

ANNUAL TOURISM REPORTING TEMPLATE

1. INTRODUCTION

Council Decision 86/664/EEC of 22 December 1986¹ establishing a consultation and cooperation procedure in the field of tourism foresees that “each Member State shall send the Commission, once a year, a report on the most significant measures it has taken and, as far as possible, on measures it is considering taking in the provision of services for tourists which could have consequences for travellers from the other Member States”.

With the publication of the “Agenda for a sustainable and competitive European tourism”, the Commission announced that “in order to strengthen the collaboration with and among Member States, their current annual reporting through the Tourism Advisory Committee (TAC) will be used to facilitate the exchange and the dissemination of information about how their policies and actions safeguard the sustainability of tourism”.

This Communication was welcomed by the Competitiveness Council conclusions (22nd-23rd November 2007) and by the Presidency Conclusions of the Brussels European Council of 14th December 2007.

The main aims for the reporting process are:

- to be able to monitor the level of implementation of the “Agenda for a sustainable and competitive European tourism” by Member States;
- to facilitate the exchange of experiences among member States with regard to how they tackle issues which are important for the competitiveness and sustainability of European tourism.

MS reports referring to year n shall be sent to the European Commission by the end of February of year $n+1$.

If the reports are sent in English, the deadline is shifted to the end of April.

2. ORGANISATIONAL STRUCTURE

This section should provide an overview of the main organisational structure to illustrate how tourism is organised and managed, to identify linkages and to identify the engagement of other organisations/stakeholders.

The information required will only need to be prepared fully in year 1 as it will subsequently only be necessary to provide details of any changes.

¹ Official Journal L 384, 31/12/1986 P. 0052 – 0053.

2.1 Please identify the National Bodies responsible for tourism (Ministry and also any separate/related National Tourism Organisation), including key areas of responsibility, and their relationship to other national bodies. (maximum of 1.000 characters)

Government responsibility for tourism rests with the Ministry of Local Government. The Ministry oversees the activities of municipalities, housing issues, sports and tourism. The Minister performs tourism-related tasks through the State Secretary for Tourism and supervises the activities of the Hungarian National Tourist Office (HNTO), which is responsible for tourism promotion in Hungary and abroad. The State Secretariat is responsible for the elaboration and implementation of the National Tourism Development Strategy, the legislative tasks regarding tourism, management of the yearly allocated Tourism Fund, international tourism co-operation, and since 2009 has been covering government responsibilities as regards the restaurant and catering industry.

After the parliamentary election, April 2010, the new Government will take power at the end of May or beginning of June and a new structure for administration will be established which will effect the government administration of tourism.

The Hungarian National Tourism Office was established in 1994 with the core objective of improving Hungary's image domestically and abroad, thereby helping to increase revenues from domestic and inbound tourism. The HNTO carries out its international marketing operations mainly through its global network, which consists of over 20 representations abroad.

2.2 Please, describe what organisations/agencies are used to deliver services at the national and regional level and the services that they deliver. (maximum 800 characters)

The State Secretariat for Tourism has a close co-operation with other government departments regarding tourism related issues (Ministry of Education and Culture – cultural tourism, Ministry of Agriculture and Rural Development – rural tourism development, Ministry of Environment and Water – ecotourism, Ministry of Foreign Affairs –travel advisories, visa issues, crisis management), the National Statistical Office, regarding tourism statistics and the National Development Agency as regards tourism related development schemes and tourism part of the regional operational programmes. It also closely co-operates with the major tourism trade organisations and professional associations.

The country is divided into nine tourism regions. For the coordination of tourism-related issues at regional level, Regional Tourism Committees (RTC) were established in 1998 in each region with the participation of trade associations, local government representatives and tourism experts. The activity of the RTCs is supported by Regional Marketing Directorates of the Hungarian National Tourist Office (HNTO) which are responsible for regional tourism promotion.

