000 | 150,000 |
| Total Project Costs | | 8,980,000 | 8,980,000 |
| Cost per Room | | 112,250 | 112,250 |

Residual Value/Realisation
Financing

| | | | |
|--------|---------|------------|------------|
| | | 15,000,000 | 15,000,000 |
| Equity | 60.00% | 5,388,000 | 5,388,000 |
| Debt | 40.00% | 3,592,000 | 3,592,000 |
| | 100.00% | 8,980,000 | 8,980,000 |

Equity
Heritage Hotel
Other
Other
Other
Other

| | | | |
|----------------|---------|-----------|-----------|
| Heritage Hotel | 100.00% | 5,388,000 | 5,388,000 |
| Other | 0.00% | 0 | 0 |
| Other | 0.00% | 0 | 0 |
| Other | 0.00% | 0 | 0 |
| Other | 0.00% | 0 | 0 |
| | 100.00% | 5,388,000 | 5,388,000 |

Loan
Amount
Year Drawn Down
Interest free Period in Years
Interest Only Period in Years
Repayment Starts in Year
Years Financed
Interest Rate
Initial Annual Interest
Annual Repayment
Exchange Rate 1.00
Total Pre-Tax IRR

| | | |
|-------------------------------|-----------|-----------|
| | 3,592,000 | 3,592,000 |
| Year Drawn Down | 1 | |
| Interest free Period in Years | 2 | |
| Interest Only Period in Years | 3 | |
| Repayment Starts in Year | 6 | |
| Years Financed | 15 | |
| Interest Rate | 10.00% | |
| Initial Annual Interest | 359,200 | 359,200 |
| Annual Repayment | 472,254 | 472,254 |
| Exchange Rate 1.00 | | |
| Total Pre-Tax IRR | 17.57% | |

Heritage Hotel
80 Rooms & Suites
Financial Proforma
Commencing Jan 1996

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---------------------------------|--------------|--------------|------------------|------------------|------------------|
| Year No. | 1 | 2 | 3 | 4 | 5 |
| % Occupancy | 0.00% | 0.00% | 50.00% | 58.00% | 60.00% |
| Average Room Rate - | 0.00 | 0.00 | 80.00 | 88.00 | 95.00 |
| Revenue | | | | | |
| Rooms | 0 | 0 | 1,171,200 | 1,490,368 | 1,664,400 |
| Food | 0 | 0 | 233,600 | 298,074 | 332,880 |
| Beverage | 0 | 0 | 350,400 | 447,110 | 499,320 |
| Telephone | 0 | 0 | 70,080 | 89,422 | 99,864 |
| Other Dept 1 | 0 | 0 | 60,000 | 66,000 | 172,600 |
| Other Dept 2 | 0 | 0 | 30,000 | 31,500 | 33,075 |
| Other Dept 3 | 0 | 0 | 20,000 | 22,000 | 23,100 |
| Other Dept 4 | 0 | 0 | 15,000 | 16,500 | 17,325 |
| Total Revenue | 0 | 0 | 1,950,280 | 2,460,974 | 2,842,564 |
| Profit | | | | | |
| Rooms | 0 | 0 | 854,976 | 1,102,872 | 1,281,588 |
| Food | 0 | 0 | 37,376 | 47,692 | 53,261 |
| Beverage | 0 | 0 | 91,104 | 116,249 | 129,823 |
| Telephone | 0 | 0 | 42,048 | 53,653 | 59,918 |
| Other Dept 1 | 0 | 0 | 30,000 | 33,000 | 86,300 |
| Other Dept 2 | 0 | 0 | 15,000 | 15,750 | 16,538 |
| Other Dept 3 | 0 | 0 | 6,000 | 6,600 | 6,930 |
| Other Dept 4 | 0 | 0 | 7,500 | 8,250 | 8,663 |
| Gross Operating Income | 0 | 0 | 1,084,004 | 1,384,066 | 1,643,020 |
| Gross Operating Income % | 0.00% | 0.00% | 55.58% | 56.24% | 57.80% |
| Deduct from Income | | | | | |
| General & Admin | 0 | 0 | 87,763 | 110,744 | 127,915 |
| Marketing | 0 | 0 | 68,260 | 86,134 | 99,490 |
| Property Operations | 0 | 0 | 70,210 | 86,134 | 95,226 |
| Energy | 0 | 0 | 50,707 | 60,294 | 63,958 |
| Total Deductions | 0 | 0 | 276,940 | 343,306 | 386,589 |
| Gross Operating Profit | 0 | 0 | 807,064 | 1,040,760 | 1,256,432 |
| Gross Operating Profit % | 0.00% | 0.00% | 41.38% | 42.29% | 44.20% |

Heritage Hotel
80 Rooms & Suites
Financial Proforma
Commencing Jan 1996

| Year No. | 2001 6 | 2002 7 | 2003 8 | 2004 9 | 2005 10 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| % Occupancy | 65.00% | 68.00% | 70.00% | 70.00% | 70.00% |
| Average Room Rate | 102.00 | 110.00 | 118.00 | 125.00 | 135.00 |
| Revenue | | | | | |
| Rooms | 1,935,960 | 2,190,144 | 2,411,920 | 2,555,000 | 2,759,400 |
| Food | 388,253 | 436,832 | 482,384 | 511,000 | 553,392 |
| Beverage | 582,379 | 655,248 | 723,576 | 766,500 | 830,088 |
| Telephone | 116,476 | 131,050 | 144,715 | 153,300 | 166,018 |
| Other Dept 1 | 189,860 | 208,846 | 229,731 | 252,704 | 277,974 |
| Other Dept 2 | 34,729 | 36,465 | 38,288 | 40,203 | 42,213 |
| Other Dept 3 | 24,255 | 25,468 | 26,741 | 28,078 | 29,482 |
| Other Dept 4 | 18,191 | 19,101 | 20,056 | 21,059 | 22,112 |
| Total Revenue | 3,290,103 | 3,703,153 | 4,077,411 | 4,327,843 | 4,680,678 |
| Profit | | | | | |
| Rooms | 1,490,689 | 1,686,411 | 1,857,178 | 1,967,350 | 2,124,738 |
| Food | 62,120 | 69,893 | 77,181 | 81,760 | 88,543 |
| Beverage | 151,419 | 170,364 | 188,130 | 199,290 | 215,823 |
| Telephone | 69,886 | 78,630 | 86,829 | 91,980 | 99,611 |
| Other Dept 1 | 94,930 | 104,423 | 114,865 | 126,352 | 138,987 |
| Other Dept 2 | 17,364 | 18,233 | 19,144 | 20,101 | 21,107 |
| Other Dept 3 | 7,276 | 7,640 | 8,022 | 8,423 | 8,845 |
| Other Dept 4 | 9,096 | 9,550 | 10,028 | 10,529 | 11,056 |
| Gross Operating Income | 1,902,780 | 2,145,145 | 2,361,379 | 2,505,786 | 2,708,708 |
| Gross Operating Income % | 57.83% | 57.93% | 57.91% | 57.90% | 57.87% |
| Deduct from Income | | | | | |
| General & Admin | 148,055 | 166,642 | 183,484 | 194,753 | 210,631 |
| Marketing | 115,154 | 129,610 | 142,709 | 151,475 | 163,824 |
| Property Operations | 108,573 | 122,204 | 134,555 | 142,819 | 154,462 |
| Energy | 74,027 | 83,321 | 91,742 | 97,376 | 105,315 |
| Total Deductions | 445,809 | 501,777 | 552,489 | 586,423 | 634,232 |
| Gross Operating Profit | 1,456,971 | 1,643,367 | 1,808,889 | 1,919,363 | 2,074,476 |
| Gross Operating Profit % | 44.28% | 44.38% | 44.36% | 44.35% | 44.32% |

6.2.5 Transient motorway motel

6.2.5.1 Description and feasibility

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

From the Arthur D. Little model perspective, we have selected to run a *pro forma* that would match the most typical motel requirement today.

The location of a motel 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.

The typical facilities should contain approximately 60 rooms around 25m² in size, and which have bathroom/shower en-suite. The overall construction should be inexpensive, but of a modern design maintaining Poland's heritage. The public space should incorporate a lobby lounge and be open, with additional bar area off the lounge, and a restaurant that would seat 80 to 100 persons in a multi-purpose room.

Additional amenities such as leisure and entertainment facilities should be considered where the draw potential includes a close local population that can be attracted to the facility.

The seasonality affecting the trading position of such a facility would be less dramatic and more rounded, due to 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, with some European and overseas segments from the touring categories, until more appropriate facilities exist.

An estimated 45 locations have been depicted 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 been approached, who have shown interest in processing discussions.

The total project cost for 60 rooms with service facilities is projected to be USD 2.5 million, to give a yield of 18.23%. The *pro forma* utilises a debt-financing structure of 40%, or USD 1 million. An interest- free period of one year, with two years interest-only, before capital repayment in the fourth operating year. The land has been included as free of cost.

6.2.5.2 Facility impact

6.2.5.2.1 Development phase

| Investment in "Motorway Motel" in prices of 1994 | |
|--|-------------------|
| Facilities | Investment in USD |
| Hotel, Restaurants | 1,710,000 |
| - Inventories | 20,000 |
| - Buildings | 1,450,000 |
| - Plant and Machinery | 240,000 |
| FFE* (Initial) | 600,000 |
| Other Costs | 40,000 |
| Development Costs (architects, planning, legal) | 80,000 |
| Pre-Opening | 40,000 |
| TOTAL INVESTMENT | 2,470,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Motorway Motel" - Development Phase (1996) | |
|---|-----------|
| Economic impact effects | USD |
| Gross Output | 2,620,423 |
| Value added | 1,060,900 |

6.2.5.2.2 Operating phase

| Economic impact of "Motorway Motel" operating in the representative year 2000 | | | |
|---|-----------------------|-------------------------|----------------------|
| <i>Economic impact effects</i> | <i>Direct Effects</i> | <i>Indirect Effects</i> | <i>Total Effects</i> |
| Gross output (USD) | 844,062 | 143,856 | 987,918 |
| Value-added (USD) | 556,351 | 71,928 | 628,279 |
| Job creation | 69 | 9 | 78 |
| Income generation (USD) | 244,573 | 27,789 | 272,362 |
| Tax revenue (USD) | -- | -- | 54,472 |
| Consumer purchase (USD) | -- | -- | 209,174 |

Motorway Motel
60 Rooms with Services
Financial Proforma
Commencing Jan 1996
Capital Expenditure

Land
Working Capital -
Inventories
Building
Plant and Machinery
FF&E(Initial)
Pre-Opening
FF&E (Annual)
Development Fee
Other Expenses
Total Project Costs
Cost per Room

| Life in Years | US\$ | US\$ |
|------------------|-----------|-----------|
| | 0 | 0 |
| | 30,000 | 30,000 |
| | 20,000 | 20,000 |
| 0 | 1,450,000 | 1,450,000 |
| 15 | 240,000 | 240,000 |
| 8 | 600,000 | 600,000 |
| 5 | 40,000 | 40,000 |
| 8 | | |
| 5 | 80,000 | 80,000 |
| 5 | 40,000 | 40,000 |
| | 2,500,000 | 2,500,000 |
| | 41,667 | 41,667 |

Residual Value/Realisation
Financing

| | | | |
|--------|---------|-----------|-----------|
| Equity | 60.00% | 1,500,000 | 1,500,000 |
| Debt | 40.00% | 1,000,000 | 1,000,000 |
| | 100.00% | 2,500,000 | 2,500,000 |

| | | | |
|----------------|---------|-----------|-----------|
| Equity | | | |
| Motorway Motel | 100.00% | 1,500,000 | 1,500,000 |
| Other | 0.00% | 0 | 0 |
| Other | 0.00% | 0 | 0 |
| Other | 0.00% | 0 | 0 |
| Other | 0.00% | 0 | 0 |
| | 100.00% | 1,500,000 | 1,500,000 |

Loan
Amount
Year Drawn Down
Interest free Period in Years
Interest Only Period in Years
Repayment Starts in Year
Years Financed
Interest Rate
Initial Annual Interest
Annual Repayment
Exchange Rate 1.00
Total Pre-Tax IRR

| | | |
|--|-----------|-----------|
| | 1,000,000 | 1,000,000 |
| | 1 | |
| | 1 | |
| | 2 | |
| | 4 | |
| | 10 | |
| | 10.00% | |
| | 100,000 | 100,000 |
| | 162,745 | 162,745 |
| | 11.17% | |

Motorway Motel
 60 Rooms with Services
 Financial Proforma
 Commencing Jan 1996

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|--------------------------|-------|-------|---------|---------|---------|-----------|
| Year No. | 1 | 2 | 3 | 4 | 5 | 6 |
| % Occupancy | 0.00% | 0.00% | 55.00% | 65.00% | 70.00% | 75.00% |
| Average Room Rate - | 0.00 | 0.00 | 24.00 | 28.00 | 30.00 | 34.00 |
| Revenue | | | | | | |
| Rooms | 0 | 0 | 289,872 | 398,580 | 459,900 | 558,450 |
| Food | 0 | 0 | 86,724 | 119,574 | 137,970 | 167,994 |
| Beverage | 0 | 0 | 43,362 | 59,787 | 68,985 | 83,997 |
| Telephone | 0 | 0 | 17,345 | 23,915 | 27,594 | 33,599 |
| Other Dept 1 | 0 | 0 | 45,000 | 47,250 | 149,613 | 157,093 |
| Other Dept 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Dept 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 0 | 0 | 482,303 | 649,106 | 844,062 | 1,001,133 |
| Profit | | | | | | |
| Rooms | 0 | 0 | 211,607 | 294,949 | 354,123 | 430,007 |
| Food | 0 | 0 | 13,876 | 19,132 | 22,075 | 26,879 |
| Beverage | 0 | 0 | 11,274 | 15,545 | 17,936 | 21,839 |
| Telephone | 0 | 0 | 10,407 | 14,349 | 16,556 | 20,159 |
| Other Dept 1 | 0 | 0 | 22,500 | 23,625 | 74,806 | 78,547 |
| Other Dept 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Dept 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 0 | 0 | 269,663 | 367,600 | 485,497 | 577,431 |
| Gross Operating Income % | 0.00% | 0.00% | 55.91% | 56.63% | 57.52% | 57.68% |
| Deduct from Income | | | | | | |
| General & Admin | 0 | 0 | 16,881 | 22,719 | 29,542 | 35,040 |
| Marketing | 0 | 0 | 4,823 | 6,491 | 8,441 | 10,011 |
| Property Operations | 0 | 0 | 17,363 | 22,719 | 28,276 | 33,037 |
| Energy | 0 | 0 | 12,540 | 15,903 | 18,991 | 22,525 |
| Total Deductions | 0 | 0 | 51,606 | 67,832 | 85,250 | 100,614 |
| Gross Operating Profit | 0 | 0 | 218,057 | 299,768 | 400,247 | 476,817 |
| Gross Operating Profit % | 0.00% | 0.00% | 45.21% | 46.18% | 47.42% | 47.63% |

Motorway Motel
60 Rooms with Services
Financial Proforma
Commencing Jan 1996

| | 2002 | 2003 | 2004 | 2005 |
|---------------------------------|------------------|------------------|------------------|------------------|
| Year No. | 7 | 8 | 9 | 10 |
| % Occupancy | 75.00% | 75.00% | 75.00% | 75.00% |
| Average Room Rate | 38.00 | 42.00 | 44.00 | 46.00 |
| Revenue | | | | |
| Rooms | 625,860 | 689,850 | 722,700 | 755,550 |
| Food | 187,245 | 206,955 | 216,810 | 227,286 |
| Beverage | 93,623 | 103,478 | 108,405 | 113,643 |
| Telephone | 37,449 | 41,391 | 43,362 | 45,457 |
| Other Dept 1 | 164,948 | 173,195 | 181,855 | 190,948 |
| Other Dept 2 | 0 | 0 | 0 | 0 |
| Other Dept 3 | 0 | 0 | 0 | 0 |
| Other Dept 4 | 0 | 0 | 0 | 0 |
| Total Revenue | 1,109,124 | 1,214,869 | 1,273,132 | 1,332,884 |
| Profit | | | | |
| Rooms | 481,912 | 531,185 | 556,479 | 581,774 |
| Food | 29,959 | 33,113 | 34,690 | 36,366 |
| Beverage | 24,342 | 26,904 | 28,185 | 29,547 |
| Telephone | 22,469 | 24,835 | 26,017 | 27,274 |
| Other Dept 1 | 82,474 | 86,598 | 90,927 | 95,474 |
| Other Dept 2 | 0 | 0 | 0 | 0 |
| Other Dept 3 | 0 | 0 | 0 | 0 |
| Other Dept 4 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 641,157 | 702,634 | 736,299 | 770,435 |
| Gross Operating Income % | 57.81% | 57.84% | 57.83% | 57.80% |
| Deduct from Income | | | | |
| General & Admin | 38,819 | 42,520 | 44,560 | 46,651 |
| Marketing | 11,091 | 12,149 | 12,731 | 13,329 |
| Property Operations | 36,601 | 40,091 | 42,013 | 43,985 |
| Energy | 24,955 | 27,335 | 28,645 | 29,990 |
| Total Deductions | 111,467 | 122,094 | 127,950 | 133,955 |
| Gross Operating Profit | 529,690 | 580,539 | 608,349 | 636,480 |
| Gross Operating Profit % | 47.76% | 47.79% | 47.78% | 47.75% |

6.2.6 City tours three-star hotel

6.2.6.1 Feasibility

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, as indicated in the previous section. The capital expense for such a facility will be in the range of USD 15 million, excluding land costs. This would include the development of en-suite accommodation, at a square metre area per unit of 26m². The hotel should provide a multi-purpose restaurant of approximately 200 seating capacity, with lobby lounge and bar for up to 80 seats. An all-purpose room of 500 m² for banquets and private parties, to support a conference area that can offer space for 80 people, classroom style or 140 theatre-style, depending on the configuration. An area for in-house shopping should offer essential shopping facilities, such as newsagents, boutiques, local art and craft, and hairdressing salons. Consideration should be given to a health centre, although this has not been included in the capital expense.

The equity consideration will need to be 60%, or USD 9 million with debt-financing placed at USD 6 million, over fifteen years at 10%. A package that will include two years interest-free 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 on our assumptions would be 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 of the market, with a house business mix of up to 65%. The balance will be drawn from the leisure markets or the city touring visitation categories. A similar overall percentage mix will be expected from the geographic source of origin, with 35% generated from 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 voivods need to promote a flexible and supportive attitude, which is crucial, and to already begin the identification process of appropriate locations and sites.

It should not be forgotten that Poland is in competition with a number of countries and centres all over the world and, of course, with Eastern European countries.

6.2.6.2 Facility impact

6.2.6.2.1 Development phase

| Investment in "City Centre Hotel" in prices of 1994 | |
|---|-------------------|
| Facilities | Investment in USD |
| Hotel, Restaurants | 12,670,000 |
| - Inventories | 70,000 |
| - Buildings | 12,000,000 |
| - Plant and Machinery | 600,000 |
| FFE* (Initial) | 1,800,000 |
| Other Costs | 100,000 |
| Development Costs (architects, planning, legal) | 150,000 |
| Pre-Opening | 100,000 |
| TOTAL INVESTMENT | 14,820,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "City Centre Hotel" - Development Phase (1996) | |
|--|------------|
| Economic impact effects | USD |
| Gross Output | 15,722,538 |
| Value added | 6,315,538 |

6.2.6.2.2 Operating phase

| Economic impact of "City Centre Hotel" operating in the representative year 2000 | | | |
|--|----------------|------------------|---------------|
| Economic impact effects | Direct Effects | Indirect Effects | Total Effects |
| Gross output (USD) | 5,655,088 | 993,132 | 6,648,220 |
| Value-added (USD) | 3,668,825 | 496,566 | 4,165,390 |
| Job creation | 164 | 63 | 227 |
| Income generation (USD) | 1,638,602 | 191,845 | 1,830,446 |
| Tax revenue (USD) | -- | -- | 366,089 |
| Consumer purchase (USD) | -- | -- | 1,405,783 |

City Centre Hotel
Tourist 200 Rooms
Financial Proforma
Commencing Jan 1996
Capital Expenditure

Land
Working Capital
Inventories
Building
Plant and Machinery
FF&E(Initial)
Pre-Opening
FF&E (Annual)
Development Fee
Other Expenses
Total Project Costs
Cost per Room

| Life in Years | US\$ | US\$ |
|------------------|------------|------------|
| | 0 | 0 |
| | 180,000 | 180,000 |
| | 70,000 | 70,000 |
| 0 | 12,000,000 | 12,000,000 |
| 15 | 600,000 | 600,000 |
| 8 | 1,800,000 | 1,800,000 |
| 5 | 100,000 | 100,000 |
| 8 | | |
| 5 | 150,000 | 150,000 |
| 5 | 100,000 | 100,000 |
| | 15,000,000 | 15,000,000 |
| | 75,000 | 75,000 |

Residual Value/Realisation
Financing

| | | | |
|--------|---------|------------|------------|
| Equity | 60.00% | 9,000,000 | 9,000,000 |
| Debt | 40.00% | 6,000,000 | 6,000,000 |
| | 100.00% | 15,000,000 | 15,000,000 |

Equity
City Centre Hotel
Other
Other
Other
Other

| | | | |
|--|---------|-----------|-----------|
| | 100.00% | 9,000,000 | 9,000,000 |
| | 0.00% | 0 | 0 |
| | 0.00% | 0 | 0 |
| | 0.00% | 0 | 0 |
| | 0.00% | 0 | 0 |
| | 100.00% | 9,000,000 | 9,000,000 |

Loan
Amount
Year Drawn Down
Interest free Period in Years
Interest Only Period in Years
Repayment Starts in Year
Years Financed
Interest Rate
Initial Annual Interest
Annual Repayment
Exchange Rate 1.00
Total Pre-Tax IRR

| | | |
|---------|-----------|-----------|
| | 6,000,000 | 6,000,000 |
| 1 | | |
| 2 | | |
| 3 | | |
| 6 | | |
| 15 | | |
| 10.00% | | |
| 600,000 | | 600,000 |
| 788,843 | | 788,843 |

| |
|--------|
| 17.04% |
|--------|

City Centre Hotel
Tourist 200 Rooms
Financial Proforma
Commencing Jan 1996

| | 1996 | 1997 | 1998 | 1999 | 2000 |
|---------------------------------|--------------|--------------|------------------|------------------|------------------|
| Year No. | 1 | 2 | 3 | 4 | 5 |
| % Occupancy | 0.00% | 0.00% | 58.00% | 65.00% | 70.00% |
| Average Room Rate - | 0.00 | 0.00 | 56.00 | 60.00 | 63.00 |
| Revenue | | | | | |
| Rooms | 0 | 0 | 2,377,536 | 2,847,000 | 3,219,300 |
| Food | 0 | 0 | 829,864 | 996,450 | 1,126,755 |
| Beverage | 0 | 0 | 592,760 | 711,750 | 804,825 |
| Telephone | 0 | 0 | 142,262 | 170,820 | 193,158 |
| Other Dept 1 | 0 | 0 | 100,000 | 105,000 | 210,250 |
| Other Dept 2 | 0 | 0 | 60,000 | 63,000 | 66,150 |
| Other Dept 3 | 0 | 0 | 30,000 | 33,000 | 34,650 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 0 | 0 | 4,132,422 | 4,927,020 | 5,655,088 |
| Profit | | | | | |
| Rooms | 0 | 0 | 1,735,601 | 2,106,780 | 2,478,861 |
| Food | 0 | 0 | 132,778 | 159,432 | 180,281 |
| Beverage | 0 | 0 | 154,118 | 185,055 | 209,255 |
| Telephone | 0 | 0 | 85,357 | 102,492 | 115,895 |
| Other Dept 1 | 0 | 0 | 50,000 | 52,500 | 105,125 |
| Other Dept 2 | 0 | 0 | 30,000 | 31,500 | 33,075 |
| Other Dept 3 | 0 | 0 | 9,000 | 9,900 | 10,395 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 0 | 0 | 2,196,855 | 2,647,659 | 3,132,886 |
| Gross Operating Income % | 0.00% | 0.00% | 53.16% | 53.74% | 55.40% |
| Deduct from Income | | | | | |
| General & Admin | 0 | 0 | 157,032 | 187,227 | 214,893 |
| Marketing | 0 | 0 | 144,635 | 172,446 | 197,928 |
| Property Operations | 0 | 0 | 148,767 | 172,446 | 189,445 |
| Energy | 0 | 0 | 107,443 | 120,712 | 127,239 |
| Total Deductions | 0 | 0 | 557,877 | 652,830 | 729,506 |
| Gross Operating Profit | 0 | 0 | 1,638,978 | 1,994,829 | 2,403,380 |
| Gross Operating Profit % | 0.00% | 0.00% | 39.66% | 40.48% | 42.50% |

City Centre Hotel
Tourist 200 Rooms
Financial Proforma
Commencing Jan 1996

| Year No. | 2001 6 | 2002 7 | 2003 8 | 2004 9 | 2005 10 |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| % Occupancy | 75.00% | 75.00% | 75.00% | 75.00% | 75.00% |
| Average Room Rate | 66.00 | 70.00 | 74.00 | 78.00 | 82.00 |
| Revenue | | | | | |
| Rooms | 3,613,500 | 3,843,000 | 4,051,500 | 4,270,500 | 4,489,500 |
| Food | 1,268,190 | 1,341,375 | 1,418,025 | 1,494,675 | 1,575,630 |
| Beverage | 905,850 | 958,125 | 1,012,875 | 1,067,625 | 1,125,450 |
| Telephone | 217,404 | 229,950 | 243,090 | 256,230 | 270,108 |
| Other Dept 1 | 220,762 | 231,801 | 243,391 | 267,730 | 294,503 |
| Other Dept 2 | 69,458 | 72,930 | 76,577 | 80,406 | 84,426 |
| Other Dept 3 | 36,383 | 38,202 | 40,112 | 42,117 | 44,223 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Total Revenue | 6,331,547 | 6,715,383 | 7,085,569 | 7,479,283 | 7,883,840 |
| Profit | | | | | |
| Rooms | 2,782,395 | 2,959,110 | 3,119,655 | 3,288,285 | 3,456,915 |
| Food | 202,910 | 214,620 | 226,884 | 239,148 | 252,101 |
| Beverage | 235,521 | 249,113 | 263,348 | 277,583 | 292,617 |
| Telephone | 130,442 | 137,970 | 145,854 | 153,738 | 162,065 |
| Other Dept 1 | 110,381 | 115,900 | 121,695 | 133,865 | 147,251 |
| Other Dept 2 | 34,729 | 36,465 | 38,288 | 40,203 | 42,213 |
| Other Dept 3 | 10,915 | 11,460 | 12,034 | 12,635 | 13,267 |
| Other Dept 4 | 0 | 0 | 0 | 0 | 0 |
| Gross Operating Income | 3,507,294 | 3,724,638 | 3,927,758 | 4,145,456 | 4,366,429 |
| Gross Operating Income % | 55.39% | 55.46% | 55.43% | 55.43% | 55.38% |
| Deduct from Income | | | | | |
| General & Admin | 240,599 | 255,185 | 269,252 | 284,213 | 299,586 |
| Marketing | 221,604 | 235,038 | 247,995 | 261,775 | 275,934 |
| Property Operations | 208,941 | 221,608 | 233,824 | 246,816 | 260,167 |
| Energy | 142,460 | 151,096 | 159,425 | 168,284 | 177,386 |
| Total Deductions | 813,604 | 862,927 | 910,496 | 961,088 | 1,013,073 |
| Gross Operating Profit | 2,693,690 | 2,861,712 | 3,017,262 | 3,184,369 | 3,353,355 |
| Gross Operating Profit % | 42.54% | 42.61% | 42.58% | 42.58% | 42.53% |

6.2.7 Commercial conference facility

The ideal facility to develop, to attract the conference, meeting and seminar markets, should be accessible to the principal commercial centres, in surroundings that are attractive, out 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 facilities that are on offer.