2.3 Please, describe which other bodies and organisations are involved at the national level and the process for involving them. (maximum 800 characters)

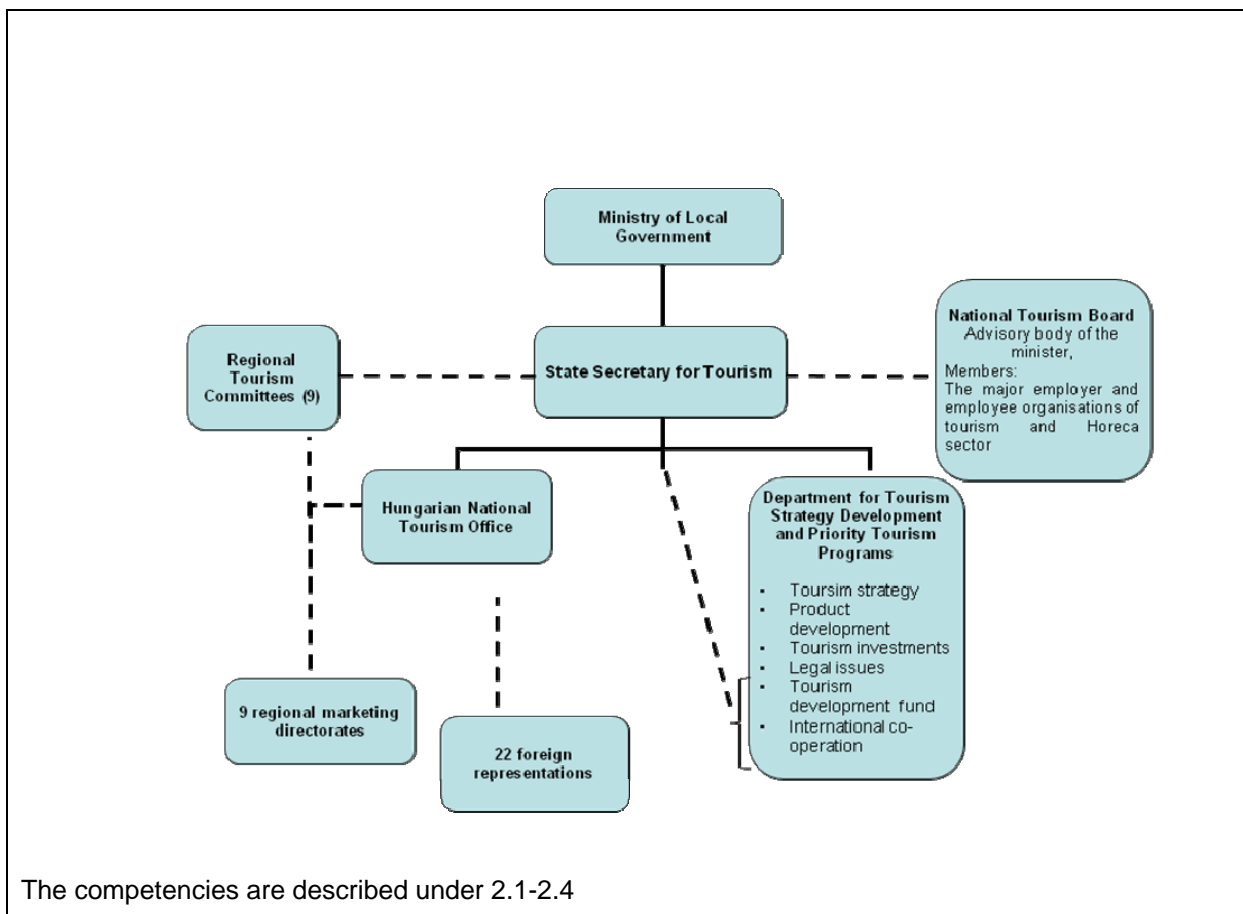
A Standing Committee on Sport and Tourism of the National Assembly (Parliament) is responsible for taking initiatives, making proposals and participating in the supervision of government work as regards tourism. After the parliamentary election, April 2010, the Committee structure of the Parliament will change as well that might effect the committee responsible for tourism.

The National Tourism Committee (NTC) has been serving as an advisory body of the Minister responsible for tourism since 1996. The committee includes representatives of the main tourism business organisations and the Regional Tourism Committees. It discusses all the major tourism related issues and advises the minister in strategic issues.