The conference centre should be purpose-designed, with a minimum of one large room offering a capacity of 80 people, in classroom-style, and 120/140 people in theatre-style. There should be two further rooms for 40 people, classroom-style or for 60 in theatre-style, and at least 6 break-out rooms for up to 20 people each. There should be good air ventilation and heating, with light being of particular importance. Natural light will be a prerequisite in each room. Where possible, the seating should be ergonomically designed, to allow for comfortable and supportive posture.

A heritage asset has the benefit of 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 ensuring the needs of the conference organiser is met.

The feasibility *pro forma* estimates a business mix, in such a facility, to be 45% commercial or conference-related, with the balance of 55% 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 price currently reached in similar facilities in Germany, western Europe and Poland today.

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

The investment would call for 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 construction phase of two years interest-free, with three years interest-only at 10% per annum. Such a 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 good terms, in addition to preserving the countries assets in a viable manner.

6.2.7.1 Transferability

In Poland, about 10 big hotels currently operate in old residences (castles and palaces). They can organise conferences, symposiums and meetings for large groups of participants (more than 80 persons). Some of the establishments, like Książ, Czerniejewo and Rydzyna can accommodate more than 100 guests. Map no. III shows where these establishments are situated.

It is worth mentioning that many other historic buildings converted into hotels and training centres can organise conferences for smaller groups of participants (30-50 persons).

6.2.7.1.1 Książ (Wałbrzych), Wałbrzych voivodship

Hochberg castle, the largest in Dolny Śląsk. Surrounded by Książ landscape park and Wałbrzych mountains. The castle (mainly in baroque style) has been converted into a one star hotel (Zamek Książ, 110 beds) also offering restaurant and conference rooms.

6.2.7.1.2 Krasiczyn, Przemyśl voivodship

Village on the bank of river San, near Przemyśl (10 km) in landscape park of Przemyskie Upland. Krasińskich castle, rococo style (16th-17th centuries), surrounded by park. One of the most beautiful renaissance residences in Poland. Currently houses the FSO Castle-Park Complex, with hotel (110 beds), restaurant, and conference room.

6.2.7.1.3 Rydzyna, Leszno voivodship

Historic baroque town, former residence of Leszczyński family, near Leszno (10 km). In baroque castle (17th-18th century), two star hotel Zamkowy (100 beds) with restaurant and conference facilities. Centre of technical Development (SITM) is currently operating there.

6.2.7.1.4 Czarniejewo, Poznań voivodship

Palace-park complex in classicist style (18th century), situated 40 km from Poznań, surrounded by a vast forest.

6.2.7.1.5 Pułtusk, Ciechanów voivodship

Historic town on the river Narew, with market square and numerous monuments. On the site, baroque castle-park complex of Płock bishops. Nowadays, castle "Dom Polonii" houses a three star hotel (90 beds), a restaurant and a conference-show room. Near the town, 60 km from Warsaw, are situated the Biała forest and villages characteristic of the Kurpie region.

6.2.7.1.6 Radziejowice, Skierniewice voivodship

The magnates' country residences from 17th to 18th centuries. Includes classicist palace with neo-gothic castle and huge park. Now bed and breakfast. In palace: 80 bed hotel, café and conference room. In vicinity, picturesque valley of river Pisi, and remainder of Jaktorowska forest, 40 km to Warsaw.

6.2.7.1.7 Tuczno, Piła voivodship

Small town near Piła (50 km) between Tuczno and Zamkowe lake. Renaissance Wedel castle (16th - 17th centuries) now houses an hotel for architects. In castle: 80 bed hotel, restaurant, and conference room.

6.2.7.1.8 Zajaczkowo, Poznań voivodship

Village on Zajaczkowskie lake, 50 km from Poznań. In 18th century palace with park is a training centre with hotel (90 beds), restaurant, and conference room.

6.2.7.1.9 Wigry, Suwałki voivodship

On picturesque peninsula of Wigry Lake: old baroque Kamedulów monastery. In old buildings: hotel, restaurant and conference room. Surrounded by Wigry National Park and the vast Augustowska forest.

6.2.7.1.10 Gniew, Gdańsk voivodship

Teutonic knights' castle with existing conference facilities and hotel

6.2.7.2 Facility impact

6.2.7.2.1 Development phase

| Investment in "Heritage Hotel, Conference Centre" in prices of 1994 | |
|---|--------------------------|
| <i>Facilities</i> | <i>Investment in USD</i> |
| Hotels, Restaurants | 7,850,000 |
| - Inventories | 200,000 |
| - Building | 7,200,000 |
| - Plant and Machinery | 450,000 |
| FFE* (Initial) | 1,400,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 350,000 |
| Pre-Opening Costs | 180,000 |
| TOTAL INVESTMENT | 9,930,000 |

* FFE = furniture, fixture and equipment

| <i>Economic Impact - "Heritage Hotel, Conference Centre" - Development Phase (1996)</i> | |
|---|------------|
| <i>Economic impact effects</i> | <i>USD</i> |
| Gross Output | 10,534,737 |
| Value added | 4,270,123 |

6.2.7.2.2 Operating phase

| Economic impact of "Heritage Hotel Conference Centre" operating in the representative year 2000 | | | |
|---|-----------------------|-------------------------|----------------------|
| <i>Economic impact effects</i> | <i>Direct Effects</i> | <i>Indirect Effects</i> | <i>Total Effects</i> |
| Gross output (USD) | 4,285,996 | 742,763 | 5,028,759 |
| Value-added (USD) | 2,800,469 | 371,382 | 3,171,851 |
| Job creation | 117 | 47 | 164 |
| Income generation (USD) | 1,241,898 | 143,481 | 1,385,378 |
| Tax revenue (USD) | -- | -- | 277,076 |
| Consumer purchase (USD) | -- | -- | 1,063,971 |

6.2.8 Cultural heritage centre

6.2.8.1 Concept

Many people who come to Poland as tourists will be drawn to the country for cultural reasons -- generally related to their personal heritage, or "roots". These visitors will come from the United States, Israel, or the countries neighbouring Poland. Therefore, Arthur D. Little and Edwin Schlossberg, Inc., have determined that a new type of tourist destination, a Cultural Heritage Centre, would be the ideal starting point for foreign visitors to Poland. The Cultural Heritage Centre would also benefit visitors who come to Poland in conjunction with other proposed aspects of Arthur D. Little's tourism strategy, particularly tours with an ecological, historical, or cultural focus.

In this concept report, we propose that a Centre be opened in Kraków, but, ultimately, there would be centres all around the country where tourists could go to get information about Poland. We recommend that the Centre be located in an existing building in Kraków, that has historical resonance, such as an old train station or government building.

The central feature of the Centre will be interactive computer programme/kiosks that provide visitors with information about Poland and Kraków, tailored to their individual interests. Supplementing the interactive programme are the following components (see Figure 5):

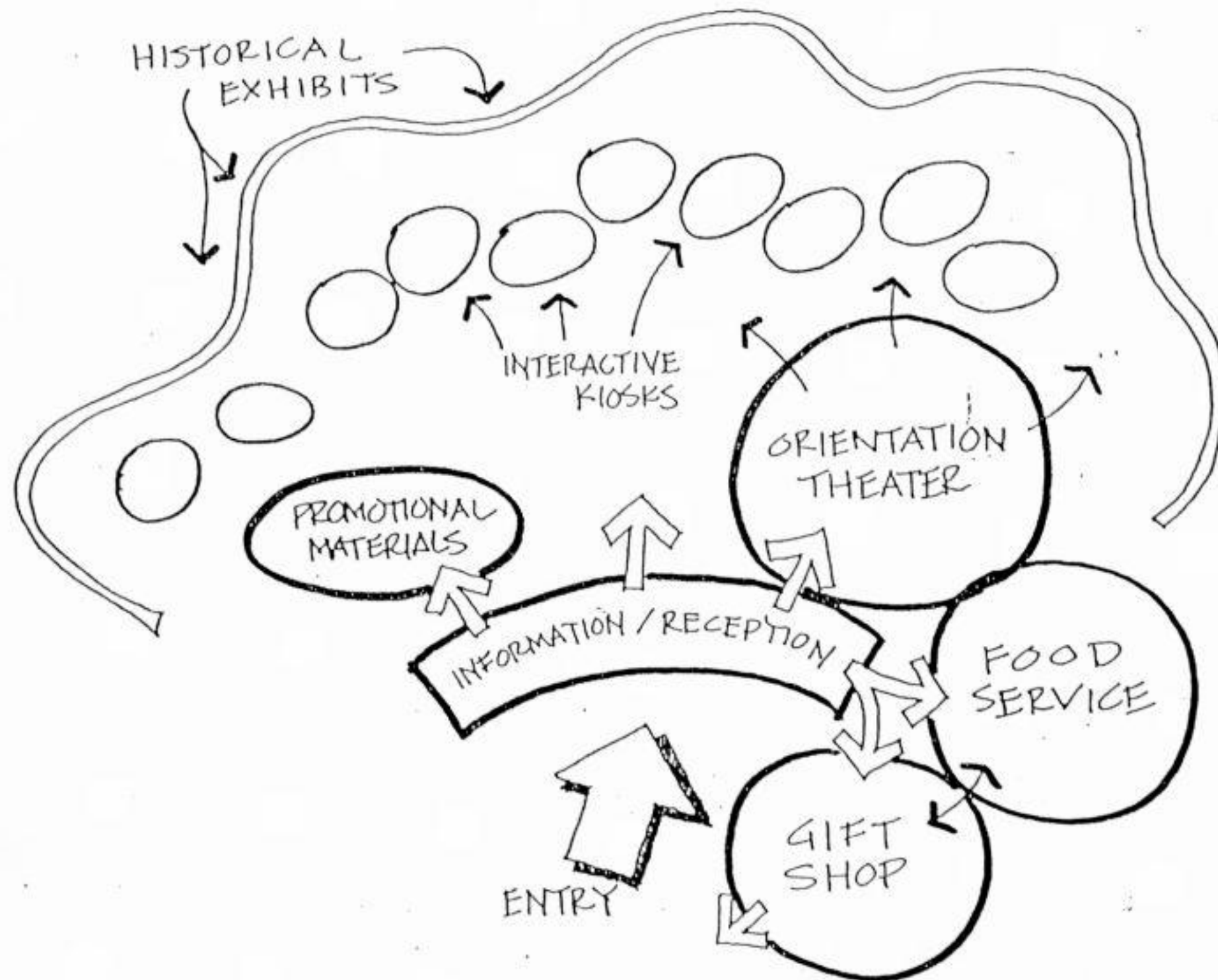
- Staffed information desk
- Orientation theatre
- Historical exhibits of photos, maps, documents
- Display space for promotion materials on events and for sites of interest to tourists
- Shop with books, video (tapes? clips?), and souvenirs
- Food service.

6.2.8.1.1 Orientation theatre

The orientation theatre will be a 15-seat theatre featuring a short film that provides visitors with a dramatic overview of the history and culture of Kraków, introduces visitors to the Cultural Heritage Centre, and shows them how to use the interactive kiosks.

Figure 5

Exhibit layout bubble diagramm



6.2.8.1.2 Historical exhibits

The historical exhibits will portray Poland's cultural history, using photos, maps, and other documents. The exhibits could be arranged by theme, chronology, or region. These exhibits will set the mood for the Centre and create dramatic backdrops for the interactive kiosks. They also will allow people who prefer to simply browse, rather than use the interactive kiosks, to still come away with a sense of Poland's history and impact on the world.

6.2.8.1.3 Interactive kiosks

The interactive computer programme developed for the Cultural Heritage Centre will be housed in attractive kiosks, at which a visitor can sit comfortably to explore topics of interest. There will be room for two or three additional people to observe the screen as well. The Centre will have one to ten interactive kiosks, depending on the size of the building. To make the interactive kiosks as easy to use as possible, for tourists unfamiliar with computers, the programme will be icon-based.

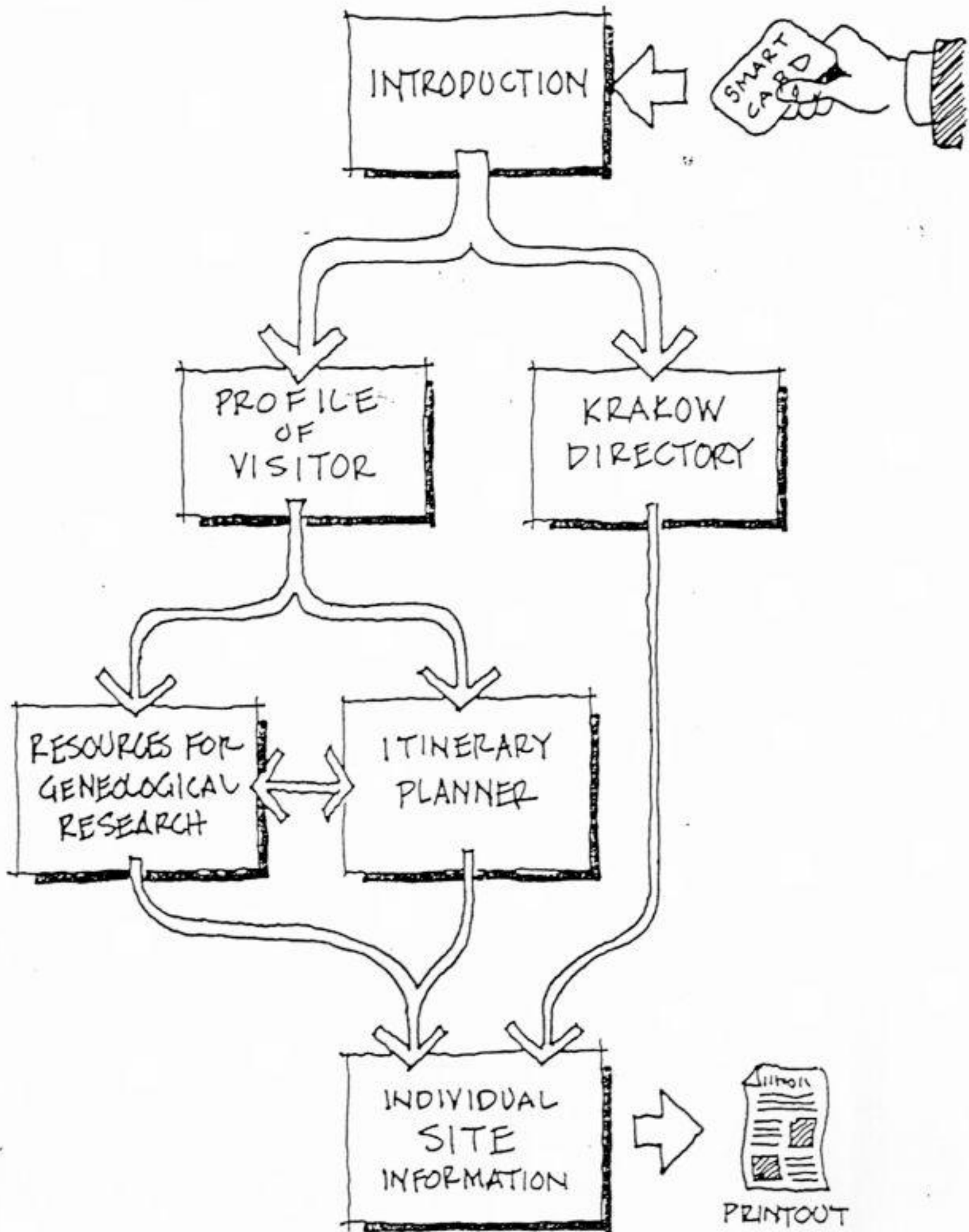
Visitors will be given a "smart card" to activate the kiosk and to store data collected there. The visitors can keep the card and use it on subsequent visits to the Centre. The interactive kiosk will recognise the visitors through data stored on the card. The interactive system will also store information about the ways in which visitors use the programme, which the Centre's staff can use to ascertain such data as number of visitors to the Centre in a day or month, topics of most and least interest, etc. (see Figure 6).

When the kiosk is activated, a visitor will first see a 30-second video clip that tells him/her what the system is all about and how to use it. The programme consists of several elements:

- Profile of the visitor;
- Genealogical research;
- Walk-through of selected sites;
- Kraków directory;
- Itinerary planner;
- Print-out.

Figure 6

Programm logic overview



EDWIN SCHLOSSBERG INC.

Arthur D Little

6.2.8.1.4 Profile of the visitor

The visitor gives information about him or herself, which the system then uses to create an individualised itinerary. This information will include:

- Sex;
- Age;
- Number in party;
- Whether or not children in party;
- Relationship to Poland (e.g. parent, grandparent, came from Poland);
- Goals of trip (e.g. sight-seeing, look up relatives);
- Constraints (e.g. time, cost, travel);
- Interests (e.g. art, history, architecture, religion, science, industry, sports);
- Meals (e.g. types of food liked, types of restaurants);
- Time frame of visit (e.g. several hours, a day, a week);
- Time of year (allows for inclusion of seasonal events and festivals);
- Geographical regions of interest.

6.2.8.1.5 Resources for Genealogical Research

To assist visitors interested in finding out about relative(s) who live(s) in Poland, there is another level to the "profile of the visitor". Visitors provide what information they know about relatives, such as the town or region of the country their families came from, time period of residence, religion, etc. The system will then give visitors a list of resources for genealogical research based on their data, such as a parish registrar, town hall, state archives, etc.

6.2.8.1.6 Itinerary Planner

From the information provided in the visitor's profile, the system creates an individualised itinerary for the visitor.

6.2.8.1.7 Walk-through of Sites

Visitors can see short video clips about the places on their itinerary.

6.2.8.1.8 Kraków Directory

The Kraków Directory is for visitors who want quick access to information about places to go to in the city. The directory is divided by areas of interest:

- | | |
|-------------------------|------------------|
| ■ Art | ■ Architecture |
| ■ History | ■ Religions |
| ■ Government | ■ Industry |
| ■ Restaurants | ■ Neighbourhoods |
| ■ Transportation system | |

6.2.8.1.9 Print-Out

The system gives the visitor a print-out of his/her itinerary or places of interest, complete with addresses. Visitors interested in genealogical research receive a print-out of resources.

6.2.8.2 Strategy planning guidelines

6.2.8.2.1 Site recommendation.

The Centre should occupy about 15,000 square feet on one level. This figure includes all exhibit areas, circulation and back of house. The Centre should be located in an existing building with some historical character.

6.2.8.2.2 Capital Cost Parameters

The first Centre should cost USD 6.4 million to develop and implement in an existing space. This cost includes all research and design fees, and breaks down as follows:

- | | |
|---|------------------|
| ■ architectural renovations and build-out | USD 1.2 million |
| ■ furnishings, exhibits and tech. systems | USD 3.1 million |
| ■ A/V production and software | USD 1.5 million |
| ■ contingency | USD 0.6 million. |

6.2.8.2.3 Expected Visitorship

We estimate the following rates of visitorship to each Centre: 500 visitors per day on average; 800 visitors on peak days; and 180,000 visitors per year.

6.2.8.2.4 Timeframe

The first Cultural Heritage Centre will take approximately 21 months to design and implement. Subsequent centres would each take about 15 months to complete.

6.3 Economic Impact of Representative Facility Duplications

In each representative facility description, an indication of the transferability and of the economic impact was given. In this section, we will extrapolate some of the findings described before to come to a total economic impact.

For measuring the economic impact of the facility programme, an investment schedule is necessary.

A time table for the implementation of the proposed 170 representative facilities and its copies is defined. For the duplication, not all copies have the same capacity as outlined in the representative plans. We therefore express the time table in terms of added room capacity:

Investment schedule [number of rooms]

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------|------|------|------|------|------|------|------|
| Seaside | 400 | 600 | 600 | 600 | 600 | 600 | 600 |
| Lakeside | 540 | 540 | 540 | 540 | 540 | 540 | 540 |
| Heritage | 320 | 400 | 400 | 320 | 320 | 320 | 320 |
| City Centre | 320 | 480 | 480 | 320 | 320 | 320 | 320 |
| Motel | 360 | 420 | 420 | 420 | 360 | 360 | 360 |
| Marina | 240 | 360 | 240 | 240 | 240 | 240 | 240 |
| Mountain | 200 | 300 | 300 | 300 | 300 | 300 | 300 |
| Conference | 120 | 240 | 240 | 120 | 120 | 120 | 120 |

As shown on the Table 1, the total value of the economic impact in terms of Value-added and Gross Output today is calculated for all representative facilities.

Then the implementation schedule is used to obtain the total economic impact in terms of Value-added and Gross Output for the facility programme in its totality.

This process is indicated in Table 2. The total impact today, using an 15% interest rate on top of inflation, is 994 million USD for Value-added and 1,774 million USD for Gross Output.

Table 1: Economic Impact of the representative facilities

| | Total value today | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|-------------------|------------|------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|
| | | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Revenues (USD) | | | | | | | | | | | | | | | | | | |
| Seaside | | | | 1,790,515 | 2,342,076 | 2,628,558 | 3,476,666 | 3,747,683 | 3,884,710 | 4,279,988 | 4,680,236 | 4,820,643 | 4,965,262 | 5,114,220 | 5,267,647 | 5,425,676 | 5,588,447 | 5,756,100 |
| Lakeside | | | | 1,615,515 | 2,151,576 | 2,528,533 | 3,371,640 | 3,637,405 | 3,768,919 | 4,158,407 | 4,552,576 | 4,689,153 | 4,829,828 | 4,974,723 | 5,123,964 | 5,277,683 | 5,436,014 | 5,599,094 |
| Heritage | | | | 1,950,280 | 2,460,974 | 2,842,564 | 3,290,103 | 3,703,153 | 4,077,411 | 4,327,843 | 4,680,678 | 4,821,098 | 4,965,731 | 5,114,703 | 5,268,144 | 5,426,189 | 5,588,974 | 5,756,644 |
| City Centre | | | | 4,132,422 | 4,932,020 | 5,665,838 | 6,331,547 | 6,715,383 | 7,085,569 | 7,479,283 | 7,883,840 | 8,120,355 | 8,363,966 | 8,614,885 | 8,873,331 | 9,139,531 | 9,413,717 | 9,696,129 |
| Motel | | | | 482,303 | 649,106 | 844,062 | 1,001,133 | 1,109,124 | 1,214,869 | 1,273,132 | 1,332,884 | 1,372,871 | 1,414,057 | 1,456,478 | 1,500,173 | 1,545,178 | 1,591,533 | 1,639,279 |
| Marina | | | | 2,902,319 | 3,585,461 | 3,963,263 | 5,045,576 | 5,248,632 | 5,501,613 | 5,764,129 | 6,032,691 | 6,213,672 | 6,400,082 | 6,592,084 | 6,789,847 | 6,993,542 | 7,203,349 | 7,419,449 |
| Mountain | | | | 790,403 | 1,054,201 | 1,290,493 | 1,788,637 | 1,842,103 | 1,909,318 | 2,103,881 | 2,301,047 | 2,370,078 | 2,441,181 | 2,514,416 | 2,589,849 | 2,667,544 | 2,747,570 | 2,829,998 |
| Conference | | | | 2,982,920 | 3,755,461 | 4,285,996 | 4,961,357 | 5,585,482 | 6,151,970 | 6,533,331 | 7,068,973 | 7,281,042 | 7,499,473 | 7,724,458 | 7,956,191 | 8,194,877 | 8,440,723 | 8,693,945 |
| Economic Impact (Gross Output - USD) | | | | | | | | | | | | | | | | | | |
| Seaside | 26,393,953 | 10,609,000 | | 2,100,266 | 2,747,244 | 3,083,286 | 4,078,113 | 4,396,014 | 4,556,746 | 5,020,406 | 5,489,895 | 5,654,591 | 5,824,229 | 5,998,956 | 6,178,925 | 6,364,292 | 6,555,221 | 6,751,878 |
| Lakeside | 25,704,533 | 10,609,000 | | 1,896,461 | 2,525,745 | 2,968,257 | 3,957,984 | 4,269,967 | 4,424,352 | 4,881,574 | 5,344,291 | 5,504,619 | 5,669,758 | 5,839,851 | 6,015,046 | 6,195,498 | 6,381,363 | 6,572,804 |
| Heritage | 25,668,929 | 9,367,747 | | 2,288,500 | 2,887,759 | 3,335,525 | 3,860,677 | 4,345,358 | 4,784,521 | 5,078,383 | 5,492,407 | 5,657,179 | 5,826,895 | 6,001,701 | 6,181,752 | 6,367,205 | 6,558,221 | 6,754,968 |
| City Centre | 45,746,819 | 15,722,538 | | 4,848,930 | 5,787,168 | 6,648,220 | 7,429,354 | 7,879,742 | 8,314,114 | 8,776,093 | 9,250,794 | 9,528,318 | 9,814,168 | 10,108,593 | 10,411,851 | 10,724,206 | 11,045,932 | 11,377,310 |
| Motel | 7,268,361 | 2,620,423 | | 564,503 | 759,735 | 987,918 | 1,171,759 | 1,298,155 | 1,421,923 | 1,490,116 | 1,560,051 | 1,606,853 | 1,655,059 | 1,704,710 | 1,755,852 | 1,808,527 | 1,862,783 | 1,918,666 |
| Marina | 34,793,879 | 12,200,350 | | 3,409,835 | 4,212,435 | 4,656,302 | 5,927,874 | 6,166,438 | 6,463,657 | 6,772,078 | 7,087,602 | 7,300,230 | 7,519,237 | 7,744,814 | 7,977,159 | 8,216,473 | 8,462,968 | 8,716,857 |
| Mountain | 13,213,801 | 5,617,466 | | 927,475 | 1,237,020 | 1,514,290 | 2,098,822 | 2,161,560 | 2,240,431 | 2,468,736 | 2,700,094 | 2,781,097 | 2,864,530 | 2,950,466 | 3,038,980 | 3,130,149 | 3,224,053 | 3,320,775 |
| Conference | 35,746,942 | 10,534,737 | | 3,499,860 | 4,406,282 | 5,028,759 | 5,821,160 | 6,553,446 | 7,218,106 | 7,665,557 | 8,294,026 | 8,542,847 | 8,799,132 | 9,063,106 | 9,334,999 | 9,615,049 | 9,903,501 | 10,200,606 |
| Economic Impact (Value Added - USD) | | | | | | | | | | | | | | | | | | |
| Seaside | 14,604,960 | 4,269,645 | | 1,325,889 | 1,734,324 | 1,946,466 | 2,574,496 | 2,775,186 | 2,876,656 | 3,169,362 | 3,465,748 | 3,569,721 | 3,676,812 | 3,787,117 | 3,900,730 | 4,017,752 | 4,138,285 | 4,262,433 |
| Lakeside | 14,142,132 | 4,269,645 | | 1,194,096 | 1,590,322 | 1,868,947 | 2,492,123 | 2,688,562 | 2,785,769 | 3,073,657 | 3,365,004 | 3,465,954 | 3,569,933 | 3,677,031 | 3,787,341 | 3,900,962 | 4,017,991 | 4,138,530 |
| Heritage | 14,395,227 | 3,794,839 | | 1,442,950 | 1,820,797 | 2,103,123 | 2,434,243 | 2,739,846 | 3,016,747 | 3,202,034 | 3,463,085 | 3,566,978 | 3,673,987 | 3,784,207 | 3,897,733 | 4,014,665 | 4,135,105 | 4,259,158 |
| City Centre | 25,666,298 | 6,315,538 | | 3,038,059 | 3,625,904 | 4,165,390 | 4,654,804 | 4,936,991 | 5,209,143 | 5,498,592 | 5,796,013 | 5,969,893 | 6,148,990 | 6,333,459 | 6,523,463 | 6,719,167 | 6,920,742 | 7,128,364 |
| Motel | 4,109,193 | 1,060,900 | | 359,003 | 483,163 | 628,279 | 745,195 | 825,578 | 904,290 | 947,658 | 992,134 | 1,021,899 | 1,052,555 | 1,084,132 | 1,116,656 | 1,150,156 | 1,184,660 | 1,220,200 |
| Marina | 19,531,276 | 4,927,881 | | 2,141,044 | 2,644,999 | 2,923,704 | 3,722,128 | 3,871,922 | 4,058,547 | 4,252,205 | 4,450,324 | 4,583,833 | 4,721,348 | 4,862,989 | 5,008,878 | 5,159,145 | 5,313,919 | 5,473,337 |
| Mountain | 7,249,500 | 2,265,022 | | 584,797 | 779,974 | 954,800 | 1,323,363 | 1,362,921 | 1,412,651 | 1,556,603 | 1,702,481 | 1,753,555 | 1,806,162 | 1,860,347 | 1,916,157 | 1,973,642 | 2,032,851 | 2,093,837 |
| Conference | 20,534,752 | 4,270,123 | | 2,207,510 | 2,779,229 | 3,171,851 | 3,671,652 | 4,133,536 | 4,552,765 | 4,834,991 | 5,231,393 | 5,388,335 | 5,549,985 | 5,716,484 | 5,887,979 | 6,064,618 | 6,246,557 | 6,433,953 |

Inflation: 3%

Hurdle: 15%

Table 2: Economic Impact of the representative facilities and their copies

| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---------|---------|---------|---------|---------|---------|---------|------|------|------|---|------|------|------|------|------|------|
| Project Schedules (number of normalised facilities) | | | | | | | | | | | | | | | | | |
| Seaside | 1.3 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 | | | | | | | |
| Lakeside | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 0.0 | 0.0 | 0.0 | | | | | | | |
| Heritage | 4.0 | 5.0 | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 0.0 | 0.0 | 0.0 | | | | | | | |
| City Centre | 1.6 | 2.4 | 2.4 | 1.6 | 1.6 | 1.6 | 1.6 | 0.0 | 0.0 | 0.0 | | | | | | | |
| Motel | 6.0 | 7.0 | 7.0 | 7.0 | 6.0 | 6.0 | 6.0 | 0.0 | 0.0 | 0.0 | | | | | | | |
| Marina | 2.0 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 | | | | | | | |
| Mountain | 1.3 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 0.0 | 0.0 | 0.0 | | | | | | | |
| Conference | 1.0 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.0 | 0.0 | 0.0 | | | | | | | |
| Project Economic Impact (Gross Output - '000 USD) | | | | | | | | | | | Total Impact Today | | | | | | |
| Seaside | 35,192 | 52,788 | 52,788 | 52,788 | 52,788 | 52,788 | 52,788 | 0 | 0 | 0 | <div><div></div><div>184,631</div><div>161,828</div><div>399,307</div><div>313,305</div><div>168,334</div><div>272,877</div><div>92,433</div><div>180,996</div></div> <div>1774 Mio USD</div> | | | | | | |
| Lakeside | 46,268 | 46,268 | 46,268 | 46,268 | 46,268 | 46,268 | 46,268 | 0 | 0 | 0 | | | | | | | |
| Heritage | 102,676 | 128,345 | 128,345 | 102,676 | 102,676 | 102,676 | 102,676 | 0 | 0 | 0 | | | | | | | |
| City Centre | 73,195 | 109,792 | 109,792 | 73,195 | 73,195 | 73,195 | 73,195 | 0 | 0 | 0 | | | | | | | |
| Motel | 43,610 | 50,879 | 50,879 | 50,879 | 43,610 | 43,610 | 43,610 | 0 | 0 | 0 | | | | | | | |
| Marina | 69,588 | 104,382 | 69,588 | 69,588 | 69,588 | 69,588 | 69,588 | 0 | 0 | 0 | | | | | | | |
| Mountain | 17,618 | 26,428 | 26,428 | 26,428 | 26,428 | 26,428 | 26,428 | 0 | 0 | 0 | | | | | | | |
| Conference | 35,747 | 71,494 | 71,494 | 35,747 | 35,747 | 35,747 | 35,747 | 0 | 0 | 0 | | | | | | | |
| Project Economic Impact (Value Added - '000 USD) | | | | | | | | | | | Total Impact Today | | | | | | |
| Seaside | 19,473 | 29,210 | 29,210 | 29,210 | 29,210 | 29,210 | 29,210 | 0 | 0 | 0 | <div><div></div><div>102,165</div><div>89,034</div><div>223,933</div><div>175,780</div><div>95,168</div><div>153,177</div><div>50,712</div><div>103,972</div></div> <div>994 Mio USD</div> | | | | | | |
| Lakeside | 25,456 | 25,456 | 25,456 | 25,456 | 25,456 | 25,456 | 25,456 | 0 | 0 | 0 | | | | | | | |
| Heritage | 57,581 | 71,976 | 71,976 | 57,581 | 57,581 | 57,581 | 57,581 | 0 | 0 | 0 | | | | | | | |
| City Centre | 41,066 | 61,599 | 61,599 | 41,066 | 41,066 | 41,066 | 41,066 | 0 | 0 | 0 | | | | | | | |
| Motel | 24,655 | 28,764 | 28,764 | 28,764 | 24,655 | 24,655 | 24,655 | 0 | 0 | 0 | | | | | | | |
| Marina | 39,063 | 58,594 | 39,063 | 39,063 | 39,063 | 39,063 | 39,063 | 0 | 0 | 0 | | | | | | | |
| Mountain | 9,666 | 14,499 | 14,499 | 14,499 | 14,499 | 14,499 | 14,499 | 0 | 0 | 0 | | | | | | | |
| Conference | 20,535 | 41,070 | 41,070 | 20,535 | 20,535 | 20,535 | 20,535 | 0 | 0 | 0 | | | | | | | |

Appendix 7: Access and Transportation

A fast, efficient and affordable access and transit infrastructure is probably the greatest single facilitator of tourism development. In this appendix, we analyse the main tourism access routes from abroad and within Poland and explore desirable initiatives to improve access in rail, road, air, and sea transport, on which our recommendations are based.

7.1. Access and Transportation Analysis

For some visitation categories, such as recreational holiday or excursions, accessibility of a given destination is a key decision-making factor. In this appendix we present major tourist routes both in domestic and foreign inbound tourism. We analyse all means of transportation: car, plane, sea ferry, train, coach from the point of view of current and future market size, capacities, level of services and infrastructure.

7.1.1. Main destinations

We identified six major regions based on historical, natural and administrative criteria:

1. North West (NW)
2. North East (NE)
3. Centre West (CW)
4. Centre East (CE)
5. South West (SW)
6. South East (SE)

7.1.2. Main source markets

7.1.2.1. Foreign

| | |
|--|--------------------------|
| 1. Adjacent West (Germany) | 4.0 mln tourist arrivals |
| 2. Adjacent East (CIS, Ukraine, Lithuania) | 7.0 mln |
| 3. Adjacent South | 0.7 mln |
| (Czech Republic / Slovakia | - 0.5 mln |
| Austria | - 0.2 mln) |
| 4. Europe | 1.8 mln |
| 5. Overseas | 0.2 mln |

7.1.2.2. Domestic

| | |
|--------------------------------|-----------------------------------|
| 1. Warsaw / Łódź area | 1.5 mln leaving their home region |
| 2. Upper Silesia (Górny Śląsk) | 1.5 mln |
| 3. Kraków / Bielsko Biała | 0.5 mln |
| 4. Gdańsk area | 0.4 mln |
| 5. Poznań | 0.3 mln |
| 6. Wrocław | 0.3 mln |

7.1.3. Maps of foreign and domestic tourist traffic

(see Figure 1 and Figure 2)

7.1.4. Analysis of major source / destination

We analysed the major tourist routes from the major source market to the major destinations. In order to do this we described the typical itineraries for this source market; we identified the size of traffic flow. To identify the suitability, which we have graded from 0, i.e. not suitable, and 1, i.e. very well suitable, we analysed total travel time, distance, and the appropriateness of cross border points.

7.1.4.1. From: *Adjacent West* to: *Centre East (Warsaw)*

Main visitation category: commercial - 60%

Total tourists per year: 0.4 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|---|--------------------------|---------------|--------------------|-----------------------|-------------|
| Germany (Berlin) to Warsaw, by road E40 | 0.3 | 580 | 7 | Ślubice, Świecko | 0.3 |

¹ Market potential indicates growth expectations in number of tourists from a given source market to a

given destination:

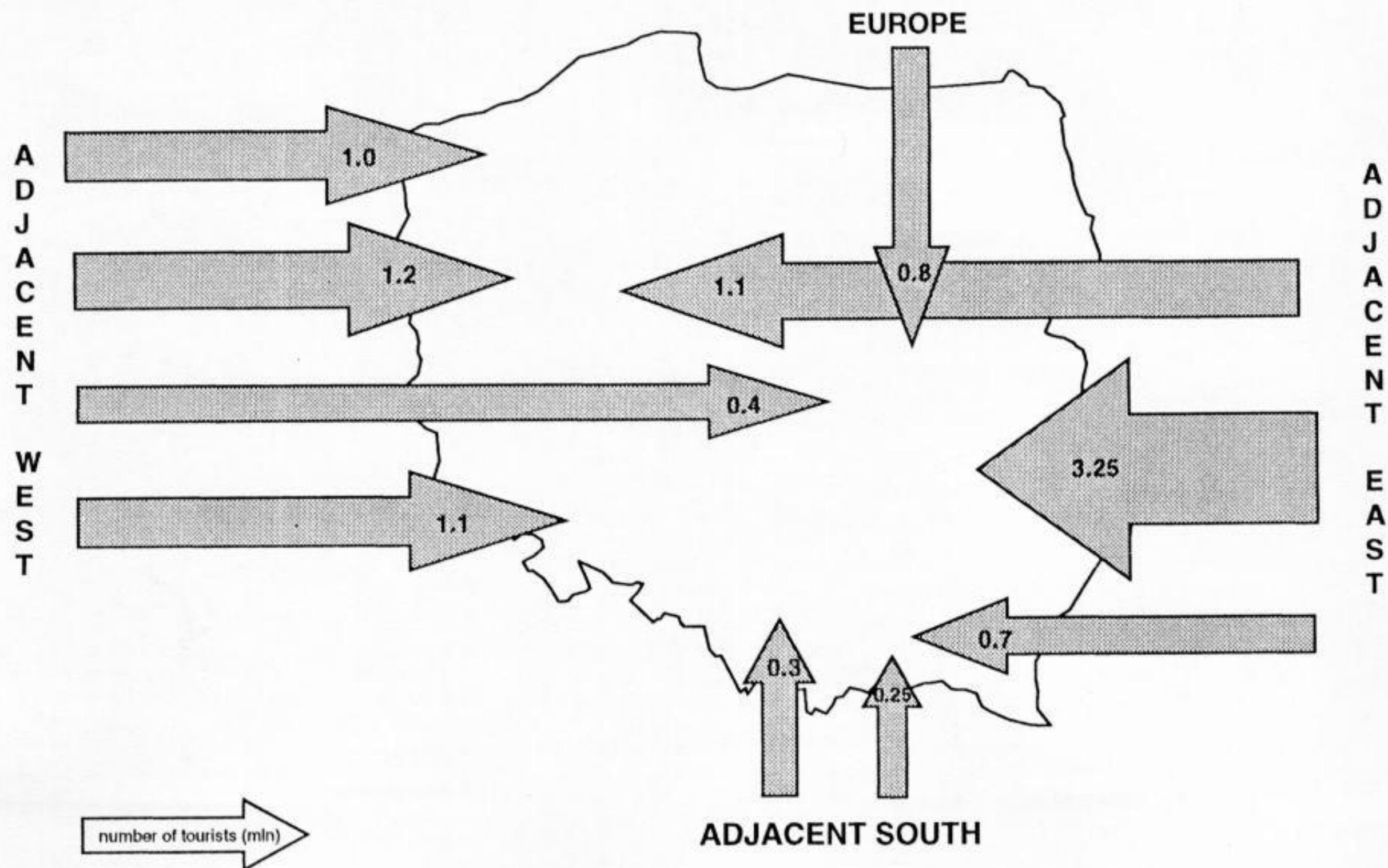


very low potential

very high potential

Figure 1

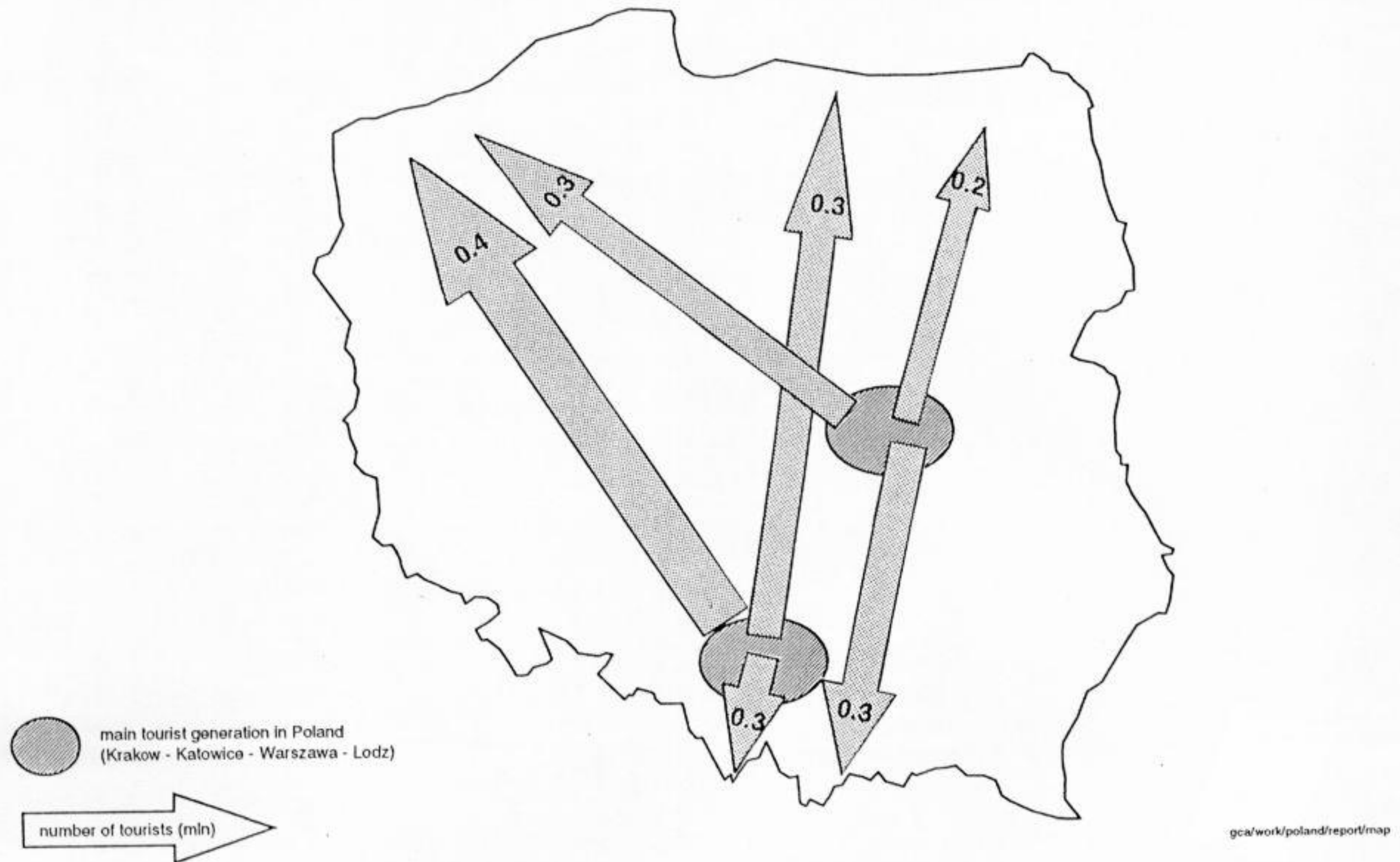
Map of foreign tourist traffic



gca/work/poland/report/map

Figure 2

Map of domestic tourist traffic



7.1.4.2. From: *Adjacent West* to: *North West*

Main visitation category: Sun & beach - 20%

Total tourists per year: 1.0 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|--|--------------------------|---------------|--------------------|-----------------------|-------------|
| Germany to Gdańsk via Gorzów by road 22 | 0.2 | 460 | 6 - 7 | Kostrzyn | 0.3 |
| Germany (Berlin) to Szczecin / Koszalin seaside by road E 28 | 0.6 | 150 - 310 | 2 - 5 | Kołbaskowo | 0.5 |

7.1.4.3. From: *Adjacent West* to: *South West*

Main visitation category: Touring holiday - 32%

Total tourists per year: 1.1 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|---|--------------------------|---------------|--------------------|-----------------------------|-------------|
| Germany (Leipzig, Dresden) to Opole, Wrocław, Górny Śląsk by road E40 | 0.9 | 250 - 580 | 3.5 - 8 | Olszyna, Łęknica, Zgorzelec | 0.5 |

7.1.4.4. From: *Adjacent West* to: *Centre West*

Main visitation category: Transient - 20%
Commercial - 30%

Total tourists per year: 1.2 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|--|--------------------------|---------------|--------------------|-----------------------|-------------|
| Germany (Berlin) to Poznań by road E30 | 1.0 | 280 | 4 - 5 | Słubice, Świecko | 0.5 |

7.1.4.5. From: *Adjacent East* to: *Centre East*

Main visitation category: Commercial - 60%

Total tourists per year: 3.25 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|---|--------------------------|---------------|--------------------|-----------------------|-------------|
| Lithuania to Białystok, road 19 | 0.35 | 250 | no data | Ogrodniki | 0.1 |
| Lithuania (Kaunas) to Warsaw, road 19, 61 | 0.3 | 400 | no data | Trakiszki, Ogrodniki | 0.0 |
| Belorous (Brest) to Warsaw, train | 0.3 | 220 | 3 - 5 | Terespol | 0.2 |
| Russia to Warsaw, train | 0.4 | 500 - 900 | 3 - 5 from Brest | Terespol | 0.2 |

7.1.4.6. From: *Adjacent East* to: *South East*

Main visitation category: Commercial - 60%

Total tourists per year: 0.7 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|------------------------------------|--------------------------|---------------|--------------------|-----------------------|-------------|
| Ukraine (Lvov) to Kraków, road E40 | 0.32 | 360 | no data | Medyka | 0.2 |

7.1.4.7. From: *Adjacent East* to: *Centre West*

Main visitation category: Commercial - 60%

Total tourists per year: 1.1 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|--|--------------------------|---------------|--------------------|-----------------------|-------------|
| Ukraine (Lvov) to Katowice / Wrocław, road E40 | 0.3 | 420 - 600 | no data. | Medyka | 0.1 |

7.1.4.8. From: *Adjacent South* to: *South East*

Main visitation category: Mountain / Snow - 30%

Total tourists per year: 0.25 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|--------------------------------------|--------------------------|---------------|--------------------|-----------------------|-------------|
| Czech Rep./ Slovakia to Kraków, road | 0.22 | 200 - 300 | 3 - 4 | Chyżne, Cieszyn | 0.5 |

7.1.4.9. From: *Adjacent South* to: *South West*

Main visitation category: Mountain / Snow - 30%

Total tourists per year: 0.3 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|--------------------------------------|--------------------------|---------------|--------------------|-----------------------|-------------|
| Czech Republic to Górny Śląsk, road | 0.18 | 200 - 250 | 3 - 3.5 | Cieszyn | 0.5 |
| Prague to Wrocław, road E65/E67, E83 | 0.05 | 280 | 4 | Jakuszyce, Kudowa | 0.5 |

7.1.4.10. From: *Europe* to: *Centre East*

Main visitation category: Commercial - 30%
Touring - 20%

Total tourists per year: 0.8 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|---|--------------------------|---------------|--------------------|-----------------------|-------------|
| Flight to Warsaw from major European cities | 0.3 | 1000 - 2000 | 2 - 3 | Okęcie airport | 0.8 |
| France / Benelux to Warsaw, road E30 | 0.35 | 1300 - 1600 | 18 - 24 | Świecko, Słubice | 0.2 |

7.1.4.11. From: *Europe (Scandinavia)* to: *North West*

Main visitation category: City tours - 35%
Touring - 20%

Total tourists per year: 0.2 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Border crossing point | Suitability |
|---|--------------------------|---------------|--------------------|-----------------------|-------------|
| Copenhagen / Ystad to Świnoujście by ferry | 0.1 | | 7 - 10 | Świnoujście | 0.8 |
| Karlskrona / Oxelosund / Helsinki to Gdynia / Gdańsk by ferry | 0.05 | | 10 - 35 | Gdynia, Gdańsk | 0.8 |

7.1.4.12. From: Centre East to: North West

Main visitation category: Sun & beach - 50%

Total tourists per year: 0.3 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Suitability |
|---------------------------|--------------------------------|------------------|-----------------------|-------------|
| Warsaw to Koszalin, road | 0.06 | 450 | 6.5 | 0.4 |
| Warsaw to Gdańsk, road | 0.06 | 370 | 4.5 | 0.6 |
| Warsaw to Koszalin, train | 0.03 | 450 | 6 | 0.6 |
| Warsaw to Gdańsk, train | 0.03 | 350 | 3.5 | 0.7 |
| Łódź to Koszalin, road | 0.025 | 400 | 6 | 0.4 |
| Łódź to Koszalin, train | 0.025 | 550 | 8 | 0.2 |

7.1.4.13. From: Centre East to: South East

Main visitation category: Mountain, Snow - 70%

Total tourists per year: 0.3 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Suitability |
|---------------------------|--------------------------------|------------------|-----------------------|-------------|
| Warsaw to Zakopane, train | 0.15 | 400 | 6 - 11 | 0.9 |

7.1.4.14. From: *South West* to: *North West*

Main visitation category: Sun & beach - 63%

Total tourists per year: 0.4 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Suitability |
|---|--------------------------------|------------------|-----------------------|-------------|
| Górny Śląsk to Szczecin / Świnoujście, road | 0.09 | 630 | 9 | 0.2 |
| Górny Śląsk to Szczecin / Świnoujście, train | 0.05 | 600 | 8.5 / 11 | 0.5 |
| Górny Śląsk to Koszalin, train | 0.04 | 600 | 12 | 0.5 |
| Górny Śląsk to Koszalin, road | 0.06 | 610 | 9 | 0.2 |
| Górny Śląsk to Gdańsk, road | 0.06 | 520 | 8 | 0.3 |
| Górny Śląsk to Gdańsk , train | 0.04 | 500 | 8 | |
| Dolny Śląsk to Szczecin / Świnoujście, road | 0.08 | 450 | 6.5 | 0.6 |

7.1.4.15. From: South West to: South East

Main visitation category: Mountain / Snow - 75%

Total tourists per year: 0.35 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Suitability |
|------------------------------|--------------------------|---------------|--------------------|-------------|
| Górny Śląsk to Beskidy, road | 0.25 | 100 | 1 - 2 | 0.9 |

7.1.4.16. From: South West to: North East

Main visitation category: Lakes - 80%

Total tourists per year: 0.3 mln

Market potential:



| Typical itineraries | Number of tourists (mln) | Distance (km) | Total time (hours) | Suitability |
|-------------------------------|--------------------------|---------------|--------------------|-------------|
| Górny Śląsk to Mazury, road | 0.15 | 580 | 8.5 | 0.3 |
| Górny Śląsk to Olsztyn, train | 0.1 | 500 | 9 | 0.6 |

7.1.5. Twenty key tourist access routes

7.1.5.1. Germany (Berlin) - Poznań, road E30 1.0 mln tourists per year

| | |
|----------------------------------|----------|
| 7.5.1a Germany (Berlin) - Warsaw | 0.3 mln |
| 7.5.1b France / Benelux - Warsaw | 0.35 mln |