To develop cooperation and social dialogue between the government and the tourism industry, the National Tourism Employers' Association, and the Trade Union of the Hungarian Tourism and Catering Employees have established the Tourism and HORECA (Hotels, Restaurants and Catering) Branch Dialogue Committee. This Committee represents the interests of these branches in the

negotiations with government in its efforts to find new ways for the further development of the tourism industry and to solve the different problems facing these branches. The committee constitutes part of the national social dialogue process and regular meetings are organised. The main representatives of the Committee are members of the National Tourism Committee.

2.4 Please provide a diagram/organogram of the organisational structure for tourism identifying the relationship between national, regional and local bodies. Provide also a short description of the core responsibilities and competencies of each of the organisations. Include also information regarding the direct and indirect links between other departments, stakeholder organisations and unions. Information about mechanisms of decision making process participation from outsider organisations, e.g. forums, advisory committees is also requested. (maximum of 2.000 characters)



2.5 Please provide information about financial data, including spend/budget on tourism as a percentage of overall government spend/budget, the level of national funding support for tourism marketing, the amount of EU funding support made available for tourism and data concerning the support to SMEs and Destinations. (500 characters)

The central budget, the total expenditure of which amounted to some 48 billion EUR (12,984.5 billion HUF) in 2009,² includes a yearly allocated Tourism Fund, which is dedicated to support specific tourism development schemes and to finance tourism promotion. In 2009 21.1 million EUR (5.7 billion HUF) was allocated from the budget for this purpose which comprises 0,043% of the total budget. The government allocation for tourism marketing purposes took 81% of the Tourism Fund in 2009.

² Calculated with an exchange rate of 1 EUR = 270 HUF

On the basis of the National Development Plan of Hungary in the 2007-2013 EU budgetary period approximately EUR 1.197 billion is expected to be allocated to the regions mainly for tourism attractions, accommodation development and for establishment of the destination management system. Tourism development projects will be realised through the Regional Operational Programmes, funds available for tourism development covers 4.7 % of the total available EU funds.

Main measures in 2007-2009:

1.) Development of tourist attractions

Main areas: thermal and health resorts, castles and fortresses, visitor friendly reconstruction of museums, natural parks, visitor centres, theme and adventure parks

2.) Development of commercial accommodation and related services

3.) Development of the destination management system

Together 340 projects were supported by 425 million EUR from the EU structural funds, of which 77 % was allocated to attraction development, 22 % to development of commercial accommodation and related services and 1 % to the development of the destination management system.

Above this the Government nominated 37 major tourism projects of specific importance for possible support of which 24 has been approved for financial support through the EU Structural Funds. These developments mean a total of 780 million EUR tourism investment in Hungary.

3. POLICIES AND STRATEGIES

3.1 Is there a current National Strategy for tourism? **Yes** + No

If yes, please, provide information in bullet point format about the key aims, objectives and priorities of the strategy highlighting those that are designed to address sustainability issues in economic, environmental and social terms in particular those related in the six aims included in the Agenda. In preparing the tourism strategy, explain how consideration has been given to the 9 principles set out in the Agenda (para2.3 p5) and given in the appendix. (maximum 1.000 characters)

A National Tourism Development Strategy (NTDS) for the period to 2013 was approved by the government in 2005 after a wide consultation process with the involvement of tourism experts and all stakeholders of the sector, regional and national professional and political bodies. The Implementation Plan containing the governmental interventions for two years defined as a major goal to be the priorities of the NTDS incorporated into the country's National Development Plan 2007-2013 (New Hungary Development Plan). The document has been elaborated from a new approach, namely that tourism is not only a sector of economy but an integral part of life. Accordingly, the main objective is to improve the quality of life by sustainable tourism development. The key areas of NTDS are as follows:

People oriented and long-term profitable development

- Improvement of competitiveness of domestic tourism
- Optimization of tourism effects on life quality
- Fair and predictable business environment for the entrepreneurs.

Development of attractions

- Product development (priority should be given at national level to health tourism, heritage tourism (equestrian, cultural- and ecotourism, MICE tourism)
- Destination development
- Development of priority destinations

Improvement of conditions of tourist reception

- Improvement of accessibility of tourist attractions
- Improvement of comfort of visitors (accommodation, etc)

Development of human resources

- Market conform development of education
- Creation of stable employment
- Changing of attitudes

Creation an effective operational system

- Reflecting subsidiarity in the structure, strengthening regional capacities with the

- enhancement of co-financing and co-decision making of tourism stakeholders.
- Creation local destination management organizations
 - Transformation of the institution system in the regions

Horizontal objectives

- ✓ Equal opportunities: accessibility improvement
- ✓ Sustainability: economic, social, environmental
- ✓ Cross border tourism development: interregional cooperation
- ✓ Youth tourism: coordinated activity in line with special needs
- ✓ The experience chain establishment

3.2 Who was the initiator and who is responsible for its implementation? (maximum 200 characters)

The initiator of the strategy was the National Tourism Authority (predecessor of the State Secretariat for Tourism) and the National Tourism Committee. The responsibility of implementation in respect of governmental interventions lies upon the State Secretariat for Tourism in co-operation with all the relevant and involved governmental bodies. Partnership is expected from private sector stakeholders and NGO-s.

3.3 How is the strategy monitored and how often? (maximum 500 characters)

The implementation of the National Tourism Development Strategy is monitored by a Monitoring Committee where all the relevant government departments, professional tourism organisations and NGOs are represented. The Committee makes a yearly overview of the implementation. Parallely a regular report is conveyed to the National Tourism Committee and the Standing Committee on Sport and Tourism of the National Assembly.

3.4 What tourism specific legislation exists? (maximum 500 characters)

The main existing tourism related legislations are as follows:

Government Decree on travel contracts (281/2008)
Government Decree on Travel Organization and Agency Activities (213/1996.)
Minister Decree on tour guides (33/2009.)
Government Decree on terms of operating accommodations and issuing accommodation licences 239/2009
Minister Decree on equestrian activity (14/2008)
Minister decree about the qualifying examination of tour operators (3/1992)

A Tourism Act: proposal has been presented by the Government to the Parliament in May 2008, but it has been withdrawn by the Government in May 2009.

4. MEASURES AND INITIATIVES

This section provides Member States with an opportunity to outline specific initiatives and policies that are or are going to be adopted to manage and develop tourism activity in ways which respond to the key challenges of the Agenda and which fall within the six main aims of the Agenda itself.

1 Economic prosperity

- a. To ensure the long term competitiveness, viability and prosperity of tourism enterprises and destinations.

- b. To provide quality employment opportunities, offering fair pay and conditions for all employees and avoiding all forms of discrimination.

2 Social equity and cohesion

- a. To enhance the quality of life of local communities through tourism, and engage them in its planning and management
- b. To provide a safe, satisfying and fulfilling experience for visitors, available to all without discrimination by gender, race, religion, disability or in other ways.

3 Environmental and cultural protection

- a. To minimise pollution and degradation of the global and local environment and the use of scarce resources by tourism activities.
- b. To maintain and strengthen cultural richness and biodiversity and contribute to their appreciation and conservation.

4.1 Please set out, briefly, the steps which have been or will be taken, if any, to address the 7 key challenges for the delivery of sustainable and competitive tourism, covered in the TSG report and referred to in the 'Agenda'.

4.1.1 Reducing the seasonality of demand. (maximum 200 characters)

According to the New Hungary Development Plan until 2013 1.197 billion EUR can be spent for tourism development as indicated in point 2.5, mainly for tourism attraction development, accommodation and other tourism service development as well as for the establishment of destination management system. The developments contribute to the establishment of high quality tourism services and widening the tourism offer throughout the whole year, since emphasis is given in the evaluation grid to extend the operation period of attractions..

In the priority tourism product development areas detailed substrategies are established outlining the major aims and development measures. A substrategy has been already elaborated in health tourism, ecotourism, equestrian, cultural ,youth and cycling tourism. These strategies serve partly quality development of the main tourism products; partly contribute to decreasing the seasonality through widening the product offers throughout the whole year. It gives guidelines to the evaluation terms of support schemes, and is also the basis of co-operation between the governmental bodies and industry organisations.