Strong points

- Many filling stations and motels
- Good road signalisation

Weak points

- Border crossing points capacity too small
- Single roadway only
- Poor quality restaurants and motels

7.1.5.2. Germany - South West, roads E40, E36 1.9 mln. tourists per year

Strong points

- Good main road
- Well developed small road network suitable for touring holidays

Weak points

- Tourist attractions not valorised
- No thematic circuits
- Few guarded parking sites at hiking starting points
- Small border crossing points capacity

7.1.5.3. Germany (Berlin)-Szczecin / Koszalin, 0.6 mln tourists per year

road E28

Strong points

- Good motorway system bypassing Szczecin

Weak points

- No highway along the coast
- No information / reservation points on the road

7.1.5.4. Germany (Berlin)-Gorzów Wlkp., 0.2 mln tourists per year

Gdańsk, road 22

Strong points

- Good border crossing point in Kostrzyn
- Stopover potential in attractive areas

Weak points

- Few 24-hour filling stations
- Very slow
- Lacks accommodation facilities / motels

7.1.5.5. Russia (Moscow) - Warsaw, train route 0.4 mln tourists per year

7.5.5a Belorussian (Minsk) - Warsaw, train route 0.3 mln

Strong points

- Relative regularity
- Good schedule

Weak points

- Poor standard of services
- Lack of commercial tourism-related facilities

7.1.5.6. Lithuania - Białystok, road 19 0.35 mln tourists per year

7.5.6a Lithuania - Warsaw road 19/61/63 0.3 mln

Strong points

- Lot of commercial activity along the road

Weak points

- Huge queues on the border
- Road capacity too small
- Lack of budget accommodation

7.1.5.7. Ukraine - South East (Kraków), road E40 0.32 mln tourists per year

7.5.7a Ukraine - South West (Górny Śląsk) 0.38 mln

Strong points

- Good motor way Kraków - Katowice

Weak points

- Kraków bypass unfinished
- Border crossing point capacity

7.1.5.8. Czech Republic - G.Śląsk, Kraków, 0.26 mln tourists per year

road E75, E462

Strong points

- Good border crossing point in Cieszyn
- Very good double roadway (E75)

Weak points

- Road still unfinished in some places
- Lack of good quality accommodation possibilities
- Few restaurants

7.1.5.9. Prague - Dolny Śląsk, road E65, E67 0.05 mln tourists per year

Strong points

- Good level of facilities

Weak points

- Heavy traffic through a protected area
- Lack of tourist circuits and information points

7.1.5.10. Slovak Republic - Kraków, road E77 0.15 mln tourists per year

Strong points

- Possibility of using Chochołów border crossing point to visit the Tatras

Weak points

- Poor coach network from Chyżne and Łysa Polana

7.1.5.11. Europe - Warsaw, flight to Okęcie airport 0.3 mln tourists per year

Strong points

- Good airport and other facilities
- Proximity to town centre

Weak points

- High air ticket prices
- No tourist information / hotel reservation point at the airport

7.1.5.12. Europe (Scandinavia) - Świnoujście, ferry 0.1 mln tourists per year

Strong points

- Good service on the ferries

Weak points

- Few distribution and reservation agents
- Frequent lines and schedule changes
- Ferry terminals need upgrading

7.1.5.13. Górny Śląsk - Beskidy, road E75 0.2 mln tourists per year

Strong points

- Ease of exit from Katowice area
- Frequent coach (PKS) connections

Weak points

- Parking capacity in most popular sites
- No bypass through Bielsko Biała

7.1.5.14. Górny Śląsk - North East (Olsztyn), 0.1 mln tourists per year

train route

Strong points

- Overnight trains

Weak points

- No bicycle rental or train&bike possibilities
- Slow
- Few trains
- Poor coach network in Mazury

7.1.5.15. Górny Śląsk - North East (Olsztyn), 0.06 mln tourists per year

road E75/E65/E77

Strong points

- Relatively fast despite distance

Weak points

- No bypass through Warsaw
- Facilities need upgrading

7.1.5.16. Górny Śląsk - North West 0.1 mln tourists per year

(Szczecin seaside), road 43/3

Strong points

Weak points

- Goes through attractive areas
- Lack of infrastructure: motels, 24 hour filling stations, restaurants
- Slow and long

7.1.5.17. Górny Śląsk - North West

0.05 mln tourists per year

(Szczecin seaside), train route

Strong points

- Overnight trains

Weak points

- No intercity fast trains

7.1.5.18. Warsaw - Zakopane, train route 0.15 mln tourists per year

Strong points

- Good schedule
- Good standard
- Good and cheap minibus service in Zakopane

Weak points

- Too slow - 3 hours from Kraków to Zakopane (100 km)
- Small couchette capacity during peak periods
- No Friday afternoon train

7.1.5.19. Warsaw - Koszalin, train route 0.04 mln tourists per year

Strong points

- Relatively comfortable compared to road

Weak points

- Only one express train a day

7.1.5.20. Dolny Śląsk - Szczecin seaside 0.08 mln tourists per year

road E65

Strong points

- Reasonable traffic

Weak points

- Passes through town centres
- Few 24-hour filling stations

7.1.6. Regional and domestic air transport

Three regional airports are considered important for tourist traffic and access to tourist destinations: Poznań, Gdańsk and Kraków.

7.1.6.1. Poznań

Three destinations are served from Poznań: Dusseldorf (2 flights per week²), Szczecin (daily) and Warsaw (daily). All routes are operated by LOT. In 1993, 50,000 passengers arrived in Poznań; 93% were travelling on business. Trade fairs are big generators of arrivals. Every year 20 trade fairs take place in Poznań. The most important are the Spring Consumer Goods Fair (June), Polagra (September) and Autumn Investment Goods Fair. The three events generate nearly 5,000 arrivals from Germany (Dusseldorf and Berlin). Leisure tourism arrivals are insignificant.

7.1.6.2. Gdańsk

Gdańsk has direct connections with Copenhagen (daily, SAS operated), Hamburg (daily, LOT), London (weekly, LOT) and Warsaw (4 flights per day, LOT). LOT carried 69,000 passengers to Gdańsk in 1993, of which 7,000 are estimated to be foreign leisure tourism arrivals. SAS carries 12,000 passengers on this route, 6,000 of which are tourists.

7.1.6.3. Kraków

Recently modernised, Balice is Poland's biggest regional airport with 100,000 passengers in 1993. Airport capacity is 300,000 passengers. LOT is the only operator and connects with: Koln (3 flights per week), Frankfurt (4 flights per week), London (4 flights per week), Paris (2 flights per week), Rome (2 flights per week) and Warsaw (3 flights per week). Although the majority of passengers are Polish outbound tourists, the number of foreign income tourists is estimated at 14,000.

Sources: Arthur D. Little domestic survey
Instytut Turystyki
GUS
Airline and airport authorities interviews
ADL estimates

7.2. Upgrading the transportation infrastructure

In this section, we explore initiatives in rail, road, air, and sea transport. (We are indebted to Professor Rydzkowski for his contribution to this section of the report.)

² Flight frequencies may vary according to the period of the year. Summer frequencies are listed above.

7.2.1. Rail transport investment

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.

In the long term it will be necessary to create infrastructure meeting international requirements stipulated in the AGC Agreement signed by Poland. For convenience, we summarise the provisions of the AGC Agreement (see Figure 3). The AGC Agreement covers the following rail lines in Poland :

- E-20 - Kunowice - Poznań - Warszawa - Terespol;
- E-30 - Zgorzelec - Wrocław - Katowice - Kraków - Przemyśl - Medyka;
- E-59 - Świnoujście - Szczecin - Poznań - Wrocław - Opole - Chałupki;
- E-65 - Gdynia - Gdańsk - Warszawa - Katowice - Zebrzydowice.

Due to the needs of the international transport market, Poland's current rail system should be supplemented by the upgrading of two other lines :

- Zgorzelec (or Miedzylesie) - Wrocław - Bełchatów - Piotrków Trybunalski - Warszawa - Białystok - Kuźnica Białostocka (to serve the Rome - Vienna - Warsaw - St. Petersburg route);
- Kraków - Piekiełko - Muszyna (to serve international passenger carriages on the Kraków - South of Europe route).

After modernisation, these lines should be suitable for passenger train speeds of 160 kph and freight train speeds of 100 kph with an axle load of 22.5 tons. The lines will need to be fitted with automatic signalling, information systems, as well as proper maintenance and service bases.

The modernisation will need to cover 2,730 km of track (the AGC network in Poland is 4,900 km in length).

We believe that the E-20 line (Berlin - Poznań - Warszawa - 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, as well as freight carriage of 24-25 million tons per year. The cost of modernisation is estimated at 47,000 - 48,000 billion PLZ. (There are also longer term plans to build high-speed railways for passenger traffic - see Figure 4)

Another priority is the E-65 line, which connects Scandinavian countries with the south of Europe.

A part of the CMK (Centralna Magistrala Kolejowa - Central Truckline), Śląsk-Warszawa, built in the 1970s on the north-south route, might serve trains travelling at

250 kph (at present, maximum speed on the line is 160 kph). Modernisation of the CMK, aimed at raising the allowed speed to 200-250 kph, together with the modernisation of Warszawa - Gdańsk - Gdynia line could solve current transportation problems in the network linking Gdańsk, Warszawa, Katowice, and Kraków.

The following system of high-speed rail lines is planned to be completed by 2020 :

- Katowice - Warszawa - Gdańsk (CMK), V max - 250-300 kph;
- Kunowice - Poznań - Łódź - Warszawa - Terespol, V max - 250-300 kph;
- Wrocław - Łódź, V max - 250-300 kph.

7.2.2. Road construction and upgrading

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 (see Figure 5) :

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

One hundred forty kilometres of these highways have already been built and must now be modified for toll collection. In accordance with the Bill on Public Roads of 28 April 1993, tolls will be charged for the use of highways. Two hundred kilometres of one- and two-roadway sections require modernisation. The estimated cost of this venture in 1994 prices (\$ = zł 22,500) is about 110 billion PLZ.

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 km² complex could serve tourist traffic of 7 million people per year.

Other highways planned are :

- A3 (Szczecin - Gorzów - Zielona Góra - Legnica - Lubawka); and
- A8 (Wrocław - Łódź).

It has been stipulated in Poland's economic adjustment programme with international agencies that roads of international importance should comply with European standards (maximum axle load of 100kN, bituminous shoulders and additional lanes on hills, ring road, two-level crossings with rail roads, double roadways, etc.).

The programme of adjusting Polish roads to EU standards covers eight road sections of a total length of 3,040 km, as compared to the 4,864 km of international roads in Poland. The programme also provides for adjustment of 867 km of international roads to the requirements of the AGR Agreement. The implementation of the project is to be spread over the years 1993-2005, and total cost amounts to 100,000 billion PLZ.

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.

7.2.3. Upgrading of border crossings

Modernisation of access roads to border crossings, as well as border crossing stations themselves, will be another priority investment (see Figure 6).

Passenger cross-border traffic is currently concentrated at a small number of border crossings. Ninety percent of the traffic is in :

- Five border crossings on the eastern border (Królewiec, Kowno, St. Petersburg, Moscow, Kiev);
- Three groups of border crossings on the southern border (Slovakia, Moravian Gate, Czech-Sudetic);
- Three groups of border crossings on the western border (Mecklenburg-Vorpommern, Brandenburg, Sachsen);
- Two groups of border crossings on the sea border (Gdańsk and Szczecin);
- One air traffic border crossing (Warszawa).

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.

7.2.4. Development of air transport

Creating a network of modern, efficient airports will 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 (Warszawa, 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).

We believe that the modernisation of the airports in Gdańsk, Kraków, Wrocław and Poznań should be priority investments. The modernisation should cover air traffic control and security (electric and energy supply systems, navigation lighting, control and monitoring systems, installation of new radars).

The geographic distribution of airports in Poland is imbalanced. There are no airports in the eastern part of the country, which is attractive as a tourist and recreational region (Olsztyn, Białystok), or in the centres of mountain tourism (the Tatry and Karkonosze Mountains). Building new airports in these regions would contribute to the development of local tourism. However, because of central budget limitations, these investments would probably have to be financed by private and/or, foreign capital, as well as by local government administrations.

Taking into account the needs of tourism, these investments should take precedence over the programme of adapting existing air force airports to civilian usage. The location of such airports in most cases will not meet the needs of either home or international tourist traffic.

7.2.5. Development of inland waterways

Inland water transport may also turn out to be of great importance in the development of tourism, owing, for example, to the historic and scenic character of some sections of waterways (slipways on the Ostróda-Elbląg route and the Kanał Augustowski), as well as to the exceptional natural attractions on some routes (the Hel-Tricity route, Mazurian Lakes). A very high level of infrastructure degradation endangers these routes. Investments focused on modernisation of passenger landing stages (first on the Hel Peninsula) and conservation works on waterways should be priorities, since they are indispensable to safe navigation and could contribute to tourism development.

7.2.6. Financial constraints and opportunities

Financial limitations are a significant barrier to the development of transport infrastructure. At present, the problems lie in :

- Ensuring sufficient allocations from the central budget;
- Finding investment sources of international scale;
- Encouraging the participation of private capital in different branches of transport.

The development of infrastructure is one of the basic forms of state intervention in transportation. Maintaining its influence on the form and quality of the infrastructure requires that the state also accept financial responsibility for the infrastructure, or, at least, make significant financial contributions from the central budget.

The role of private capital and foreign aid in financing investments of international importance appears to be critical. Private capital may be used in financing such ventures as highway or inland waterway construction.

Funds for financing highways may also come from loans made by international banks of development, Polish, and foreign commercial banks; stocks and bonds issues on the domestic and international markets; capital contributions made by Polish and foreign partners; as well as revenue from licensing.

We recommend that the Government consult with international aid agencies, the Commission of the EU, bilateral aid agencies and investment banks, as well as with government of adjoining countries, to develop a financing strategy including all potential sources of funding.

Appendix 8 : Destination Information and Reservation Systems

This appendix transcribes the highlights of a presentation on Destination Information and Reservation Systems.

There are three levels of destination management and reservation systems

- A "national" reservations system with full transaction capabilities (airline, hotel, rental car, etc.)
- An information-only system (no reservation or transaction capabilities)
- A system which provides destination information and transaction and management capabilities for hotels and other tourist accommodations which do not have the volume or the resources to develop or purchase their own

A "national" reservation system is probably not necessary for Poland

- Tourist boards are not the logical developers of such a system, except in small countries with emerging tourist economies and very limited private sectors
- The airline-controlled global distribution systems (GDS) are providing automation capabilities for air lines and hotel chains
- However, tourist boards may have a role to play in ensuring that their destination information appears on the GDS (new WTO initiative to be developed in 1994)

Information-only systems are useful but do not support the local tourism industry

- Many are simply sophisticated--and expensive brochures and maps (kiosks; touch-screen computers, etc.)
- While support and funding can generally be found for initial development, updating and refreshing information is left up to the initiative (and the resources) of the tourist board itself. As a result, many such systems are outdated, some require constant attention, and some are abandoned
- It is hard to measure the effect of such systems on tourism quality

Austria needed a system to help it improve overseas marketing and support small to medium-sized hotels

- Growing visitation, but mostly to "known" destinations and hotels (Vienna, Salzburg, ski-resorts)
- Low penetration of mid-to long-distance origin markets
- Increasing dominance of large tour operators in packaging product and using "tour" hotels

Austria On-Line was developed to meet these needs

- A co-operative venture of IBM, Austrian Airlines, the Austrian Travel Bureau, and the Austrian Tourist Board
- Developed to give small-to mid-sized hotels a reservation, management, and distribution system
- Also designed to give travel agencies knowledge about Austria's regions, and convenient and easy booking capabilities

Austria On-Line is operated and maintained by the Austrian Travel Bureau

- Over 400 hotels are listed in brochure distributed world-wide
- Austria On-Line maintains its own reservation offices in Italy, US, UK, and Australia; uses Austrian Airlines and Lauda Air offices in other cities. All offices have terminals connected to Vienna
- Agents call nearest office and are given availability and confirmation; at payment, they deduct their commission
- System itself is operated by a third-party vendor in Amsterdam; in Vienna there are c. 15-16 people
 - 5 for central reservations
 - 8 for billing and accounting
 - 3 for system maintenance (data base update)
- Hotels use PC or fax to communicate with Vienna

Three key decisions were taken early in the system's development

- IBM took it on as a "strategic project", greatly reducing development time and cost
- The OeVB did considerable research on travel patterns and willingness to pay. Hotels were extensively consulted about their needs, which led to decision to include billing and payment system
- From the beginning, the data model was designed for maximum flexibility, allowing for features to be added in the future at reasonable cost

Early buy in, features, and ease-of-use were all essential to convince hoteliers to use system and keep information updated

Its hotel customers are very satisfied

- Biggest benefit to hotels is the billing and vouchersing system
 - saves time
 - guarantees payment and eliminates risk of late payment, credit cards, etc.
 - commission already deducted
- The fee -- 20 AS (US\$ 1.70) -- is in line with those charged by the GDS or UTELL, but Austria On-Line provides better service
- Hotels in Prague, Budapest, and Bavaria are now on the system; operators want to expand coverage to more of Germany and Italy
- Interface to Galileo will help increase access to system
- Small agencies and specialist tour operators can do their own packaging using brochure and system
- Hotels pay only per reservation made and for "feature" listing in brochure

Now that the system is up and running, there are plans to expand

- PCs need updating but system is working well
- GDS interface will be very important from marketing standpoint, but may cause pricing problems
- They want to establish operating subsidiary to run overseas offices
- Due to success of a contract operation in Switzerland, Austria On-Line is looking to expand to other destinations

There are several important questions which need to be asked early in the process

- Is the hotel industry fragmented -- many small properties of differing standards in non-urban locations?
- Do we need to help our hotels maintain and build their revenues and therefore, their quality?
- Are there already cost-effective ways for hotels to
 - penetrate and package themselves in overseas markets?
 - easily accept bookings from travel agencies?
 - own and operate a billing or management system?
- Is there a potential partner or operator:
 - airline?
 - hardware/software company?
 - other?

Appendix 9: Telecommunications and tourism-related technologies

As requested in the Terms of Reference, capacity, adequacy and developments in the following areas are presented in this Appendix:

- Computer reservation and distribution systems;
- Telecommunication systems;
- Tourist information system in Poland;
- Flow of economic information within the tourism industry and other related organisations;
- Emergency communication systems;
- Postal and banking services for tourists.

9.1 Computer reservation and distribution systems

Underdevelopment of the telecommunications infrastructure in Poland is the major obstacle to establishing a computer reservations system in transport and tourism. In Poland, only LOT and its agents are connected to GETS, an international reservation system. The agreement between LOT and American Airlines (signed in May 1994) may cause LOT to change to the SABRE system.

Polish Railways has several local networks (in the larger cities) to reserve places on trains, but a homogenous system covering the whole country doesn't yet exist. Now, a central reservation system based on System KURS 90 (purchased in Germany) is being installed by Polish Railways.

The largest Polish tour operator, ORBIS, recently installed a few terminals connected to START AMADEUS.

In the SSTA programme "Tourism Industry Development in Poland until 1997", it was established that a telecommunication systems for tourism agencies based on European standards is necessary. This system should make access possible, by terminal installed at the tourism agency, to the:

- Computer reservation and distribution systems of tourist services sold by national tour operators and other producers;
- National system of hotel reservation;
- Central reservation system of Polish Railways;
- Central reservation system of Polish Airways LOT;
- Central tourist information system;
- Network of international computer reservation systems.

The total cost of this project is estimated at 30 million ECU. This project will be realised partly through the Tourin II Program.

9.2 Telecommunications systems

According to plans prepared by the Ministry of Communication for the development of telecommunications in Poland, the number of telephone subscribers in 1995 will grow from 12 to 15 per 100 persons and to 25-27 per 100 in 2000. In 2000, the number of subscribers will be 10 million. To achieve this level of development an investment of 6-9 billion US \$ will be necessary.

The state of telecommunications today expressed in figures is:

Number of telephone subscribers in Poland ['000s]

| Regional districts | 1990 | 1991 | 1992 | 1993 |
|---------------------------|---------------|---------------|---------------|---------------|
| Gdańsk | 367.2 | 412.4 | 477.1 | 518.6 |
| Katowice | 421.3 | 449.7 | 493.1 | 574.7 |
| Kraków | 321.0 | 357.8 | 397.9 | 424.6 |
| Lublin | 333.3 | 370.2 | 409.3 | 450.1 |
| Łódź | 268.8 | 289.3 | 317.1 | 353.9 |
| Olsztyn | 188.9 | 205.5 | 229.8 | 268.9 |
| Poznań | 355.4 | 389.1 | 430.8 | 493.0 |
| Szczecin | 203.1 | 217.2 | 236.6 | 264.7 |
| Warsaw | 572.6 | 599.4 | 647.0 | 736.9 |
| Wrocław | 261.5 | 274.8 | 289.4 | 333.9 |
| Total | 3293.0 | 3565.3 | 3938.1 | 4419.5 |

Source: Special report of *Businessman* magazine

Basic data on Polish telephony

| Specification | 1991 | 1992 | 1993 |
|---|-------------|-------------|-------------|
| Number of subscribers ('000s) | 3565.3 | 3938.1 | 4419.5 |
| Number of subscribers/100 persons | 9.33 | 10.25 | 11.51 |
| Number of telephone centrals of which: | 6226 | 6300 | 6300 |
| - automatic | 3947 | 4248 | 4300 |
| - manual | 2279 | 2052 | 2000 |
| Number of international calls during a year ('000s) | 12523 | 36462 | 36000 |
| Number of trunk calls during a year (mln) | 1661.6 | 1882.8 | 1858.1 |
| Number of telex subscribers ('000s) | 40 | 38 | 36 |

Source: Special report of *Businessman* magazine

Telecommunications systems are vital to development of the Polish economy. In the time of state control, telecommunications was neglected; consequences are still being felt. The COCOM embargo, which deprived Poland of modern telecommunications technology, also had a negative impact.

A program to develop telecommunications in Poland has been operating since 1990. It rebuilds the telecommunications network from the top down, by establishing a modern system of international and intercity connections.

KOMERTEL, an international telephone central for business purposes, was built and installed in a short timeframe in co-operation with AT&T.

Recently, three automatic digital international centrals for the public telephone network started operations in:

- Warsaw: 5ESS, produced by AT&T; capacity, 22,000 international connections;
- Katowice: EWSD, produced by SIEMENS; capacity, 1,500 international connections;
- Poznań: E10B; capacity, 1,500 international connections.

It is possible now in Poland to connect with 228 countries (with 108, automatically); digital trans-European fibre optic (PTM) links were installed in 1991 :

- North-South (NSL): Copenhagen-Koszalin-Warsaw-Katowice-Ostrava;
- East-West (TEL): Frankfurt/Main-Dresden-Wrocław-Warsaw with branches to Prague and Vienna, respectively, with prolongation through Minsk to Moscow and to Kiev towards Baltic countries.

In 1993, Poland became a member of INTELSAT. Stations of this system ensure communications with the whole world. Two such stations have been installed at the Centre of Satellite Telecommunications in Psary; in 1991, the transmission channels were digitalised in Psary.

Besides the development of telephone communications, there has been rapid growth in other telecommunications services, including cellular telecommunications; pager systems; and radio telecommunications.

The most important credit lines for the development of telecommunications in Poland are:

- European Bank for Reconstruction and Development - 240 mln USD;
- World Bank and European Investment Bank - 204 mln USD;
- International Financial Corporation - 100 mln USD;
- ALCATEL-SESA - 100 mln USD;
- AT&T - 106 mln USD;
- ALCATEL CIT - 64.5 mln USD;
- Spain (government credit) - 58.9 mln USD;
- Korea (government credit) - 50 mln USD;
- SIEMENS - 50 mln USD.

9.3 Tourist information system in Poland

There are several tourist information providers in Poland. The Polish Agency of Tourism Promotion (PAPT) is the largest, with 13 regional branches and 18 voivod tourist information centres. There are 36 other tourist information offices exist (14 are on voivod level and 22 are on local (town, community) level. These offices report to voivod authorities, local government, or are run by private enterprises.

Tourist information centres or offices do not exist, however, in many regions of Poland. A few years ago, every voivodship had tourist information centres, but many of them were closed due to lack of money, skilled personnel, or interest of local authorities.

There are no tourist information offices in 17 voivodships -- Biała Podlaska, Białystok, Ciechanów, Kalisz, Kielce, Konin, Krosno, Leszno, Ostrołęka, Piotrków Trybunalski, Piła, Radom, Rzeszów, Tarnów, Tarnobrzeg, Skierniewice, Włocławek.

A new organisation was set up in May 1994, the "National Agreement of Tourist Information", to consolidate the activities of 45 institutions active in tourism information.

Tourist information centres have started to use the computer database INFOTUR prepared by PAPT. INFOTUR is prepared on two levels, and will be updated twice a year :

- National: includes information about accommodations (possibilities of reservation), offers of tourist agencies, and general data;
- Regional: informs about catering (e.g. addresses of restaurants), services, gas stations, list of attractions and other useful data for tourists.

9.4 Flow of economic information within the tourism industry and related organisations

9.4.1 Economic information

The tourism industry is a part of the national economy, and the main source of information is the Central Statistical Office (CSO). These statistics follow the requirements of the 1993 System of National Accounts and are the basis for comparing economic statistics.

The growing co-operation between Poland and economically developed countries, notably, Member States of the European Community, requires an adjustment of the Polish statistics model to world standards. The implementation of Polish statistics based on NACE (European Classification of Activities) is of essential importance in the process of adjustment.

The Polish version of NACE, or EKD (Europejska Klasyfikacja Działalności), replaced KGN, the former classification system for the national economy, in January 1994. The EKD is a subjective classification and a systemised aggregation of all socio-economic activities. The kind of activity carried out by the given unit of the national economy is a base for classification: According to EKD, tourist activities are included in Section 55, "Hotels and restaurants", and in Group 63.3, "Activities of travel agencies and tour operators"; tourist assistance activities are not classified elsewhere.

The process of adjustment of Polish economic statistics started in 1990 with statistical surveys of economic units regardless of their form of ownership (public and private sector). At present, each enterprise is a basic reporting and analytical unit in the national accounts. From those units, CSO collects a full scope of information on their financial position.

The frequency and level of detail of the survey depend on the size of the enterprise and the form of business accounting (full or simplified), regardless of the sector of ownership in which the enterprise is classified. Data on units employing five or fewer persons were collected for years by sampling and for a selected month (usually September). To improve the quality of responses, questionnaires have been collected since 1993 for nine months or for a whole year, depending on the type of activity.

For enterprises employing over five persons, a full survey is carried out twice a year (a detailed questionnaire is sent to those enterprises with full business accounting, and a simplified one is sent to the other enterprises). Annual questionnaires are supplemented with information from balance sheets of all enterprises using a full business accounting system. Enterprises employing over 20 or 50 persons (the limit depends on the kind of activity) are surveyed on a monthly basis.

Besides the above mentioned surveys, which mainly describe the results of an enterprise's economic activity, investment activity is observed on a quarterly basis, and fixed assets in the national economy are observed annually.

Comprehensive surveys on employment, wages, salaries, and prices are conducted and information is derived from customs statistics.

Economic information is published in the CSO yearbook, bulletins, and other publications. It is also possible to order CSO data according to EKD classifications.

9.4.2 Frontier statistics

The basic source of information on tourist traffic at frontiers is monthly reports prepared by the CSO on the basis of information obtained from the Border Guard Command. This information contains the number of arrivals by nationality, purpose of visit, and the total number of trips abroad by Polish citizens. The number of same-day visitors is estimated by Institute of Tourism on the basis of frontier sample surveys.

The Institute of Tourism conducts regular frontier surveys six times a year (every two months) based on random samples to understand:

- Foreign tourists' and same-day visitors' expenditures during a stay in Poland; expenditures are reported by temporary households (groups of people spending money together);
- Aims, motives and forms of arrival of foreign tourists to Poland who spent at least one night in Poland;
- Aims, motives, forms and directions of departures of Polish tourists.

Types of information collected in frontier surveys

| Inbound tourism: | Outbound tourism: |
|--|---|
| <ul style="list-style-type: none">- country of residence- duration of stay- purpose of visit- accommodation used- mode of transport- expenditures during stay | <ul style="list-style-type: none">- main destinations- duration of stay abroad- purpose of travel abroad- mode of transport- accommodation used |

Visitors' expenditures in Poland provide estimates of international tourist receipts in Poland according to WTO guidelines. This data is especially useful since exchange control doesn't exist in Poland.

Once a year the CSO carries out a survey of tourist accommodation establishments and occupancy. This survey provides information on:

- Number of rooms and beds in different kinds of accommodation;
- Number of arrivals and nights spent, with a distinction between domestic and foreign tourists (information by nationality is not available);
- Seasonality of arrivals;
- Occupancy rate.

Results of this survey are published by the CSO in the tourism statistics yearbook, "Tourism and Recreation".

9.4.3 Household budget surveys

The household budget survey is a cyclic survey conducted by the CSO using a sampling method that enables extrapolation, with minimal error, to households throughout the country. This survey produces information on income and expenditures of households in Poland. Data on expenditures cover the value of commodities and services for household consumption, including expenditures for tourism.

9.5 Emergency communications system

Poland does not have a homogenous road rescue system. One of the fundamental obstacles to creating this system has been the underdeveloped telecommunications network.

One task of the Tourin II programme is to develop the national system of road rescue. At present, local road emergency services exist, mostly in co-operation with the Automobile and Motor Cycle Federation (PZMot). PZMot is affiliated with 145 sport and tourist clubs, motorcycle clubs and sections, speedway and carting organisations.

PZMot's main objectives are:

- Promotion of knowledge about road transport usage;
- Co-operation with appropriate bodies of the State Administration, including training, to improve traffic safety;
- Expansion of amateur and professional motor sports;
- Development of motor tourism both in Poland and abroad;
- Protection of the interests of car and motorcycle users.

PZMot has already concluded international agreements on the provision of road assistance. The Federation co-operates with international Automobile Federations.

Seventeen local units of the Federation operate as Regional Comities.

In addition, 17 economic units of the Motor Tourism Office Section dealing with spare parts service and holding companies operate within the framework of PZMot.

9.6 Postal and banking services for tourists

9.6.1 Exchange services

Since 1990, the PLZ has been convertible, and there are no problems with exchange services. Many exchange offices exist across Poland, in towns and even villages. Only a few of these exchange offices are affiliated with banks.

The rate of exchange in exchange offices is close to the official rate published by the National Bank. Polish banks do not provide automatic exchange services.

9.6.2 Credit cards

Credit cards are accepted in most of the hotels, tourist agencies and rent-a-car services. Some shops and restaurants in bigger towns also accept them. This form of payment is growing more popular among Polish citizens because many banks offer advantageous conditions.

Appendix 10: Economic impact methodology

Arthur D. Little has developed a methodology to calculate total economic impact. It was originally designed to estimate the economic impact of airports, and it can be modified for use with all kinds of infrastructure and planning projects, including tourism.

The methodology quantifies positive economic impacts through industry-specific regional micro modelling. It utilises both input-output and multiplier concepts. It distinguishes between direct and indirect economic impacts, as opposed to the traditional split among direct, indirect and induced impacts.

The first step in applying the Economic Impact Model is a detailed specification of the direct costs of development and operation of the project. Then the model assesses the industry-specific impact by estimating the industry-specific demands, which are derived from project expenditures on construction and operation (second-round impact). The model then estimates the aggregate indirect impacts from the direct and second-round impacts through a multiplier. The last step is to derive the total economic impact by adding the direct and indirect economic impacts.

Application to Polish tourism product development

The Economic Impact Model was modified to estimate the economic impact of tourism product development programmes. This simplified version of the model considers direct and indirect effects of development and operation of facilities/projects.

Indirect effects are assessed differently from previously described:

- Industry-specific impacts of tourism development are not calculated, since National Income Accounts and Input/Output tables do not exist in a usable form.
- Aggregate indirect impacts through a multiplier, classically defined as induced effects, have not been taken into account. Rather, indirect effects of tourism products are estimated by using a factor, expressing activities resulting from tourism development in different sectors of the economy.

Recognising that the overall benefit, in terms of additional industry-specific and induced effects on other sectors of the economy, has not been properly taken into account, benefits are therefore understated.

Steps of the model

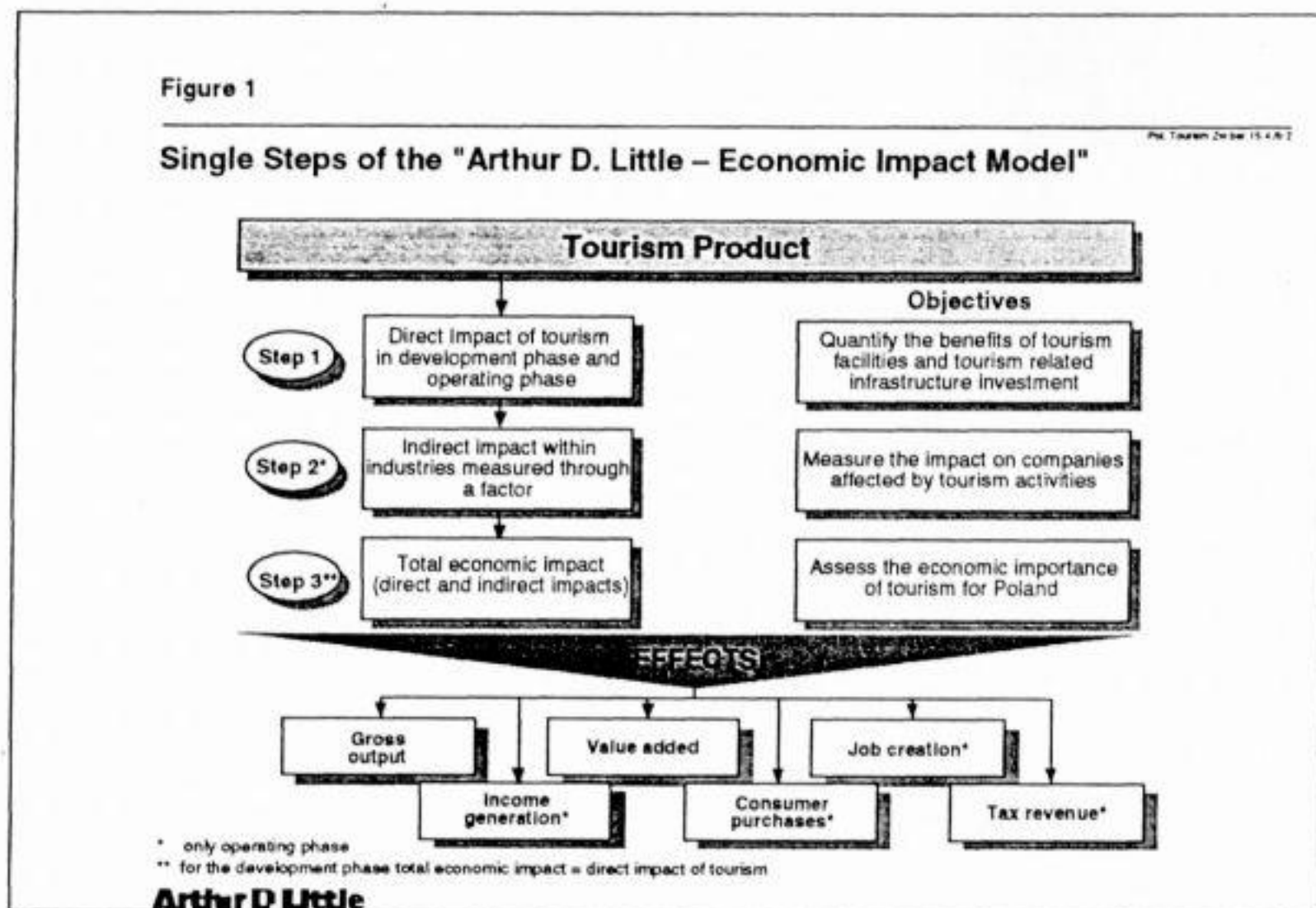
For identified tourism product development programmes, the economic impact is calculated both for the development and operational phases. There are three steps in the process of estimating economic impact:

- Step 1: Estimate the *direct* economic impact. Investment in tourism facilities and operating costs for tourism facilities are translated into gross output, value-added and employment effects.
- Step 2: Estimate the *indirect* impact. The objective is to measure the impact on companies affected by tourism activities. A factor is estimated for translating direct into indirect impact, representing the economic situation (GNP, income situation, etc.) within Poland. This factor is different from the multiplier used to calculate induced effects.
- Step 3: Add direct and indirect economic impact effects to determine total impact.

The total economic impact is expressed in:

- Gross output effect: Describes the total production output resulting from operation of tourism facilities.
- 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.
- Job effect: Estimate of total employment generated by tourism.
- Income effect: Expresses the personal income generated by tourism.
- Consumer purchase effect: Measure of increase in purchasing power. It is calculated from the income effect.
- Tax effect: Comprises the income tax effect only. It is calculated from the total income effect.

Figure 1: Steps of the Economic Impact Model



Development and operating phases

The economic impact methodology applies to the development and operating phases of representative facility development programmes. Economic impact is calculated for each representative facility.

Development phase

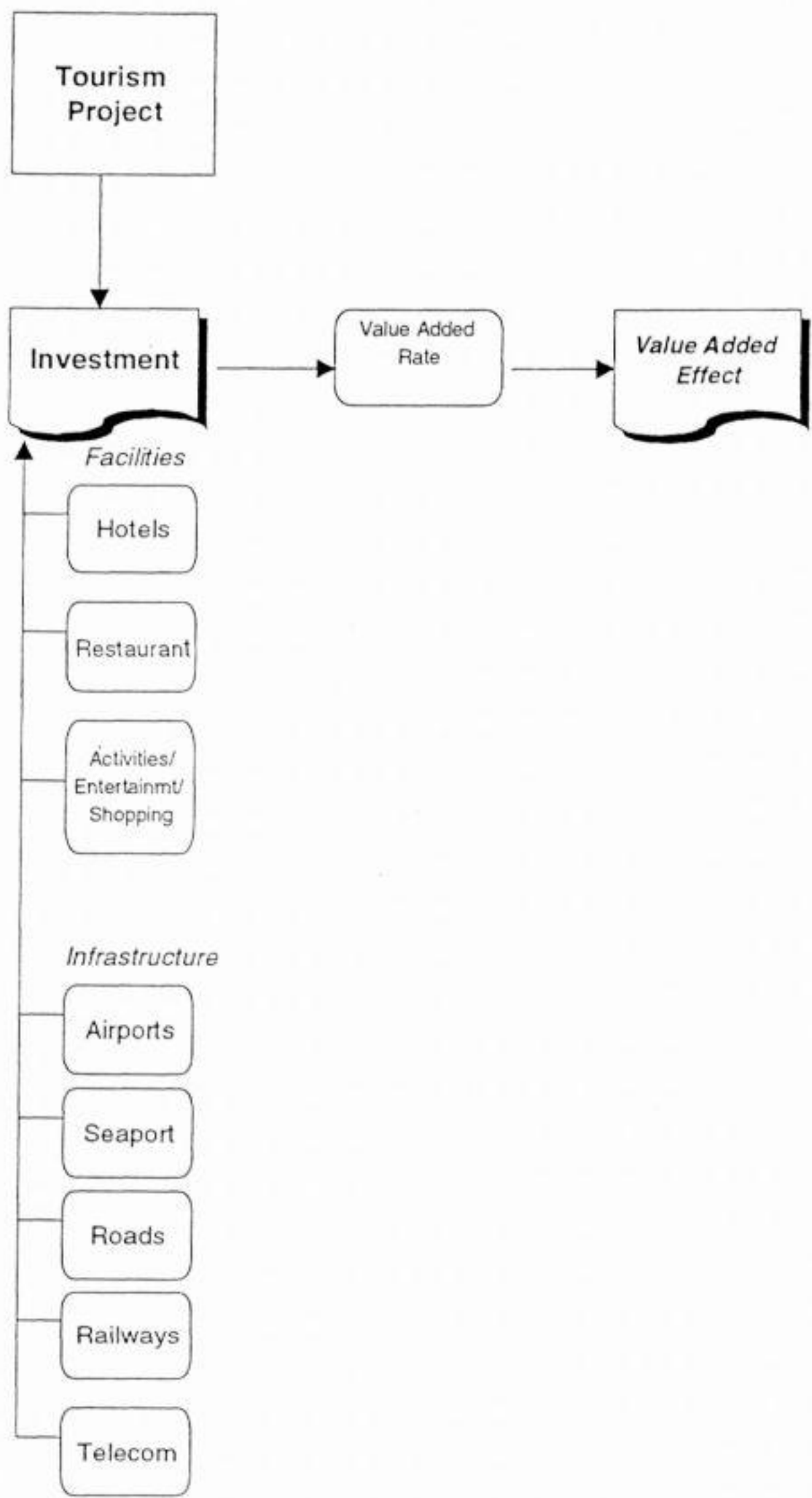
Figure 2 illustrates the model of the development phase.

The development phase, e.g. construction of tourism facilities, is assumed to be one year for any given tourism project. This assumes that total investment is made at once.

We have used 1994 as the base year, assuming that investors are found during 1995; that the development planning (architecture, etc.) will be completed by the end of 1995 at the latest; and that the development phase (construction) will actually take place during 1996.

Figure 2

Economic impact of Polish tourism: development phase



Benefits of development (construction) of associated infrastructure will be included in the assessment only if these investments are tourism-related, for example, sewage or water purification investment for a vacation centre will be considered.

Gross output effect and value-added effect are calculated for this phase. Total gross output equals total investment in tourism facilities; value-added effect is assumed at a rate of 40% for construction activities and 50% for planning, architecture, and legal and other activities (e.g. marketing, promotion) before opening of the facility. The assumption of these percentages is based on data on Polish gross output and value-added of sectors of the national economy in 1992, from national statistics and information from the Statistical Planning Office.

Operating phase

Figure 3 illustrates the model of the operating phase.

Assuming construction of tourism facilities is completed by the end of 1996, the operating phase begins in 1998. Since a three-year period would ensure a well run operation, the year 2000 has been chosen as a representative year for demonstrating the economic impact of the operating phase.

The key factor in the operating phase is the costs of the representative tourism facility. Operating costs are calculated as a percentage of sales of the facility components.

Direct as well as indirect economic impact are calculated for this phase. The direct and indirect effects comprise the total economic impact.

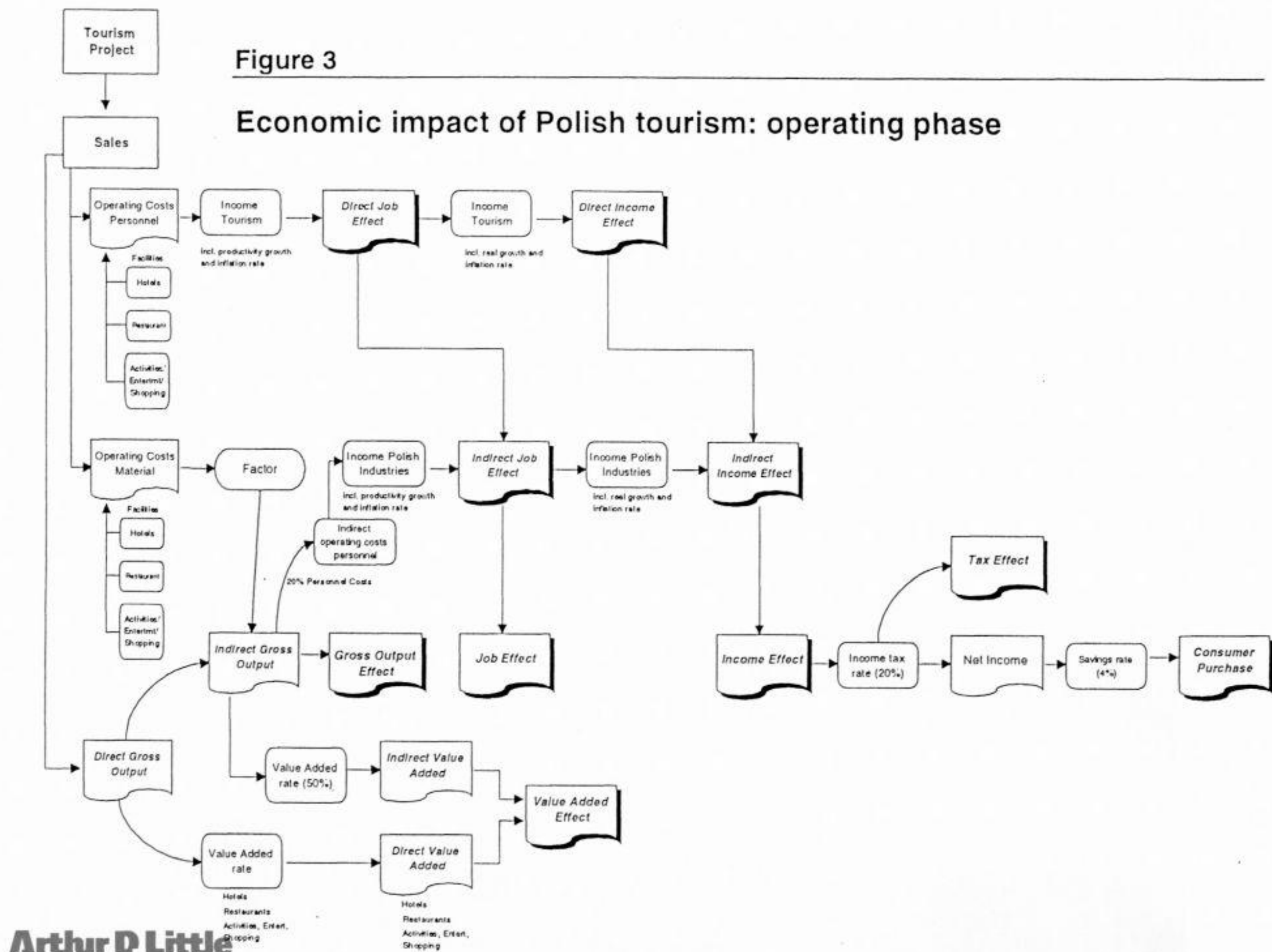
Operating costs are split into personnel and material/goods/energy.

Based on international industry norms and data from the Polish Statistical Planning Office, we apply the ratio of 30% *personnel costs* to total sales of the different components (hotel, restaurant and activities/entertainment/shopping) of the representative facility.

The ratio of *material/goods/energy costs* to total sales of representative facility components was fixed as follows:

- | | |
|--------------------------------------|--------------------------------------|
| ■ Hotels: | 33% (25% material/goods + 8% energy) |
| ■ Restaurants: | 40% (35% material/goods + 5% energy) |
| ■ Activities/entertainment/shopping: | 30% |

Direct effects such as job creation and income generation are estimated from personnel costs. Direct gross output is defined as equivalent to sales.



Value-added is assessed as a function of sales for each tourism facility. Value-added rates for each category of tourism facilities are calculated by deducting the percentage of costs material/goods/energy from sales, with sales assumed to be 100%.

From materials/goods/energy costs, indirect gross output and value-added, job, and income effects are measured. The indirect gross output is achieved by using the factor described above. This factor was estimated at 1.5, i.e. 50% of materials/goods/energy costs is assumed to generate indirect benefits.

Indirect value-added is assessed by using a rate of 50% of indirect gross output. This rate is consistent with that used by the World Travel and Tourism Council (WTTC) for Eastern European countries, including Poland.

An average of 20% of indirect gross output is estimated for personnel costs. Indirect income and job effects are generated from this figure, which is derived from Polish Statistical Planning Office data.

The calculation of direct as well as indirect effects of job creation and income generation is based on an assumed average income per employee.

To assess *direct* job and income effects, the assumed average income per employee in the tourism sector was 4,803.0 thousand PLZ per month (average in 1993) (GUS data). Converted into US \$ using an exchange rate of 22,000 PLZ = \$ 1 US, average income is \$ 218.32 per month.

To estimate *indirect* job and income effects, the average income per employee in Polish industries was assumed to be the 1993 average, or 4,098.3 thousand PLZ per month (GUS data). Converted into US \$ using the above exchange rate, average income is \$ 186.29 per month.

To calculate the income per person in the tourism sector and in industries in the year 2000, a 1% per annum average growth in productivity and a 4% per annum inflation rate (one percentage point over average in US) are assumed.

Tax and consumer purchase effects are assessed from total income effect. The tax effect is measurable only for income tax government will receive. (Unfortunately, there is no data to consider, for example, the VAT effect.) To calculate the income tax effect, an average income tax rate of 20% has been applied (GUS).

The consumer purchase effect is the consumer's purchasing power created by the tourism project. It is estimated by assuming a savings rate of 4% of net income. However, the consumer purchase effect does not indicate where, what for, or how much people spend on tourism.

Results of the Economic Impact Calculation

The economic impact was assessed for the following tourism facilities:

- Seaside Holiday Village
- Lakeside Vacation Center
- Heritage Hotel, Conference Centre
- Heritage Hotel, 80 Rooms & Suites
- Marina Resort
- Mountain Holiday Village
- Motorway Motel
- City Centre Hotel

These representative facilities are described in Appendix 6.

The following assumptions were used in the Economic Impact calculations:

- For all tourism facilities, investment into infrastructure such as airports, sea ports, roads, railways, and telecoms are not needed .
- Inflation, expressed in USD, is 3% p.a. in average, in the development as well as in the operating phase.
- Income will increase by 4% (1% point over average inflation rate).
- Labour productivity growth would be at a rate of 1% p.a.