One of the main objectives of the Hungarian National Tourist Office is to reduce the seasonality of inbound and domestic demand in order to help the sustainability of the sector. Some major marketing actions in co-operation with the service providers also contribute to decreasing the seasonality. In the field of inbound tourism, the most successful measure has been the Budapest Winter Invitation campaign that aims at inviting tourists to Budapest off the high season: between the 1st of November and the 31st of March. This is the fourth year of this campaign that attracts more and more visitors to the Hungarian capital while more and more hotels and other service providers join the campaign. What refers to domestic tourism, the Hungarian National Tourist Office has several initiatives with the regions and service providers (for example 2=3 or 3=4 nights in hotels) to help reducing seasonality in the framework of the so called thematic years (2006: the Year of Gastronomy, 2007: the Year of Ecotourism, 2008 the Year of Water tourism, 2009: the Year of Cultural Tourism, 2010: the Year of Festivals. 2011: the Year of Health Tourism). Through thematic year promotions the HNTO promotes a specific product through the whole year by this generating demand towards certain tourism products all over the year.

The promotion of off-season mega events like Budapest Spring Festival, Budapest Christmas Market

or sport events, like the Triathlon World championship in 2010 or the whole year programme of European Capital of Culture in Pécs 2010 also contribute to decreasing seasonality. The HNTO also stimulates the utilization of the holiday cheques for domestic travelling which also contributes to decreasing seasonality. The HNTO has developed the national tourism database as a united source of tourism information to public and professionals which makes the all year round events available. Specific major domestic promotion actions connected to special days, like Fat Thursday (giving 50 % discount of the prices in restaurants or open days for wine cellars give also impetus to offseason tourism consumption.

The first small results of developments can be measured as regards the seasonality. During the last three years slight positive change can be experienced in the seasonal distribution of the guest nights of the commercial accommodations in the first and the last quarter of the year.

4.1.2 Addressing the impact of tourism transport. (maximum 200 characters)

One of the major areas of improvement of conditions of quality tourism supply is transport communication development (road, train, air transport, bicycle routes, water transport). Due to major highway constructions the bordering countries can be reached by motorway from the capital, by this decreasing the CO2 emission burden on the surrounding cities and villages. As regards the train transport intercity communication was strengthened, the reconstruction and modernisation of the railway carriages and stations have started. In the reconstruction of railway stations modern visitor friendly communication methods are used.

The water communication infrastructure development is also supported by the New Hungary Development Plan. The development has partly started on the major lakes, while on the utilisation of the Danube a European Programme is being drawn up. Consultations have begun with Serbia and the relevant national authorities on the development of the Tisza as an international transport route.

One of the major areas of transport development where the impact of transport is less harmful on nature is bicycle route development. A national bicycle route development programme has started where 200 million EUR development fund is available until 2013. Between 2006-08 167 km bicycle route was finance by 20 million EUR support from this fund. The newly elaborated cycling tourism development strategy aims at improving the tourism related exploitation of cycling routes, and enhancing co-operation of tourism service providers along the bicycle routes crossing/connecting tourist areas and attractions. Hungary became an active player in the development of the Iron Curtain Trail.

4.1.3 Improving the quality of tourism jobs. (maximum 200 characters)

In the area of human resource development we have to analyse the results of the new structure of the vocational training and higher education system and analyse it in the light of the new labour market trends of the industry. Series of consultation have started between the relevant governmental bodies (Ministry of Social Affairs and Labour, Ministry of Education and Culture, educational institutes (universities, high schools, etc) involved trade associations (hotel, travel agents, meeting organisers, baths). The immediate aim is to clarify the actual requirements of employers toward the graduates and to analyse the first experiences of Bologna integration as well as recent transformation of middle level education.

A pilot project was carried out in 2009 regarding the actual situation of health tourism labour market. The study shows that professional knowledge of graduates meet generally the requirements of employers – except technical operation -, problems are faced especially in the area of language skills, practical competences. Therefore a better cooperation between employers and education sector players is proposed, the quality measurement of educational programmes was raised as an issue. There is an agreement between all actors that the BSc programmes should be extended by a second semester of practical education, and the graduate-monitoring system should be more effective.

Despite the sector's important role in employment (323 thousand-7,9 % tourism direct), the recognition of tourism jobs did not improve since 2003: generally low salary is offered, and efforts are needed to further develop the share of registered employees. In 2009 the employment in the accommodation and hospitality sector decreased by 9 % and the, the average gross salary (450 EUR) in the sector is 62% of the national average. Due to the effects of economic crises no improvement is foreseen in the short run.