1. Seaside Holiday Village

Development Phase:

| Investment in "Seaside Holiday Village" in prices of 1994 | |
|---|-------------------|
| Facilities | Investment in USD |
| Hotels, Restaurants | 7,850,000 |
| - Inventories | 50,000 |
| - Building | 7,000,000 |
| - Plant and Machinery | 800,000 |
| FFE* (Initial) | 1,500,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 300,000 |
| Pre-Opening Costs | 200,000 |
| TOTAL INVESTMENT | 10,000,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Seaside Holiday Village" - Development Phase (1996) | |
|--|------------|
| Economic impact effects | USD |
| Gross Output | 10,609,000 |
| Value added | 4,269,645 |

Operating Phase:

| Economic impact of "Seaside Holiday Village" operating in the representative year 2000 | | | |
|--|----------------|------------------|---------------|
| Economic impact effects | Direct Effects | Indirect Effects | Total Effects |
| Gross output (USD) | 2,628,558 | 454,728 | 3,083,286 |
| Value-added (USD) | 1,719,103 | 227,364 | 1,946,466 |
| Job creation | 213 | 29 | 242 |
| Income generation (USD) | 761,643 | 87,840 | 849,484 |
| Tax revenue (USD) | -- | -- | 169,897 |
| Consumer purchase (USD) | -- | -- | 652,403 |

2. Lakeside Vacation Village

Development Phase:

| Investment in "Lakeside Vacation Village" in prices of 1994 | |
|---|-------------------|
| Facilities | Investment in USD |
| Hotels, Restaurants | 7,850,000 |
| - Inventories | 50,000 |
| - Building | 7,000,000 |
| - Plant and Machinery | 800,000 |
| FFE* (Initial) | 1,500,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 300,000 |
| Pre-Opening Costs | 200,000 |
| TOTAL INVESTMENT | 10,000,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Lakeside Vacation Village" - Development Phase (1996) | |
|---|------------|
| Economic impact effects | USD |
| Gross Output | 10,609,000 |
| Value added | 4,269,645 |

Operating Phase:

| Economic impact of "Lakeside Vacation Village" operating in the representative year 2000 | | | |
|---|-----------------------|-------------------------|----------------------|
| Economic impact effects | Direct Effects | Indirect Effects | Total Effects |
| Gross output (USD) | 2,528,533 | 439,724 | 2,968,257 |
| Value-added (USD) | 1,649,085 | 219,862 | 1,868,947 |
| Job creation | 205 | 28 | 233 |
| Income generation (USD) | 732,660 | 84,942 | 817,602 |
| Tax revenue (USD) | -- | -- | 163,520 |
| Consumer purchase (USD) | -- | -- | 627,919 |

3. Heritage Hotel, Conference Centre

Development Phase:

| Investment in "Heritage Hotel, Conference Centre" in prices of 1994 | |
|---|-------------------|
| Facilities | Investment in USD |
| Hotels, Restaurants | 7,850,000 |
| - Inventories | 200,000 |
| - Building | 7,200,000 |
| - Plant and Machinery | 450,000 |
| FFE* (Initial) | 1,400,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 350,000 |
| Pre-Opening Costs | 180,000 |
| TOTAL INVESTMENT | 9,930,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Heritage Hotel, Conference Centre" - Development Phase (1996) | |
|--|------------|
| Economic impact effects | USD |
| Gross Output | 10,534,737 |
| Value added | 4,270,123 |

Operating Phase:

| Economic impact of "Heritage Hotel Conference Centre" operating in the representative year 2000 | | | |
|--|-----------------------|-------------------------|----------------------|
| Economic impact effects | Direct Effects | Indirect Effects | Total Effects |
| Gross output (USD) | 4,285,996 | 742,763 | 5,028,759 |
| Value-added (USD) | 2,800,469 | 371,382 | 3,171,851 |
| Job creation | 117 | 47 | 164 |
| Income generation (USD) | 1,241,898 | 143,481 | 1,385,378 |
| Tax revenue (USD) | -- | -- | 277,076 |
| Consumer purchase (USD) | -- | -- | 1,063,971 |

4. Heritage Hotel, 80 Rooms & Suites

Development Phase:

| Investment in "Heritage Hotel" in prices of 1994 | |
|---|--------------------------|
| Facilities | Investment in USD |
| Hotel, Restaurants | 7,030,000 |
| - Inventories | 180,000 |
| - Buildings | 6,400,000 |
| - Plant and Machinery | 450,000 |
| FFE* (Initial) | 1,200,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 300,000 |
| Pre-Opening | 150,000 |
| TOTAL INVESTMENT | 8,830,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Heritage Hotel" - Development Phase (1996) | |
|--|------------|
| Economic impact effects | USD |
| Gross Output | 9,367,747 |
| Value added | 3,794,839 |

Operating Phase:

| Economic impact of "Heritage Hotel" operating in the representative year 2000 | | | |
|--|-----------------------|-------------------------|----------------------|
| Economic impact effects | Direct Effects | Indirect Effects | Total Effects |
| Gross output (USD) | 2,842,564 | 492,961 | 3,335,525 |
| Value-added (USD) | 1,856,643 | 246,480 | 2,103,123 |
| Job creation | 101 | 31 | 132 |
| Income generation (USD) | 823,653 | 95,226 | 918,879 |
| Tax revenue (USD) | -- | -- | 183,776 |
| Consumer purchase (USD) | -- | -- | 705,699 |

5. Marina Resort

Development Phase:

| Investment in "Marina Resort" in prices of 1994 | |
|---|-------------------|
| Facilities | Investment in USD |
| Hotel, Restaurants | 9,100,00 |
| - Inventories | 50,000 |
| - Buildings | 8,500,000 |
| - Plant and Machinery | 550,000 |
| FFE* (Initial) | 1,800,000 |
| Other Costs | 150,000 |
| Development Costs (architects, planning, legal) | 300,000 |
| Pre-Opening | 150,000 |
| TOTAL INVESTMENT | 11,500,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Marina Resort" - Development Phase (1996) | |
|--|------------|
| Economic impact effects | USD |
| Gross Output | 12,200,350 |
| Value added | 4,927,881 |

Operating Phase:

| Economic impact of "Marina Resort" operating in the representative year 2000 | | | |
|--|----------------|------------------|---------------|
| Economic impact effects | Direct Effects | Indirect Effects | Total Effects |
| Gross output (USD) | 3,963,263 | 693,039 | 4,656,302 |
| Value-added (USD) | 2,577,184 | 346,520 | 2,923,704 |
| Job creation | 116 | 44 | 160 |
| Income generation (USD) | 1,148,384 | 133,875 | 1,282,259 |
| Tax revenue (USD) | -- | -- | 256,452 |
| Consumer purchase (USD) | -- | -- | 984,775 |

6. Mountain Holiday Village

Development Phase:

| Investment in "Mountain Holiday Village" in prices of 1994 | |
|--|-------------------|
| Facilities | Investment in USD |
| Hotel, Restaurants | 4,225,000 |
| - Inventories | 25,000 |
| - Buildings | 3,800,000 |
| - Plant and Machinery | 400,000 |
| FFE* (Initial) | 800,000 |
| Other Costs | 100,000 |
| Development Costs (architects, planning, legal) | 120,000 |
| Pre-Opening | 50,000 |
| TOTAL INVESTMENT | 5,295,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Mountain Holiday Village" - Development Phase (1996) | |
|---|-----------|
| Economic impact effects | USD |
| Gross Output | 5,617,466 |
| Value added | 2,265,022 |

Operating Phase:

| Economic impact of "Mountain Holiday Village" operating in the representative year 2000 | | | |
|---|----------------|------------------|---------------|
| Economic impact effects | Direct Effects | Indirect Effects | Total Effects |
| Gross output (USD) | 1,290,494 | 223,796 | 1,514,290 |
| Value-added (USD) | 842,902 | 111,898 | 954,800 |
| Job creation | 105 | 14 | 119 |
| Income generation (USD) | 373,930 | 43,231 | 417,161 |
| Tax revenue (USD) | -- | -- | 83,432 |
| Consumer purchase (USD) | -- | -- | 320,379 |

7. Motorway Motel

Development Phase:

| Investment in "Motorway Motel" in prices of 1994 | |
|--|-------------------|
| Facilities | Investment in USD |
| Hotel, Restaurants | 1,710,000 |
| - Inventories | 20,000 |
| - Buildings | 1,450,000 |
| - Plant and Machinery | 240,000 |
| FFE* (Initial) | 600,000 |
| Other Costs | 40,000 |
| Development Costs (architects, planning, legal) | 80,000 |
| Pre-Opening | 40,000 |
| TOTAL INVESTMENT | 2,470,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "Motorway Motel" - Development Phase (1996) | |
|---|-----------|
| Economic impact effects | USD |
| Gross Output | 2,620,423 |
| Value added | 1,060,900 |

Operating Phase:

| Economic impact of "Motorway Motel" operating in the representative year 2000 | | | |
|---|----------------|------------------|---------------|
| Economic impact effects | Direct Effects | Indirect Effects | Total Effects |
| Gross output (USD) | 844,062 | 143,856 | 987,918 |
| Value-added (USD) | 556,351 | 71,928 | 628,279 |
| Job creation | 69 | 9 | 78 |
| Income generation (USD) | 244,573 | 27,789 | 272,362 |
| Tax revenue (USD) | -- | -- | 54,472 |
| Consumer purchase (USD) | -- | -- | 209,174 |

8. City Centre Hotel

Development Phase:

| Investment in "City Centre Hotel" in prices of 1994 | |
|---|-------------------|
| Facilities | Investment in USD |
| Hotel, Restaurants | 12,670,000 |
| - Inventories | 70,000 |
| - Buildings | 12,000,000 |
| - Plant and Machinery | 600,000 |
| FFE* (Initial) | 1,800,000 |
| Other Costs | 100,000 |
| Development Costs (architects, planning, legal) | 150,000 |
| Pre-Opening | 100,000 |
| TOTAL INVESTMENT | 14,820,000 |

* FFE = furniture, fixture and equipment

| Economic Impact - "City Centre Hotel" - Development Phase (1996) | |
|--|------------|
| Economic impact effects | USD |
| Gross Output | 15,722,538 |
| Value added | 6,315,538 |

Operating Phase:

| Economic impact of "City Centre Hotel" operating in the representative year 2000 | | | |
|--|----------------|------------------|---------------|
| Economic impact effects | Direct Effects | Indirect Effects | Total Effects |
| Gross output (USD) | 5,655,088 | 993,132 | 6,648,220 |
| Value-added (USD) | 3,668,825 | 496,566 | 4,165,390 |
| Job creation | 164 | 63 | 227 |
| Income generation (USD) | 1,638,602 | 191,845 | 1,830,446 |
| Tax revenue (USD) | -- | -- | 366,089 |
| Consumer purchase (USD) | -- | -- | 1,405,783 |

Appendix 11: Tourism Expenditure Model

The purpose of this model is to quantify the additional tourism revenues for Poland generated by the representative facilities and their copies. Since facility development influences the commercial tourism segment much less than it does the leisure segment, only the latter is analysed in terms of newly generated tourism revenues.

The figure on the next page illustrates the steps of this model. First, the leisure component is separated from the revenue stream¹ of the representative facilities. Then domestic and international facility revenues are split, since the translation from facility revenues to tourism expenditures will be different for each.

In the case of domestic tourism, we assume that the amount spent at the facilities is 80% of their total tourism expenditure; domestic shopping, for example, is not counted as tourism spending.

In the case of international tourism to Poland, we assume that spending at the facilities accounts for 40% of total spending. For international tourists all their spending in Poland is regarded as tourism spending.

We also make a distinction between 'replacement' and 'new' tourism expenditures for both domestic and international tourism. 'Replacement' expenditures are expenditures which would have been realised, even if the new facilities didn't exist, and can therefore not be credited to the development programme. 'New' tourism expenditures are expenditures generated exclusively by the existence of the new developed facilities.

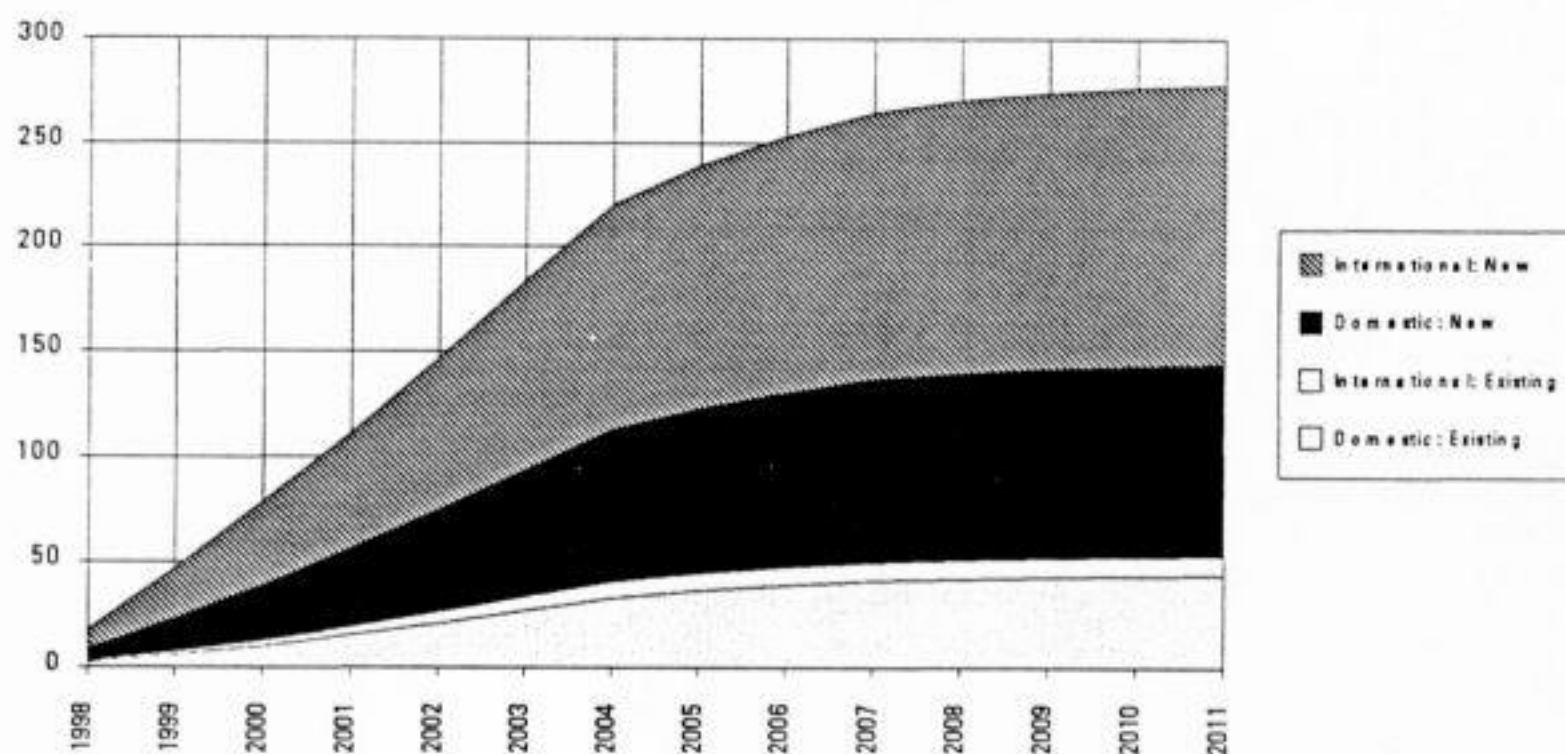
For each representative facility, different assumptions are used for revenue breakdown:

¹ The inflation component is extracted from the revenues.

| Representative Facility | Commercial | Leisure | | | |
|-------------------------|------------|----------|-----------|---------------|-----------|
| | | Domestic | | International | |
| | | New | Replacing | New | Replacing |
| Seaside | 15 % | 20 % | 48 % | 15 % | 3 % |
| Lakeside | 20 % | 22 % | 34 % | 22 % | 2 % |
| Heritage | 30 % | 21 % | - | 49 % | - |
| City Centre | 65 % | 10 % | 3 % | 16 % | 7 % |
| Motel | 60 % | 16 % | 2 % | 20 % | 2 % |
| Marina | 25 % | 30 % | - | 45 % | - |
| Mountain | 15 % | 38 % | 26 % | 17 % | 4 % |
| Conference | 45 % | 22 % | - | 33 % | - |

If this process is repeated for all representative facilities and their copies and then the results added together, we obtain a measure for the total impact on tourism expenditure of the development programme:

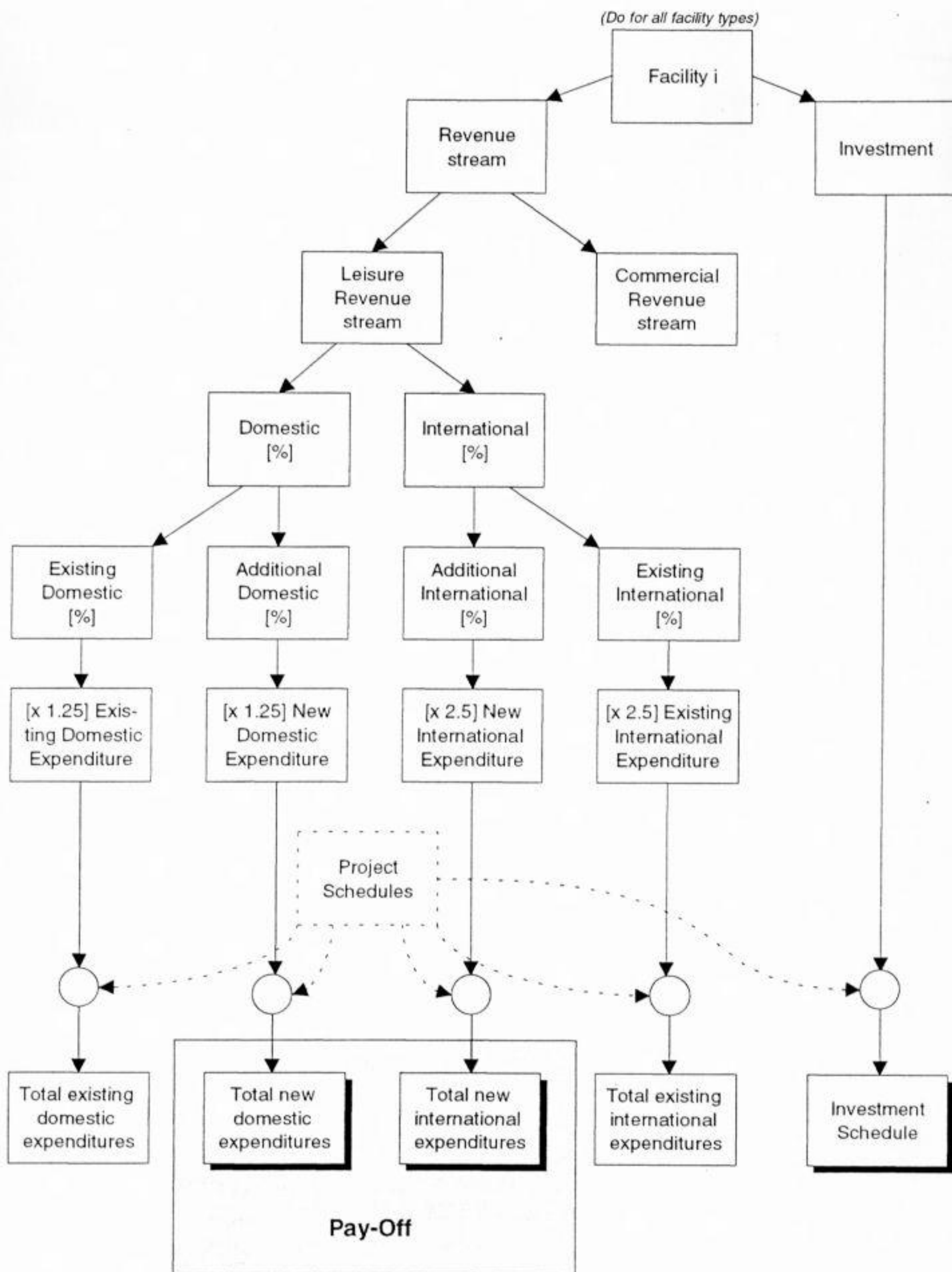
Facility generated tourism expenditures



Source: Arthur D. Little analysis

Out of the expenditures, the value-added is derived.

One also has to take parallel developments, triggered by the facility development programme into account.



Appendix 12: Distribution model

The project team used the source market distribution model to determine the distribution of domestic and non-domestic tourists in Poland. The model distributes these tourists in Poland, the target market, over different visitation categories, regions, and source markets (countries of origin).

In this section, we briefly define the elements driving the model and illustrate our findings from application of the model to Polish tourism (see the diagram of the model on the following page).

Elements of the model

Visitation category profile

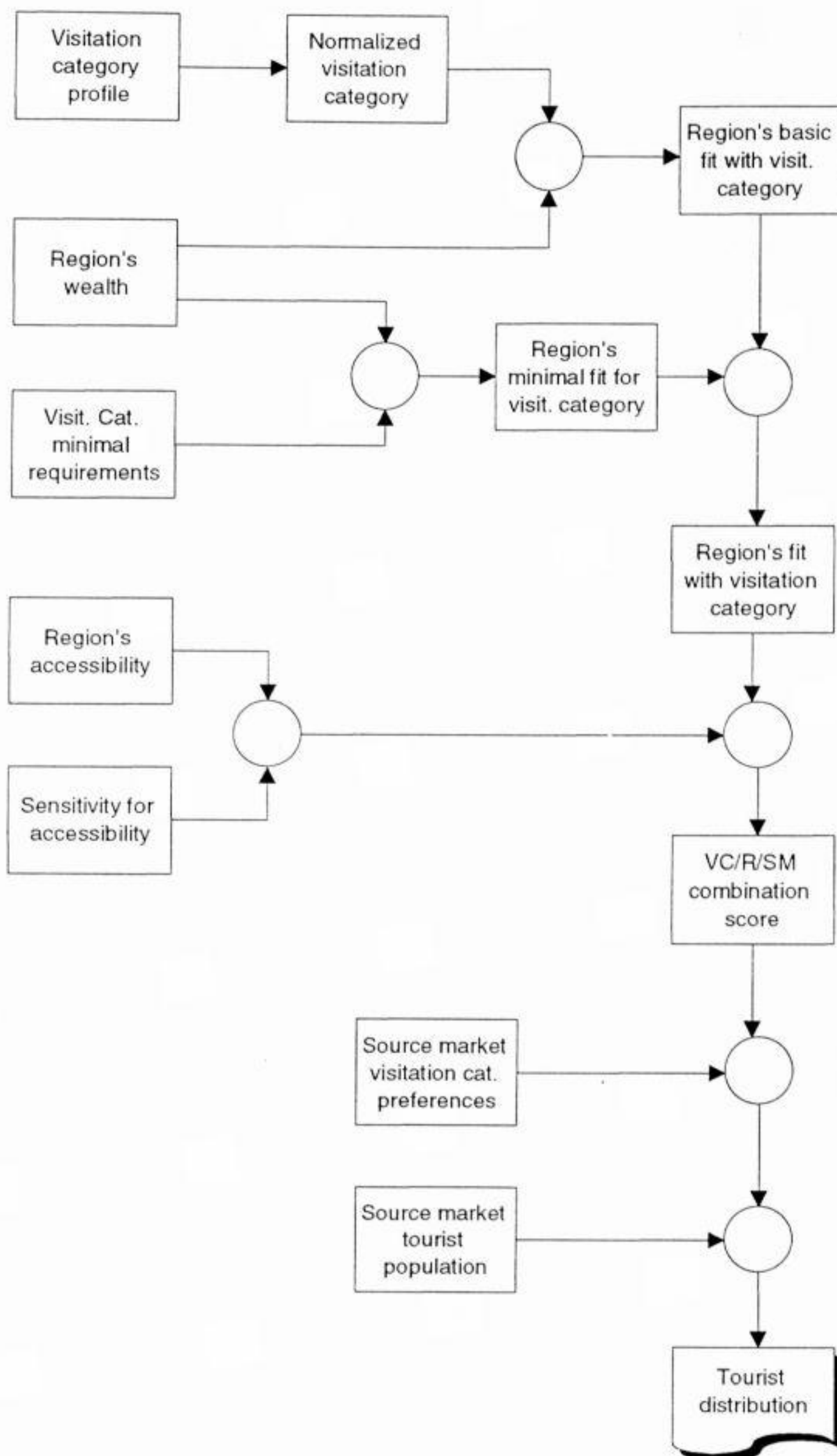
Describes which assets are required for a given visitation category. The higher the score for a given asset/visitation combination, the more important this asset is for the visitation category. Only the relative difference between scores for one visitation category (colom) is important. The score may not be negative.

Normalised visitation category profile

Normalises the visitation category profile in such a way that the sum of all assets for a given visitation category equals 1.

Visitation category minimal requirements

Describes which assets fill the minimum requirements for a given visitation category. If a region doesn't have those assets, this visitation category doesn't exist in that region. Any value other than zero or <empty cell> indicates that the asset is mandatory.



Region's wealth

Indicates which assets are present in a given region. Values for a region/asset combination should lie between 0 and 1, with 0 indicating no assets in the region, and 1 indicating the presence of many of those assets in the region.

Region's basic fit with visitation categories

Results of an analysis of the assets in a region and the necessity for certain assets to realise visitation categories. The calculated region/visitation category combination ranges from 0 to 1, with 0 indicating no possibility at all to have this visitation category in the region, and 1 indicating a perfect fit of the visitation category with the region.

Region's minimal fit with visitation categories

Results of an analysis of the assets in a region and the minimum required assets for realising visitation categories. The calculated region/visitation category combination has a value of '.' or 'N', indicating the possibility or impossibility, respectively, of a visitation category in a region.

Region's fit for visitation categories

Results from the combination of the basic fit and the minimal fit of a region.

Region's accessibility for source markets

Indicates how easily a region can be reached from the different source markets. This value must range between 0 and 1. The lower the value, the easier it is to reach the region from the source market.

Visitation category sensitivity to accessibility

Shows for a given visitation category the influence of accessibility. This value must range between 0 and 1, with 0 indicating little influence, and 1 indicating that accessibility has a strong influence on the visitation category.

Source market visitation category preferences

Indicates for a given source market the relative importance of a visitation category. This value may not be negative. Only the relative difference between values for a source market is important.

Source market tourist population

Indicates the number of tourists from a source market that will visit the target market. The unit used here will be used in the distribution results.

Visitation category/region/source market combination score

Measures the attractiveness of a visitation/source market combination for a region. This calculated value ranges between 0 and 1, with 1 indicating a perfect region for the visitation category for tourists coming from the analysed source market.

Tourist distribution (visitation category/region/source market)

Gives the distribution of tourists from the different source markets over the regions and visitation categories. Competition between regions and between visitation categories for a predefined number of tourists for the target market drives this distribution. Competition among other potential target markets is not considered since it is already included in the definition of the number of tourist for the target market.

The following table summarises the main elements of the model.

| Element | Type | Range |
|--|-------------|--------------|
| Visitation category profile | Input | ≥ 0 |
| Normalised visitation category profile | Calculated | 0 - 1 |
| Region's wealth | Input | 0 - 1 |
| Region's basic fit with visitation categories | Calculated | 0 - 1 |
| Region's minimal fit with visitation categories | Calculated | . / N |
| Region's fit with visitation categories | Calculated | 0 - 1 |
| Region's accessibility for source markets | Input | 0 - 1 |
| Visitation category sensitivity to accessibility | Input | 0 - 1 |
| Source market visitation category preferences | Input | ≥ 0 |
| Source market tourist population | Input | ≥ 0 |
| Visitation category/region/source market combination score | Calculated | 0 - 1 |
| Tourist distribution (visitation category/region/source market) | Output | ≥ 0 |

Application of the model to Polish tourism

For the Polish tourism model, we defined the following visitation categories, regions, source markets, and assets:

Visitation categories

- Sun/Beach
- City Tour
- Touring
- Lakeside
- Mountain
- Snow
- Pass Through
- Excursion

Regions

- North-West
- North-East
- Central-West
- Central-East
- South-West
- South-East

Source markets

- Adjacent East
- Adjacent West
- European
- Overseas
- x (spare 1)
- x (spare 2)

Assets

- Sun
- Beach
- Heritage
- Culture
- Natural
- Environment
- Lakes
- Water facilities
- Mountains
- Outdoor facilities
- Health Spa
- Snow
- Ski services
- Entertainment centres
- Shopping centres
- Motorway
- Cross-border access
- Services
- Communication
- Accessibility

The model is used to calculate the domestic tourism distribution, but we define the source markets as equal to the regions. The values of the input matrices should, of course, be adapted.

Source markets

- North-West
- North-East
- Central-West
- Central-East
- South-West
- South-East

Visitation Category - Region - Source Market Distribution
Poland: Domestic Tourists

| Visitation category profile | | | | | | | | |
|-----------------------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Sun | 9 | | 3 | 6 | 5 | | | |
| Beach | 10 | | | | | | | |
| Heritage | 2 | 10 | 8 | 3 | 3 | 1 | | |
| Culture | 3 | 7 | 8 | 3 | 3 | 1 | | |
| Natural | 5 | | 6 | 9 | 9 | 9 | | |
| Environment | 8 | 3 | 4 | 9 | 9 | 5 | | |
| Lakes | | | 4 | 20 | | | | |
| Water Facilities | 7 | | | 20 | | | | |
| Mountains | | | 3 | | 10 | 10 | | |
| Outdoor Facilities | 2 | | | 6 | 8 | 6 | | |
| Health Spa | | | | | 8 | 2 | | |
| Snow | | | | | | 10 | | |
| Ski Services | | | | | | 10 | | |
| Entertainment Centres | 6 | 6 | 5 | 3 | 4 | 8 | 6 | 8 |
| Shopping Centres | 5 | 7 | 5 | 2 | 3 | 3 | 2 | 10 |
| Motorway | | | | | | | 10 | 8 |
| Cross Border Access | | | | | | | 10 | 10 |
| Services | | | 4 | 1 | 1 | 1 | 8 | 6 |
| Communication | 4 | 5 | 3 | 2 | 2 | 2 | 6 | 2 |
| Accessibility | | 6 | 7 | | | | | |
| | 61 | 44 | 60 | 84 | 65 | 68 | 42 | 44 |

| Visitation category minimal requirements | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Sun | | | | | | | | |
| Beach | 1 | | | | | | | |
| Heritage | | | | | | | | |
| Culture | | | | | | | | |
| Natural | | | | | | | | |
| Environment | | | | | | | | |
| Lakes | | | | 1 | | | | |
| Water Facilities | | | | | | | | |
| Mountains | | | | | 1 | | | |
| Outdoor Facilities | | | | | | | | |
| Health Spa | | | | | | | | |
| Snow | | | | | | 1 | | |
| Ski Services | | | | | | | | |
| Entertainment Centres | | | | | | | | |
| Shopping Centres | | | | | | | | |
| Motorway | | | | | | | | |
| Cross Border Access | | | | | | | | |
| Services | | | | | | | | |
| Communication | | | | | | | | |
| Accessibility | | | | | | | | |

| Regions wealth | | | | | | |
|-----------------------|------------|------------|--------------|--------------|------------|------------|
| | North-West | North-East | Central-West | Central-East | South-West | South-East |
| Sun | 0.50 | 0.50 | 0.50 | 0.60 | 0.50 | 0.50 |
| Beach | 0.80 | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| Heritage | 0.45 | 0.35 | 0.55 | 0.60 | 0.50 | 0.75 |
| Culture | 0.45 | 0.25 | 0.50 | 0.75 | 0.70 | 0.70 |
| Natural | 0.65 | 0.80 | 0.50 | 0.30 | 0.70 | 0.80 |
| Environment | 0.50 | 0.70 | 0.50 | 0.50 | 0.10 | 0.80 |
| Lakes | 0.05 | 0.90 | 0.30 | 0.10 | 0.00 | 0.05 |
| Water Facilities | 0.20 | 0.50 | 0.30 | 0.10 | 0.00 | 0.20 |
| Mountains | | | | | 0.80 | 0.90 |
| Outdoor Facilities | 0.20 | 0.40 | 0.40 | 0.10 | 0.30 | 0.20 |
| Health Spa | 0.30 | 0.20 | 0.20 | 0.20 | 0.80 | 0.60 |
| Snow | | | | | 0.70 | 0.90 |
| Ski Services | | | | | 0.10 | 0.30 |
| Entertainment Centres | 0.30 | 0.20 | 0.40 | 0.60 | 0.40 | 0.50 |
| Shopping Centres | 0.30 | 0.10 | 0.40 | 0.60 | 0.40 | 0.50 |
| Motorway | 0.40 | 0.10 | 0.50 | 0.40 | 0.60 | 0.20 |
| Cross Border Access | 0.60 | 0.30 | 0.60 | 0.20 | 0.70 | 0.30 |
| Services | 0.40 | 0.20 | 0.30 | 0.40 | 0.30 | 0.20 |
| Communication | 0.60 | 0.40 | 0.80 | 0.90 | 0.70 | 0.60 |
| Accessibility | 0.50 | 0.40 | 0.60 | 0.60 | 0.40 | 0.30 |

| Regions basic fit for visitation category | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | 0.48 | 0.43 | 0.41 | 0.30 | 0.36 | 0.23 | 0.46 | 0.41 |
| North-East | 0.40 | 0.31 | 0.40 | 0.60 | 0.38 | 0.25 | 0.22 | 0.19 |
| Central-West | 0.40 | 0.53 | 0.47 | 0.40 | 0.37 | 0.25 | 0.51 | 0.47 |
| Central-East | 0.42 | 0.65 | 0.52 | 0.29 | 0.35 | 0.24 | 0.46 | 0.46 |
| South-West | 0.32 | 0.48 | 0.47 | 0.23 | 0.53 | 0.49 | 0.54 | 0.50 |
| South-East | 0.46 | 0.59 | 0.56 | 0.38 | 0.64 | 0.63 | 0.34 | 0.36 |

| Regions minimal fit for visitation category | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | . | . | . | . | N | N | . | . |
| North-East | . | . | . | . | N | N | . | . |
| Central-West | N | . | . | . | N | N | . | . |
| Central-East | N | . | . | . | N | N | . | . |
| South-West | N | . | . | N | . | . | . | . |
| South-East | N | . | . | . | . | . | . | . |

Regions fit for visitation category

| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
|--------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| North-West | 0.48 | 0.43 | 0.41 | 0.30 | 0.00 | 0.00 | 0.46 | 0.41 |
| North-East | 0.40 | 0.31 | 0.40 | 0.60 | 0.00 | 0.00 | 0.22 | 0.19 |
| Central-West | 0.00 | 0.53 | 0.47 | 0.40 | 0.00 | 0.00 | 0.51 | 0.47 |
| Central-East | 0.00 | 0.65 | 0.52 | 0.29 | 0.00 | 0.00 | 0.46 | 0.46 |
| South-West | 0.00 | 0.48 | 0.47 | 0.00 | 0.53 | 0.49 | 0.54 | 0.50 |
| South-East | 0.00 | 0.59 | 0.56 | 0.38 | 0.64 | 0.63 | 0.34 | 0.36 |

Regions accessibility for source countries

| Region \ Source | North-West | North-East | Central-West | Central-East | South-West | South-East |
|-----------------|------------|------------|--------------|--------------|------------|------------|
| North-West | 0.00 | 0.20 | 0.15 | 0.15 | 0.25 | 0.50 |
| North-East | 0.20 | 0.00 | 0.25 | 0.15 | 0.35 | 0.45 |
| Central-West | 0.15 | 0.25 | 0.00 | 0.10 | 0.15 | 0.35 |
| Central-East | 0.15 | 0.15 | 0.10 | 0.00 | 0.10 | 0.15 |
| South-West | 0.25 | 0.35 | 0.15 | 0.10 | 0.00 | 0.15 |
| South-East | 0.50 | 0.45 | 0.35 | 0.15 | 0.15 | 0.00 |

Visitation category sensitivity for accessibility

| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | 0.60 | 0.30 | 0.70 | 0.70 | 0.60 | 0.40 | 0.90 | 0.10 |

Tourist preferences and potential

| Weight | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | # Tourists |
|--------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|------------|
| North-West | 7 | 0.5 | 0.25 | 3 | 4 | 3 | 0 | 0 | 1340 |
| North-East | 7 | 0.5 | 0.25 | 3 | 4 | 3 | 0 | 0 | 686 |
| Central-West | 7 | 0.5 | 0.25 | 3 | 4 | 3 | 0 | 0 | 2273 |
| Central-East | 7 | 0.5 | 0.25 | 3 | 4 | 3 | 0 | 0 | 4597 |
| South-West | 7 | 0.5 | 0.25 | 3 | 4 | 3 | 0 | 0 | 3176 |
| South-East | 7 | 0.5 | 0.25 | 3 | 4 | 3 | 0 | 0 | 3265 |
| | | | | | | | | | 15337 |

| Visitation category / origin North-West Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | 0.48 | 0.43 | 0.41 | 0.30 | 0.00 | 0.00 | 0.46 | 0.41 |
| North-East | 0.43 | 0.41 | 0.35 | 0.26 | 0.00 | 0.00 | 0.37 | 0.41 |
| Central-West | 0.44 | 0.41 | 0.37 | 0.27 | 0.00 | 0.00 | 0.40 | 0.41 |
| Central-East | 0.44 | 0.41 | 0.37 | 0.27 | 0.00 | 0.00 | 0.40 | 0.41 |
| South-West | 0.41 | 0.40 | 0.34 | 0.25 | 0.00 | 0.00 | 0.35 | 0.40 |
| South-East | 0.34 | 0.37 | 0.27 | 0.20 | 0.00 | 0.00 | 0.25 | 0.39 |

| Visitation category / origin North-East Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | 0.35 | 0.29 | 0.34 | 0.52 | 0.00 | 0.00 | 0.18 | 0.19 |
| North-East | 0.40 | 0.31 | 0.40 | 0.60 | 0.00 | 0.00 | 0.22 | 0.19 |
| Central-West | 0.34 | 0.29 | 0.33 | 0.50 | 0.00 | 0.00 | 0.17 | 0.19 |
| Central-East | 0.36 | 0.30 | 0.36 | 0.54 | 0.00 | 0.00 | 0.19 | 0.19 |
| South-West | 0.31 | 0.28 | 0.30 | 0.45 | 0.00 | 0.00 | 0.15 | 0.18 |
| South-East | 0.29 | 0.27 | 0.27 | 0.41 | 0.00 | 0.00 | 0.13 | 0.18 |

| Visitation category / origin Central-West Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | 0.00 | 0.51 | 0.42 | 0.36 | 0.00 | 0.00 | 0.44 | 0.46 |
| North-East | 0.00 | 0.49 | 0.38 | 0.33 | 0.00 | 0.00 | 0.39 | 0.46 |
| Central-West | 0.00 | 0.53 | 0.47 | 0.40 | 0.00 | 0.00 | 0.51 | 0.47 |
| Central-East | 0.00 | 0.51 | 0.43 | 0.37 | 0.00 | 0.00 | 0.46 | 0.46 |
| South-West | 0.00 | 0.51 | 0.42 | 0.36 | 0.00 | 0.00 | 0.44 | 0.46 |
| South-East | 0.00 | 0.47 | 0.35 | 0.30 | 0.00 | 0.00 | 0.35 | 0.45 |

| Visitation category / origin Central-East Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | 0.00 | 0.62 | 0.47 | 0.26 | 0.00 | 0.00 | 0.40 | 0.45 |
| North-East | 0.00 | 0.62 | 0.47 | 0.26 | 0.00 | 0.00 | 0.40 | 0.45 |
| Central-West | 0.00 | 0.63 | 0.49 | 0.27 | 0.00 | 0.00 | 0.42 | 0.45 |
| Central-East | 0.00 | 0.65 | 0.52 | 0.29 | 0.00 | 0.00 | 0.46 | 0.46 |
| South-West | 0.00 | 0.63 | 0.49 | 0.27 | 0.00 | 0.00 | 0.42 | 0.45 |
| South-East | 0.00 | 0.62 | 0.47 | 0.26 | 0.00 | 0.00 | 0.40 | 0.45 |

| Visitation category / origin South-West Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | 0.00 | 0.45 | 0.39 | 0.00 | 0.45 | 0.44 | 0.42 | 0.49 |
| North-East | 0.00 | 0.43 | 0.35 | 0.00 | 0.42 | 0.42 | 0.37 | 0.49 |
| Central-West | 0.00 | 0.46 | 0.42 | 0.00 | 0.48 | 0.46 | 0.47 | 0.50 |
| Central-East | 0.00 | 0.47 | 0.44 | 0.00 | 0.50 | 0.47 | 0.49 | 0.50 |
| South-West | 0.00 | 0.48 | 0.47 | 0.00 | 0.53 | 0.49 | 0.54 | 0.50 |
| South-East | 0.00 | 0.46 | 0.42 | 0.00 | 0.48 | 0.46 | 0.47 | 0.50 |

| Visitation category / origin South-East Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | 0.00 | 0.50 | 0.37 | 0.25 | 0.45 | 0.51 | 0.19 | 0.35 |
| North-East | 0.00 | 0.51 | 0.38 | 0.26 | 0.47 | 0.52 | 0.20 | 0.35 |
| Central-West | 0.00 | 0.53 | 0.42 | 0.29 | 0.50 | 0.54 | 0.23 | 0.35 |
| Central-East | 0.00 | 0.57 | 0.50 | 0.34 | 0.58 | 0.59 | 0.29 | 0.36 |
| South-West | 0.00 | 0.57 | 0.50 | 0.34 | 0.58 | 0.59 | 0.29 | 0.36 |
| South-East | 0.00 | 0.59 | 0.56 | 0.38 | 0.64 | 0.63 | 0.34 | 0.36 |

| Visitation category / origin | | | | | | | | |
|------------------------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| Total | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | 0.83 | 2.80 | 2.39 | 1.68 | 0.90 | 0.95 | 2.09 | 2.35 |
| North-East | 0.82 | 2.78 | 2.34 | 1.71 | 0.89 | 0.94 | 1.97 | 2.34 |
| Central-West | 0.78 | 2.85 | 2.49 | 1.72 | 0.99 | 1.01 | 2.20 | 2.36 |
| Central-East | 0.80 | 2.91 | 2.62 | 1.81 | 1.08 | 1.07 | 2.30 | 2.38 |
| South-West | 0.72 | 2.87 | 2.51 | 1.67 | 1.11 | 1.09 | 2.20 | 2.37 |
| South-East | 0.63 | 2.79 | 2.34 | 1.55 | 1.12 | 1.09 | 1.94 | 2.34 |
| | 4.58 | 17.00 | 14.69 | 10.15 | 6.10 | 6.14 | 12.70 | 14.14 |

Tourist distribution: visitation category / origin
North-West Region

| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
|--------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|------|
| North-West | 235 | 15 | 7 | 63 | 0 | 0 | 0 | 0 | 320 |
| North-East | 106 | 7 | 3 | 28 | 0 | 0 | 0 | 0 | 144 |
| Central-West | 357 | 24 | 11 | 94 | 0 | 0 | 0 | 0 | 485 |
| Central-East | 685 | 46 | 20 | 180 | 0 | 0 | 0 | 0 | 932 |
| South-West | 460 | 32 | 14 | 119 | 0 | 0 | 0 | 0 | 625 |
| South-East | 412 | 32 | 12 | 102 | 0 | 0 | 0 | 0 | 557 |
| | 2254 | 156 | 67 | 586 | 0 | 0 | 0 | 0 | 3063 |

Tourist distribution: visitation category / origin
North-East Region

| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
|--------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|------|
| North-West | 169 | 10 | 6 | 108 | 0 | 0 | 0 | 0 | 293 |
| North-East | 99 | 6 | 4 | 64 | 0 | 0 | 0 | 0 | 172 |
| Central-West | 273 | 17 | 9 | 172 | 0 | 0 | 0 | 0 | 471 |
| Central-East | 561 | 33 | 20 | 359 | 0 | 0 | 0 | 0 | 972 |
| South-West | 350 | 22 | 12 | 218 | 0 | 0 | 0 | 0 | 602 |
| South-East | 351 | 23 | 12 | 215 | 0 | 0 | 0 | 0 | 601 |
| | 1803 | 111 | 62 | 1135 | 0 | 0 | 0 | 0 | 3111 |

Tourist distribution: visitation category / origin
Central-West Region

| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
|--------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|------|
| North-West | 0 | 18 | 7 | 74 | 0 | 0 | 0 | 0 | 99 |
| North-East | 0 | 9 | 3 | 35 | 0 | 0 | 0 | 0 | 47 |
| Central-West | 0 | 31 | 13 | 138 | 0 | 0 | 0 | 0 | 182 |
| Central-East | 0 | 57 | 24 | 247 | 0 | 0 | 0 | 0 | 328 |
| South-West | 0 | 40 | 17 | 171 | 0 | 0 | 0 | 0 | 228 |
| South-East | 0 | 41 | 15 | 157 | 0 | 0 | 0 | 0 | 213 |
| | 0 | 196 | 80 | 822 | 0 | 0 | 0 | 0 | 1098 |

Tourist distribution: visitation category / origin
Central-East Region

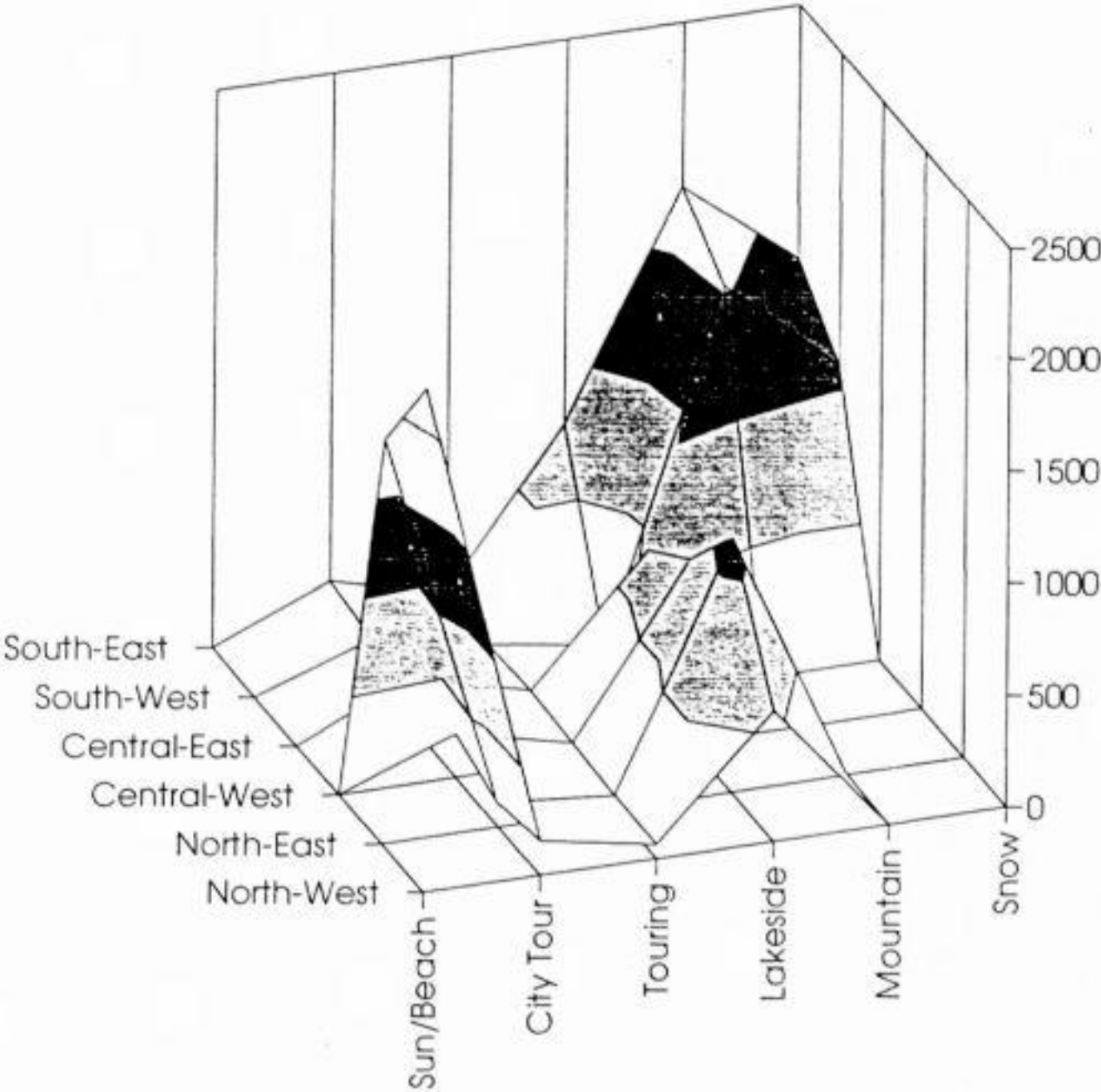
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
|--------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|-----|
| North-West | 0 | 22 | 8 | 55 | 0 | 0 | 0 | 0 | 84 |
| North-East | 0 | 11 | 4 | 28 | 0 | 0 | 0 | 0 | 43 |
| Central-West | 0 | 37 | 14 | 95 | 0 | 0 | 0 | 0 | 145 |
| Central-East | 0 | 72 | 29 | 196 | 0 | 0 | 0 | 0 | 297 |
| South-West | 0 | 51 | 19 | 131 | 0 | 0 | 0 | 0 | 201 |
| South-East | 0 | 54 | 20 | 137 | 0 | 0 | 0 | 0 | 211 |
| | 0 | 246 | 95 | 641 | 0 | 0 | 0 | 0 | 982 |

| Tourist distribution: visitation category / origin | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|------|
| South-West Region | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| North-West | 0 | 16 | 7 | 0 | 126 | 92 | 0 | 0 | 240 |
| North-East | 0 | 8 | 3 | 0 | 60 | 45 | 0 | 0 | 116 |
| Central-West | 0 | 27 | 12 | 0 | 224 | 161 | 0 | 0 | 424 |
| Central-East | 0 | 52 | 24 | 0 | 445 | 315 | 0 | 0 | 837 |
| South-West | 0 | 39 | 19 | 0 | 341 | 236 | 0 | 0 | 634 |
| South-East | 0 | 40 | 18 | 0 | 336 | 241 | 0 | 0 | 636 |
| | 0 | 181 | 83 | 0 | 1532 | 1092 | 0 | 0 | 2888 |

| Tourist distribution: visitation category / origin | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|------|
| South-East Region | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| North-West | 0 | 17 | 6 | 51 | 124 | 105 | 0 | 0 | 304 |
| North-East | 0 | 9 | 3 | 28 | 67 | 55 | 0 | 0 | 162 |
| Central-West | 0 | 31 | 12 | 99 | 234 | 189 | 0 | 0 | 565 |
| Central-East | 0 | 63 | 28 | 226 | 517 | 396 | 0 | 0 | 1231 |
| South-West | 0 | 45 | 20 | 163 | 372 | 285 | 0 | 0 | 885 |
| South-East | 0 | 52 | 24 | 198 | 444 | 329 | 0 | 0 | 1047 |
| | 0 | 217 | 94 | 765 | 1758 | 1359 | 0 | 0 | 4194 |

| 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 / region | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|-------|
| Domestic | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| North-West | 2254 | 156 | 67 | 586 | 0 | 0 | 0 | 0 | 3063 |
| North-East | 1803 | 111 | 62 | 1135 | 0 | 0 | 0 | 0 | 3111 |
| Central-West | 0 | 196 | 80 | 822 | 0 | 0 | 0 | 0 | 1098 |
| Central-East | 0 | 246 | 95 | 641 | 0 | 0 | 0 | 0 | 982 |
| South-West | 0 | 181 | 83 | 0 | 1532 | 1092 | 0 | 0 | 2888 |
| South-East | 0 | 217 | 94 | 765 | 1758 | 1359 | 0 | 0 | 4194 |
| | 4057 | 1107 | 482 | 3950 | 3290 | 2451 | 0 | 0 | 15337 |



Visitation Category - Region - Source Market Distribution
Poland: Foreign Tourists (Leisure)

| Visitation category profile | | | | | | | | |
|-----------------------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Sun | 9 | | 3 | 6 | 5 | | | |
| Beach | 10 | | | | | | | |
| Heritage | 2 | 10 | 8 | 3 | 3 | 1 | | |
| Culture | 3 | 7 | 8 | 3 | 3 | 1 | | |
| Natural | 5 | | 6 | 9 | 9 | 9 | | |
| Environment | 8 | 3 | 4 | 9 | 9 | 5 | | |
| Lakes | | | 4 | 20 | | | | |
| Water Facilities | 7 | | | 8 | | | | |
| Mountains | | | 3 | | 10 | 10 | | |
| Outdoor Facilities | 2 | | | 6 | 8 | 6 | | |
| Health Spa | | | | | 8 | 2 | | |
| Snow | | | | | | 10 | | |
| Ski Services | | | | | | 10 | | |
| Entertainment Centres | 6 | 6 | 5 | 3 | 4 | 8 | 6 | 8 |
| Shopping Centres | 5 | 7 | 5 | 2 | 3 | 3 | 2 | 10 |
| Motorway | | | | | | | 10 | 8 |
| Cross Border Access | | | | | | | 10 | 10 |
| Services | | | 4 | 1 | 1 | 1 | 8 | 6 |
| Communication | 4 | 5 | 3 | 2 | 2 | 2 | 6 | 2 |
| Accessibility | | 6 | 7 | | | | | |
| | 61 | 44 | 60 | 72 | 65 | 68 | 42 | 44 |

| Visitation category minimal requirements | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Sun | | | | | | | | |
| Beach | 1 | | | | | | | |
| Heritage | | | | | | | | |
| Culture | | | | | | | | |
| Natural | | | | | | | | |
| Environment | | | | | | | | |
| Lakes | | | | 1 | | | | |
| Water Facilities | | | | | | | | |
| Mountains | | | | | 1 | | | |
| Outdoor Facilities | | | | | | | | |
| Health Spa | | | | | | | | |
| Snow | | | | | | 1 | | |
| Ski Services | | | | | | | | |
| Entertainment Centres | | | | | | | | |
| Shopping Centres | | | | | | | | |
| Motorway | | | | | | | | |
| Cross Border Access | | | | | | | | |
| Services | | | | | | | | |
| Communication | | | | | | | | |
| Accessibility | | | | | | | | |

| Regions wealth | | | | | | |
|-----------------------|------------|------------|--------------|--------------|------------|------------|
| | North-West | North-East | Central-West | Central-East | South-West | South-East |
| Sun | 0.50 | 0.50 | 0.50 | 0.60 | 0.50 | 0.50 |
| Beach | 0.80 | 0.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| Heritage | 0.45 | 0.35 | 0.55 | 0.60 | 0.50 | 0.75 |
| Culture | 0.45 | 0.25 | 0.50 | 0.75 | 0.70 | 0.70 |
| Natural | 0.65 | 0.80 | 0.50 | 0.30 | 0.70 | 0.80 |
| Environment | 0.50 | 0.70 | 0.50 | 0.50 | 0.10 | 0.80 |
| Lakes | 0.05 | 0.90 | 0.30 | 0.10 | 0.00 | 0.05 |
| Water Facilities | 0.20 | 0.50 | 0.30 | 0.10 | 0.00 | 0.20 |
| Mountains | | | | | 0.80 | 0.90 |
| Outdoor Facilities | 0.20 | 0.40 | 0.40 | 0.10 | 0.30 | 0.20 |
| Health Spa | 0.30 | 0.20 | 0.20 | 0.20 | 0.80 | 0.60 |
| Snow | | | | | 0.70 | 0.90 |
| Ski Services | | | | | 0.10 | 0.30 |
| Entertainment Centres | 0.30 | 0.20 | 0.40 | 0.60 | 0.40 | 0.50 |
| Shopping Centres | 0.30 | 0.10 | 0.40 | 0.60 | 0.40 | 0.50 |
| Motorway | 0.40 | 0.10 | 0.50 | 0.40 | 0.60 | 0.20 |
| Cross Border Access | 0.60 | 0.30 | 0.60 | 0.20 | 0.70 | 0.30 |
| Services | 0.40 | 0.20 | 0.30 | 0.40 | 0.30 | 0.20 |
| Communication | 0.60 | 0.40 | 0.80 | 0.90 | 0.70 | 0.60 |
| Accessibility | 0.50 | 0.40 | 0.60 | 0.60 | 0.40 | 0.30 |

| Regions basic fit for visitation category | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | 0.48 | 0.43 | 0.41 | 0.32 | 0.36 | 0.23 | 0.46 | 0.41 |
| North-East | 0.40 | 0.31 | 0.40 | 0.62 | 0.38 | 0.25 | 0.22 | 0.19 |
| Central-West | 0.40 | 0.53 | 0.47 | 0.41 | 0.37 | 0.25 | 0.51 | 0.47 |
| Central-East | 0.42 | 0.65 | 0.52 | 0.33 | 0.35 | 0.24 | 0.46 | 0.46 |
| South-West | 0.32 | 0.48 | 0.47 | 0.27 | 0.53 | 0.49 | 0.54 | 0.50 |
| South-East | 0.46 | 0.59 | 0.56 | 0.41 | 0.64 | 0.63 | 0.34 | 0.36 |

| Regions minimal fit for visitation category | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| North-West | . | . | . | . | N | N | . | . |
| North-East | . | . | . | . | N | N | . | . |
| Central-West | N | . | . | . | N | N | . | . |
| Central-East | N | . | . | . | N | N | . | . |
| South-West | N | . | . | N | . | . | . | . |
| South-East | N | . | . | . | . | . | . | . |