4.1.4 Maintaining and enhancing community prosperity and the quality of life, in the face of change. (maximum 200 characters)

Tourism is one of the elements that contribute significantly to the quality of life as well as to the prosperity of local communities. The major tourism infrastructure and attraction developments are also beneficial for the local community wellbeing. In order to convince people about the significance of tourism and involve them in tourism both as tourists and as hosts, in 2009 a strategy was elaborated, called: Friendly Hungary. The campaign aims at changing people's and service providers' attitudes towards Hungarian and foreign tourists. The preliminary study on attitude of local people and tourism professionals towards tourists and the implementation of the campaign is planned to begin in 2010.

For measuring well-being, the Ministry of Local Government has taken an innovative approach to tourism strategic planning that aims to improve quality of life (QoL) through tourism. For this purpose a so-called "Budapest TQoL model" has been elaborated with International tourism experts and policy makers.

. The feasibility and applicability of the methodology was tested among visitors and residents in a pilot study in 11 countries, which was the first extensive study of this topic in the world.

The methodology was presented to the Tourism Committee of OECD, and sent to the relevant body of UNWTO, while further actions are going on in this issue: a collection of studies is going to be published with the financial support of Ministry of Local Government on relation between tourism and happiness. The book will summarize the scientific studies and will serve as a course book. On the International field of academic researches the Budapest model is also presented: an article will be soon published in the Handbook of Tourism and Quality-of-Life Research: Enhancing the Live of Tourist and Residents of Host Communities. The index is currently being refined following feedback from international experts in QoL theory and practice.

4.1.5 Minimising resource use and the production of waste. (maximum 200 characters)

For the time being there is no systematic national approach to this challenge, rather voluntary initiatives exist. As a first step on national level it was initiated that projects submitting a proposal for financial support of the National Development Plan are supposed to have/apply a scheme/activities on environment protection.

The most important voluntary action in this field is the Green Hotel award initiative of the Hungarian Hotel Association which stimulates minimising resource use and production of waste. In the remuneration process criteria like hotel environment, sustainable energy consumption, selective waste management, water consumption, customer information on environment protection is evaluated.

Some specific events also target this aim, like sustainable festivals using only recyclable materials by this significantly decreasing the waste burden and selective waste management or through co-operation with the railway company offering reduced tickets for sustainable transport methods.

Another good example is the initiative of establishment of an ecologically sustainable open air bath, an eco beach where wide range of energy saving methods are applied and bio products are served to public.

4.1.6 Conserving and giving value to natural and cultural heritage. (maximum 200 characters)

In the National Tourism Development Strategy the second most important product development area is heritage tourism. One important part is ecotourism which contributes to the enjoyment of tourism, in protected natural areas in an environmentally responsible way. A National Ecotourism Strategy was elaborated in 2008 for developing this tourism product in harmony with nature protection and tourism interests in a sustainable way. In 2009 a manual was compiled giving guidance on ecotourism attraction/visitor center/trail management, and the monitoring methodology of ecotourism destinations was also elaborated. A code of conduct was also published for responsible ecotourists in the relevant brochure.

Cultural tourism (including cultural heritage) is one of the key tourism products Hungary offers to foreign and domestic visitors. We work together closely with organizations responsible for the Hungarian cultural heritage in order to achieve both objectives: conserving the cultural heritage and showing it to a wide public. In 2009 the HNTO promotes cultural heritage in the framework of the Year of Cultural Tourism which means that they focus financial resources on cultural tourism this year.

4.1.7 Making holidays available to all. (maximum 200 characters)

One of the most useful and effective tools to making holidays available to all and help people to participate in domestic tourism is the Domestic Holiday Cheque system that is managed by the Hungarian National Foundation of Recreation.

The Foundation, established by the Government and the confederation of 6 trade unions, performs partly the task of the management of the cheque system, partly supports the employees with low income, people with social disadvantages, disabilities, pensioners and their families with holiday and relaxation possibilities.

In Hungary the law ensures tax and affix exemption till the value not exceeding the actual Hungarian minimum salary (in 2009 265 EUR [71,500 HUF) for both economic organisations, central and local governments, public organisations and private customers buying preferential holiday cheques. It means that the cheques represent a net income for the employees, while it is only a corresponding amount of cost for the employer. In 2009 25 % VAT was introduced for all the fringe benefits, including the holiday cheques.