Regions fit for visitation category

| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
|--------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| North-West | 0.48 | 0.43 | 0.41 | 0.32 | 0.00 | 0.00 | 0.46 | 0.41 |
| North-East | 0.40 | 0.31 | 0.40 | 0.62 | 0.00 | 0.00 | 0.22 | 0.19 |
| Central-West | 0.00 | 0.53 | 0.47 | 0.41 | 0.00 | 0.00 | 0.51 | 0.47 |
| Central-East | 0.00 | 0.65 | 0.52 | 0.33 | 0.00 | 0.00 | 0.46 | 0.46 |
| South-West | 0.00 | 0.48 | 0.47 | 0.00 | 0.53 | 0.49 | 0.54 | 0.50 |
| South-East | 0.00 | 0.59 | 0.56 | 0.41 | 0.64 | 0.63 | 0.34 | 0.36 |

Regions accessibility for source countries

| Region \ Source | Adjacent East | Adjacent West | European | Overseas | x | x |
|-----------------|---------------|---------------|----------|----------|---|---|
| North-West | 0.50 | 0.20 | 0.65 | 1.00 | | |
| North-East | 0.20 | 0.50 | 0.80 | 1.00 | | |
| Central-West | 0.40 | 0.15 | 0.60 | 1.00 | | |
| Central-East | 0.15 | 0.40 | 0.60 | 0.80 | | |
| South-West | 0.50 | 0.20 | 0.60 | 1.00 | | |
| South-East | 0.20 | 0.40 | 0.65 | 1.00 | | |

Visitation category sensitivity for accessibility

| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | 0.80 | 0.25 | 0.70 | 0.60 | 0.60 | 0.40 | 0.90 | 0.10 |

Tourist preferences and potential

| Weight | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | # Tourists |
|---------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|------------|
| Adjacent East | 6 | 3 | 4 | 3 | 2 | 2 | 4 | 0 | 1400 |
| Adjacent West | 6 | 3 | 4 | 3 | 2 | 2 | 1 | 0 | 2100 |
| European | 6 | 4 | 4 | 3 | 2 | 1 | 2 | 0 | 1000 |
| Overseas | 6 | 4 | 4 | 3 | 1 | 1 | 1 | 0 | 200 |
| x | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 |
| x | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 0 |
| | | | | | | | | | 4700 |

| Visitation category / origin North-West Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Adjacent East | 0.29 | 0.38 | 0.27 | 0.22 | 0.00 | 0.00 | 0.25 | 0.39 |
| Adjacent West | 0.41 | 0.41 | 0.35 | 0.28 | 0.00 | 0.00 | 0.37 | 0.41 |
| European | 0.23 | 0.36 | 0.22 | 0.19 | 0.00 | 0.00 | 0.19 | 0.39 |
| Overseas | 0.10 | 0.32 | 0.12 | 0.13 | 0.00 | 0.00 | 0.05 | 0.37 |
| x | 0.48 | 0.43 | 0.41 | 0.32 | 0.00 | 0.00 | 0.46 | 0.41 |
| x | 0.48 | 0.43 | 0.41 | 0.32 | 0.00 | 0.00 | 0.46 | 0.41 |

| Visitation category / origin North-East Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Adjacent East | 0.33 | 0.29 | 0.34 | 0.54 | 0.00 | 0.00 | 0.18 | 0.19 |
| Adjacent West | 0.24 | 0.27 | 0.26 | 0.43 | 0.00 | 0.00 | 0.12 | 0.18 |
| European | 0.14 | 0.25 | 0.17 | 0.32 | 0.00 | 0.00 | 0.06 | 0.18 |
| Overseas | 0.08 | 0.23 | 0.12 | 0.25 | 0.00 | 0.00 | 0.02 | 0.17 |
| x | 0.40 | 0.31 | 0.40 | 0.62 | 0.00 | 0.00 | 0.22 | 0.19 |
| x | 0.40 | 0.31 | 0.40 | 0.62 | 0.00 | 0.00 | 0.22 | 0.19 |

| Visitation category / origin Central-West Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Adjacent East | 0.00 | 0.48 | 0.33 | 0.32 | 0.00 | 0.00 | 0.33 | 0.45 |
| Adjacent West | 0.00 | 0.51 | 0.42 | 0.38 | 0.00 | 0.00 | 0.44 | 0.46 |
| European | 0.00 | 0.45 | 0.27 | 0.27 | 0.00 | 0.00 | 0.23 | 0.44 |
| Overseas | 0.00 | 0.40 | 0.14 | 0.17 | 0.00 | 0.00 | 0.05 | 0.42 |
| x | 0.00 | 0.53 | 0.47 | 0.41 | 0.00 | 0.00 | 0.51 | 0.47 |
| x | 0.00 | 0.53 | 0.47 | 0.41 | 0.00 | 0.00 | 0.51 | 0.47 |

| Visitation category / origin Central-East Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Adjacent East | 0.00 | 0.63 | 0.47 | 0.30 | 0.00 | 0.00 | 0.40 | 0.45 |
| Adjacent West | 0.00 | 0.59 | 0.38 | 0.25 | 0.00 | 0.00 | 0.30 | 0.44 |
| European | 0.00 | 0.55 | 0.30 | 0.21 | 0.00 | 0.00 | 0.21 | 0.43 |
| Overseas | 0.00 | 0.52 | 0.23 | 0.17 | 0.00 | 0.00 | 0.13 | 0.42 |
| x | 0.00 | 0.65 | 0.52 | 0.33 | 0.00 | 0.00 | 0.46 | 0.46 |
| x | 0.00 | 0.65 | 0.52 | 0.33 | 0.00 | 0.00 | 0.46 | 0.46 |

| Visitation category / origin South-West Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Adjacent East | 0.00 | 0.42 | 0.31 | 0.00 | 0.37 | 0.39 | 0.30 | 0.48 |
| Adjacent West | 0.00 | 0.46 | 0.40 | 0.00 | 0.47 | 0.45 | 0.45 | 0.49 |
| European | 0.00 | 0.41 | 0.27 | 0.00 | 0.34 | 0.37 | 0.25 | 0.47 |
| Overseas | 0.00 | 0.36 | 0.14 | 0.00 | 0.21 | 0.30 | 0.05 | 0.45 |
| x | 0.00 | 0.48 | 0.47 | 0.00 | 0.53 | 0.49 | 0.54 | 0.50 |
| x | 0.00 | 0.48 | 0.47 | 0.00 | 0.53 | 0.49 | 0.54 | 0.50 |

| Visitation category / origin South-East Region | | | | | | | | |
|---|-----------|-----------|---------|----------|----------|------|--------------|-----------|
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion |
| Adjacent East | 0.00 | 0.56 | 0.48 | 0.36 | 0.56 | 0.58 | 0.28 | 0.36 |
| Adjacent West | 0.00 | 0.53 | 0.40 | 0.31 | 0.49 | 0.53 | 0.22 | 0.35 |
| European | 0.00 | 0.50 | 0.31 | 0.25 | 0.39 | 0.47 | 0.14 | 0.34 |
| Overseas | 0.00 | 0.44 | 0.17 | 0.16 | 0.26 | 0.38 | 0.03 | 0.33 |
| x | 0.00 | 0.59 | 0.56 | 0.41 | 0.64 | 0.63 | 0.34 | 0.36 |
| x | 0.00 | 0.59 | 0.56 | 0.41 | 0.64 | 0.63 | 0.34 | 0.36 |

| Visitation category / origin | | | | | | | | | |
|------------------------------|-----------|-----------|---------|----------|----------|------|--------------|-----------|-------|
| Total | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| Adjacent East | 0.62 | 2.76 | 2.20 | 1.74 | 0.94 | 0.98 | 1.74 | 2.32 | 13.29 |
| Adjacent West | 0.64 | 2.77 | 2.21 | 1.65 | 0.95 | 0.98 | 1.90 | 2.33 | 13.44 |
| European | 0.37 | 2.52 | 1.55 | 1.24 | 0.73 | 0.84 | 1.09 | 2.25 | 10.60 |
| Overseas | 0.18 | 2.28 | 0.92 | 0.87 | 0.47 | 0.67 | 0.34 | 2.17 | 7.90 |
| x | 0.88 | 3.00 | 2.83 | 2.09 | 1.17 | 1.12 | 2.53 | 2.40 | 16.02 |
| x | 0.88 | 3.00 | 2.83 | 2.09 | 1.17 | 1.12 | 2.53 | 2.40 | 16.02 |
| | 3.58 | 16.34 | 12.54 | 9.67 | 5.43 | 5.72 | 10.12 | 13.87 | 77.28 |

| Tourist distribution: visitation category / origin | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|-----|
| North-West Region | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| Adjacent East | 66 | 43 | 41 | 25 | 0 | 0 | 38 | 0 | 214 |
| Adjacent West | 161 | 82 | 94 | 56 | 0 | 0 | 25 | 0 | 417 |
| European | 52 | 54 | 34 | 22 | 0 | 0 | 14 | 0 | 176 |
| Overseas | 6 | 14 | 5 | 4 | 0 | 0 | 1 | 0 | 31 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 286 | 194 | 173 | 107 | 0 | 0 | 78 | 0 | 838 |

| Tourist distribution: visitation category / origin | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|-----|
| North-East Region | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| Adjacent East | 76 | 34 | 52 | 62 | 0 | 0 | 28 | 0 | 251 |
| Adjacent West | 94 | 54 | 68 | 86 | 0 | 0 | 8 | 0 | 310 |
| European | 32 | 37 | 26 | 36 | 0 | 0 | 5 | 0 | 136 |
| Overseas | 5 | 10 | 5 | 8 | 0 | 0 | 0 | 0 | 29 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 207 | 135 | 152 | 192 | 0 | 0 | 41 | 0 | 727 |

| Tourist distribution: visitation category / origin | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|-----|
| Central-West Region | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| Adjacent East | 0 | 54 | 51 | 36 | 0 | 0 | 50 | 0 | 191 |
| Adjacent West | 0 | 101 | 110 | 75 | 0 | 0 | 29 | 0 | 315 |
| European | 0 | 67 | 40 | 30 | 0 | 0 | 18 | 0 | 155 |
| Overseas | 0 | 18 | 6 | 6 | 0 | 0 | 1 | 0 | 30 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 241 | 208 | 146 | 0 | 0 | 97 | 0 | 691 |

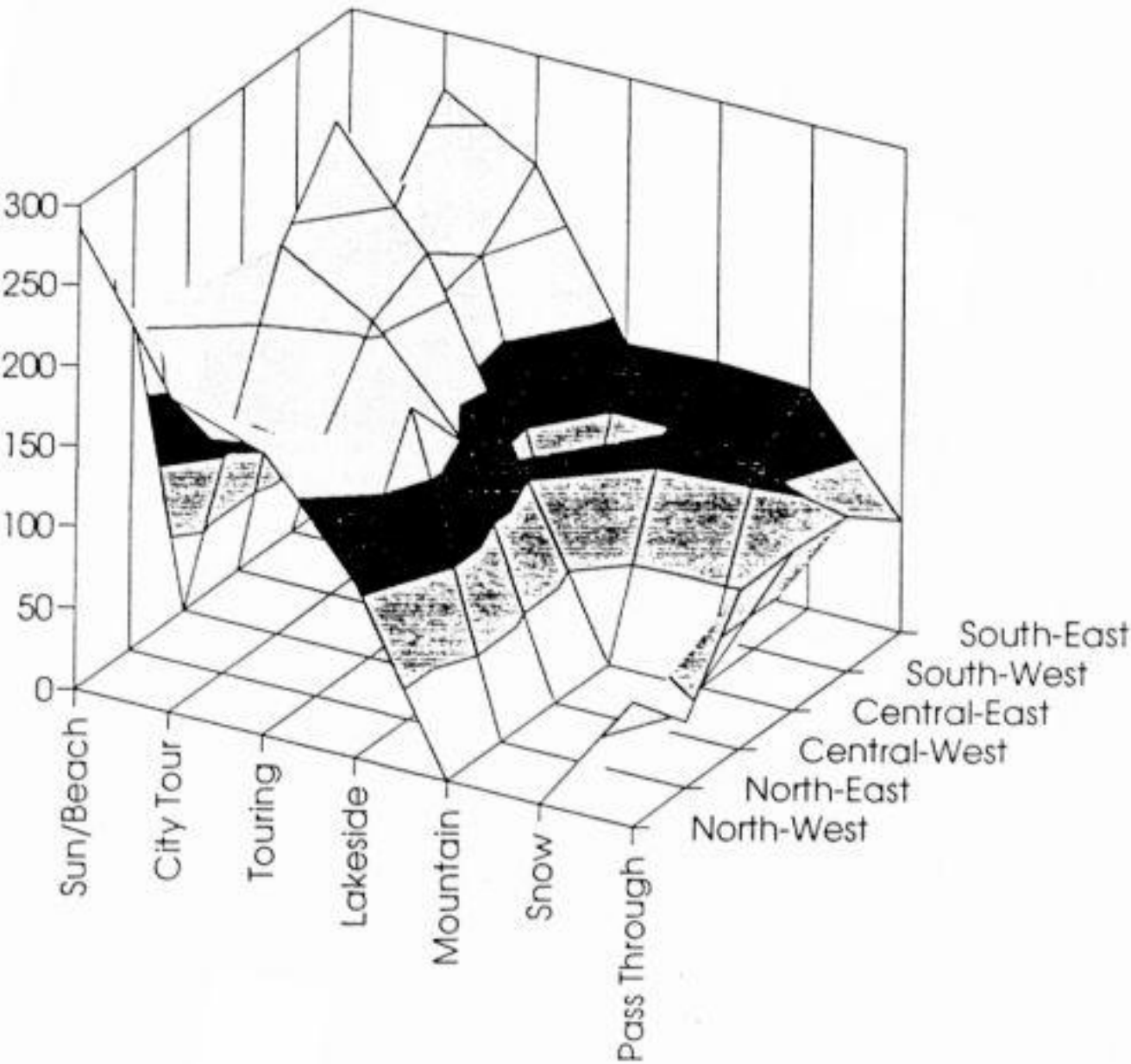
| Tourist distribution: visitation category / origin | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|-----|
| Central-East Region | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| Adjacent East | 0 | 72 | 71 | 34 | 0 | 0 | 61 | 0 | 237 |
| Adjacent West | 0 | 116 | 99 | 49 | 0 | 0 | 20 | 0 | 284 |
| European | 0 | 83 | 45 | 23 | 0 | 0 | 16 | 0 | 167 |
| Overseas | 0 | 23 | 10 | 6 | 0 | 0 | 1 | 0 | 40 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 294 | 226 | 112 | 0 | 0 | 98 | 0 | 729 |

| Tourist distribution: visitation category / origin | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|-----|
| South-West Region | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| Adjacent East | 0 | 48 | 46 | 0 | 28 | 30 | 45 | 0 | 199 |
| Adjacent West | 0 | 91 | 107 | 0 | 62 | 60 | 29 | 0 | 350 |
| European | 0 | 62 | 41 | 0 | 25 | 14 | 19 | 0 | 161 |
| Overseas | 0 | 16 | 6 | 0 | 2 | 3 | 1 | 0 | 29 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 217 | 200 | 0 | 118 | 107 | 94 | 0 | 737 |

| Tourist distribution: visitation category / origin | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|-----|
| South-East Region | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| Adjacent East | 0 | 64 | 73 | 41 | 43 | 44 | 42 | 0 | 308 |
| Adjacent West | 0 | 106 | 107 | 62 | 64 | 70 | 14 | 0 | 423 |
| European | 0 | 74 | 46 | 28 | 29 | 17 | 10 | 0 | 205 |
| Overseas | 0 | 20 | 7 | 5 | 3 | 4 | 0 | 0 | 40 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| x | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 264 | 234 | 136 | 139 | 136 | 67 | 0 | 977 |

| 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 |

| Tourist distribution: visitation category / region | | | | | | | | | |
|--|-----------|-----------|---------|----------|----------|------|--------------|-----------|------|
| International | | | | | | | | | |
| | Sun/Beach | City Tour | Touring | Lakeside | Mountain | Snow | Pass Through | Excursion | |
| North-West | 286 | 194 | 173 | 107 | 0 | 0 | 78 | 0 | 838 |
| North-East | 207 | 135 | 152 | 192 | 0 | 0 | 41 | 0 | 727 |
| Central-West | 0 | 241 | 208 | 146 | 0 | 0 | 97 | 0 | 691 |
| Central-East | 0 | 294 | 226 | 112 | 0 | 0 | 98 | 0 | 729 |
| South-West | 0 | 217 | 200 | 0 | 118 | 107 | 94 | 0 | 737 |
| South-East | 0 | 264 | 234 | 136 | 139 | 136 | 67 | 0 | 977 |
| | 493 | 1345 | 1193 | 694 | 257 | 243 | 475 | 0 | 4700 |



Appendix 13. Investment climate

To help us determine how competitive and efficient the current investment regime is as it applies to tourism, we held discussions with current investors (e.g. existing foreign hotel groups), potentially interested investors (e.g. companies currently pursuing real investment opportunities with PART), and investment professionals in Poland, including :

- Lawyer's Office (legal firm);
- Clifford Chance (international legal firm);
- IFC and the European Union;
- Polish American Enterprise Fund;
- Foundation for the Development of Polish Agriculture.

The following section provides a summary of the climate for new investment according to the views of these investors, indicating areas requiring Government attention and pitfalls to be aware of in dealing with new investors.

- **Foreign investment regime.** This is perceived to be liberal and flexible, aiming to provide a "level playing field" for foreign and Polish companies. Any investment by a foreign entity must be made either through a joint stock company (at least three founders and \$50,000 of share capital) or a limited liability company (one founder and \$2,000 of share capital). Representative offices are allowed to act as intermediaries, but cannot conduct business.

Capital contributions can be made in cash or in kind. All profits can be repatriated after payment of taxes.

- **Land title.** A permit is required from the Ministry of Privatisation for real estate investments by majority-owned foreign companies. If for a real project (rather than speculation), obtaining this permit should not be a problem and should take about two months. (However, these permits have been refused for German companies in the west of the country.) Permits for large projects are more difficult to obtain. The power to issue a permit is discretionary, and there is no appeal.

Land can be owned freehold, or in "perpetual use" (similar to a long-term, usually 99-year, lease) or leased (for a maximum of 30 years).

Land registry records are held at community level and are often disorganised, so finding out who the beneficial owner is can be problematic. The danger is that a foreign owner will claim title after the event and demand compensation from the company.

It is important to use legal experts to conduct the searches and confirm clean title.

The Reprivatisation Law has been held up in the Sejm. The intention of this law is to provide a framework for foreign ownership claims -- compensation rules, time moratoria for claims, swap of claim value for shares in privatisation funds, etc.

- ***Polish partners.*** Finding the right Polish corporate partner with the right resources, connections, and finance is vital. Many foreign companies have been "burned" by partners who seem to be well connected, but do not deliver -- with sometimes disastrous results. It is important to fully check out credentials and to conduct a search of the Commercial Registers (also held at community level and very disorganised).
- ***Contractors and architects.*** There are several excellent Polish contractors, including EXBUD, which has extensive experience in Germany. Most firms have little experience of international norms.

Foreign architects need to ensure that they have good counterparts in Poland. Plans and specifications must be in Polish.

- ***Planning and building permission.*** These are granted at local authority level. Outline planning permission is straightforward for land already zoned for development. Since this will not always be the case with hotels, it will be important to pre-sell the idea to the local voivodship and community authorities. In the case of agricultural land, the local authority must apply to the voivodship for change of use.

Development requires a construction permit issued by the Department of Building and Architecture in the Rejon (canton). Plans must be reviewed and approved, and construction specs must conform to local building regulations (which in practice are similar to international standards).

- **Credit and bank loans.** Many Polish banks, especially small, private banks, have overextended themselves and have large portfolios of under-performing debts. Consequently, Polish banks are currently very conservative -- insisting on low debt/equity ratios and stringent bank guarantees or mortgage security. Pledging of assets for security and mortgages is undeveloped in Poland, so guarantees from a second bank are often required.

The Polish Development Bank has the reputation as the best of the Polish banks, government-owned but well run.

Loans are usually in dollars with repayments in the PLZ equivalent at the date of repayment. Commercial rates on dollar loans from Polish or foreign banks are in the order of 10% currently.

The first source of funds for a large project should normally be the EU or EBRD, which have programmes that can attract good terms, for example, the STRUDER fund for priority investment areas (see below).

Other lead lenders can be the IFC or bilateral aid agencies, e.g. the Credit National has attractive Polish funds for French investors.

Local investment advisors and interested investors believe that international aid agencies are bureaucratic and lengthy in their decision-making process, whereas the latter believe that few proposals are sufficiently well prepared.

- **Regional development assistance.** Tourism is a priority sector for consideration under the EU-funded Programme for Structural Development in Selected Regions (STRUDER). The programme is administered by the newly-constituted Polish Agency for Regional Development (PARD). It provides financial assistance through grant aid, guarantees and equity funds to small, private-sector projects in high unemployment regions. These components of the STRUDER programme amount to ECU 65 million, targeted at Łódź, Wałbrzych, Rzeszów, Suwałki-Olsztyn and Katowice areas.

Training and advisory assistance are also available to entrepreneurs through this programme, but only in these areas. Entrepreneurs must submit their proposals to Regional Development Agencies (RDAs) in each region. There are nine accredited banks in the relevant regions which screen projects and evaluate them against programme criteria on behalf of the RDAs.

Criteria for funding are :

- start-ups and SMEs with a minimum of 100 employees;
- investment range from ECU 5,000 to ECU 40,000;
- funding limit and 20% from entrepreneurs' own funds;
- economic viability of the project, once established.

The Polish Development Bank manages the guarantee scheme and should be the direct recipient of applications for guarantees.

Local municipalities and local governments can secure up to 70% of the funding from STRUDER for small infrastructure projects in the relevant regions.

Tramping and cycling trails, rest areas, and telephone connections to new villages are examples of projects that would qualify.

- **Risk capital.** Apart from a small (ECU 3 million) facility under STRUDER, venture capital is not well developed in Poland, although the banks (particularly the Polish Development Bank) and the IFC do provide equity in certain circumstances.

The source of equity capital in new ventures is the Polish American Enterprise Fund, created in 1990 with \$240 million of initial funds provided by the US Congress. The Fund consists of two equity programmes and a small loan programme. Equity investments can be between \$1 and \$15 million with a 25% stake minimum. These are open to all sectors and look for an exit either by trade sale, stock market flotation, or by MBO within 5 to 6 years.

- **Taxes and duties.** Corporate income tax is 40%. 20% on Polish dividend income. There is a reduced 7% rate of VAT on tourist services (22% general rate). Personal income tax is at a progressive rate from 20% to 40%.

Investments of over ECU 2 million can be exempted from tax, or subject to attractive tax holidays, by application to the Ministry of Finance, if they bring in new technology, are in designated areas of high unemployment, or if 20% of production is for export. This is potentially interesting for hotel projects, which will either be in unemployment areas or will generate income from foreign tourists (i.e. export income).

Capital goods imports representing a contribution in kind by a foreign investor to a Polish company are exempt from customs duties, so long as they are not retransferred for three years. There is a 6% customs duty for most other imported goods.

- **Foreign exchange controls.** Foreign exchange permits must be obtained for the import and export of currency, foreign currency loans, and for transfers of hard currency between residents and non-residents. Within the context of *bona fide* commercial operations, these seem to be easily and rapidly obtained.
- **Employment.** Employment law is very liberal, with freedom to hire and fire local staff within redundancy conditions laid down by law. Short and long-term contracts are also allowable. However, a company must pay a social security contribution of 47% of wages.
- **The debt equity exchange programme.** March 1994 saw agreement in principle being reached between the Republic of Poland and Poland's commercial bank creditors associated in the "London Club". The deal has given creditors a number of options. These invite the creditors to exchange debt or outstanding interest arising from Poland's 1988 Restructuring Agreement for:
 - collaterised discount bonds at a 45 per cent discount;
 - collaterised bonds at par;
 - debt conversion bonds at par;
 - past due interests at par, and
 - cash buyback at 41 cents on the dollar.

Those trade creditors who hold debt arising from the Revolving Short Term Trade Agreements of 1983 and 1984 (RSTAs) have the option to exchange their debt for a cash buyback at 38 cents on the dollar.

Of special interest to holders of the bonds to be issued as a result of the deal will be that Poland has stated that all the instruments will be eligible for participation in Poland's privatisation programme, which will mean that the bonds may be exchanged for shares in Polish companies. The above should be of interest to corporate investors willing to take a stake in Poland's economy. Corporate clients of banks will be able to make equity investments into Poland via banks willing to act as intermediaries by assessing the bonds on the secondary market or using their own portfolios of Polish bonds.