The number of people possessing the holiday cheques was increasing significantly, at the end of 2009 number of employees and their close relatives holding holiday cheques reached 2 million who can clear the cheques at more than 13000 service providers. In 2009 the value of the issued cheques amounted 178 M EUR (15 % increase), while the redeemed once reached 171 m EUR (35 % increase compared to the previous year). The major part, 38 % of the holiday cheques was cleared at commercial accommodations.

The foundation ensures preferential holiday cheques from their own resources to socially disadvantaged people. The subsidy reaches people through open tender, the allocation is based on transparent normative considerations and a minimum amount of self financial contribution. During the last 4 years over 400 thousand socially disadvantaged people could benefit from the holiday cheques by this contributing to the improvement of their quality of life. In 2009 holiday cheques were allocated to 63 thousand socially disadvantaged people in an amount of 7,8 M EUR. According to the calculations of the Foundation it is expected that the number of recipients of such preferential holiday cheques will double in 2010.

The number of places where cheques are accepted and the range of services have been expanding, recently 15 thousand service providers accept them in 17 different service categories (accommodation, travelling by public facilities, cultural programmes, thermal bath and illness prevention, restaurant services, leisure sports etc). The growing number of utilized holiday cheques at accommodations indicates that it has significantly contributed and is preserving its preferred role in boosting domestic tourism in Hungary. As domestic tourism, is among the priorities of the Hungarian

National Tourist Office, it stimulates the use of Holiday Cheques by promoting this possibility through its various marketing tools.

Furthermore the State Secretariat for Tourism of the Ministry of Local Government delivered a tender for establishing a national database gathering all qualified barrier free services and service providers to be put on a central website. The database of services quality controlled by professionals will provide for people with disabilities free access from 2010 July all the information about the barrier free services they need for a pleasant holiday (local transport, accommodation and other tourism services).

4.2 As key challenges may change over time, please identify any other areas that are becoming a new challenge. (maximum 600 characters)

One of the major challenges we face is how to manage the consequences of international financial crisis and the economic decline on tourism, what measure can be envisaged to maintain tourism growth, competitiveness while not losing sight of the sustainability principles. A specific aspect of this challenge is how to adapt the strategic goals of the earlier elaborated National Tourism Development Strategy to these new circumstances.

We also face a problem of measuring the tourism flow due to the fact that after Hungary's accession to the Schengen Area, including the majority of the EU countries, we need new methods of measuring tourism flow as border statistics have disappeared and the accommodations statistics do not cover the whole range of tourism flow.

Furthermore it is an important challenge to strengthen the ethical aspects of tourism, raise the awareness of tourism stakeholders and tourists themselves for the importance of fair and responsible tourism on European and national level.

4.3 Please identify and describe a specific initiative, which is related to the 7 key challenges, that is innovative/ successful and which would be of interest to or of help to other Member States. (maximum 2.000 characters)

In Cooperation with the Ministry of Environment and Water Management a study is going to be prepared on interaction between tourism and climate change. Its aim is not only to reveal the mutual impact of tourism flow and climate change, but will provide practical guidance to service providers on mitigation and adjustment.

5. MECHANISMS FOR IMPLEMENTATION

Three mechanisms for implementing the Agenda were identified in the "Agenda": sustainable destinations, sustainable businesses and responsible tourists.

5.1 Sustainable destinations: What support is given to strengthen destination management at the regional/ destination level (supportive policy environment, knowledge networks, training programmes, establishment of measures/indicators for benchmarking, etc.)? (maximum 600 characters)

The Hungarian tourism is facing the necessity of institutional development, namely the establishment of the system of destination management organisations from local through regional to national level with full competencies and financial basis. The establishment of a well based destination management system with all related tourism stakeholders in Hungary, covering the full range of tourism planning, product and attraction development, management of information and booking systems, project management, research and marketing, human resource developments, co-ordination of stakeholders activity and administrative tasks comprises a major part of the institutional part of the National Tourism Development Strategy. This programme is supported by the Regional Operational Programmes of the New Hungary Development Plan, starting with funding support in 2009 for the establishment of the local TDM organisations, followed by the regional level in 2010. The available resources for this programme amount 14 million EUR for financing the establishment of the technical framework of these organisations.

For supporting this development the State Secretariat has developed a TDM operational manual covering the basic guidelines, an electronic learning programme, application handbook, legal organisational support handbook, and the whole programme was supported by a wide range of local and regional information workshops.

A TDM web portal is opened for interactive information exchange. The public tender for financial support was published in spring 2009, and deadline was the end of 2009. Some 55 destinations submitted applications in order to develop their DMO background – evaluation is soon to be finished.

An intensive partnership program is also organised including several national workshops, regional meetings with the newly appointed DMO managers in order to enhance dissemination of tender infos and to contribute to their networking across the country.

In addition the establishment of the DMO-style tourism structure, beside the local, the micro-regional and regional levels are also involved. The regional level so far was – and presently is – part of the Hungarian National Tourist Office that will be modified and bottom-up approach DMO-s will be partly owners of the recently state financed and directed regional tourism directorates.

5.2 Sustainable businesses: What support is given to strengthen the sustainability and competitiveness of businesses (supportive policy environment, orientation of business support services to sustainability, training, financial incentives, etc.)? (maximum 600 characters)

For supporting sustainable businesses in Hungary we work on establishing supportive legal and policy environment and endeavour to give orientation for businesses to incorporate sustainability principles in their decisions.

As regards the legal framework we modernised the Government Decree on travel contracts (281/2008) in harmony with the new EU Service directive and passed a Government Decree on rural tourism activities (136/2007.) stimulating rural tourism accommodations and related services through taxation incentives and a Minister Decree on equestrian activity (14/2008) giving impetus and clear regulation to quality services for this segment of the tourism industry. Due to the financial effects of the economic crises, in all the –previously tax free- elements of the fringe benefit system allocated to employees (including the holiday cheques) a 25 % VAT was introduced in 2009,

At the same time, in order to boost tourism the VAT for commercial accommodations was decreased to 18%, while the general VAT was increased to 25 %.

As regards the sustainability orientation for businesses the economic, social and environmental aspects of sustainable development are taking into consideration in the evaluation process of all the applications for funding from the Regional Development Programmes of the National development Plan. For the orientation of the members of the evaluating committees an evaluation guideline and criteria system was elaborated by the National Development Agency with the active participation of the State Secretariat for Tourism of the Ministry of Local Government.

In the economic indicators of a local tourism development we pay attention to the utilisation of local workforce, local products, and local subcontractor chains. As regards the social aspects priority is given to maintain and preserve local workforce, to development of quality of life of locals through established services. Local community partnerships are preferred in project evaluation as well as the improvement of the quality of access to local cultural and natural heritage.

As regards the environmental aspects of the project evaluation, preference is given to developments paying attention to sustainable means of transport, increased accessibility by using alternative transport methods (public transport, cycling) in case of increased environmental burden an off-setting

mechanism is to be established.

To support high quality services, competitive and sustainable business, the Hungarian Tourism Quality Award (HTQA) was established by the National Tourism Committee (NTC) with the support of the State Secretariat for Tourism and the stakeholder organisations in 2006. The aim of the award is to support and appreciate the high quality performance of accommodations and restaurants based on a unified, objective and reliable voluntary evaluation system.

The awarding process is based on a self evaluation questionnaire (750 questions to hotels and 300 ones to restaurants) covering the most important technical and functional issues as well as the quality level of partnerships of the applicants. The self evaluation is controlled by the awarding committee and through mystery shopping. The final decision about granting the award is made by the evaluation committee representing high level professionals entrusted by the NTC.

The tourism service providers eligible for the award guarantee a high quality level of service to their guests. The HOTREC has accredited the programme in 2007 which ensure that the awarded service providers meet the highest European expectations as well. They are entitled to use the 2Q logo as the sign of high level Hungarian and European quality standard.

Since its establishment the HTQA was granted by the National Tourism Committee to 81 hotels and restaurants who are entitled to use this prestigious title for a period of 3 years. The quality level of the awarded service providers can be controlled anytime and the award can be withdrawn in case of improper service level (this happened in case of 3 hotels and one restaurant).

The award can be renewed after 3 years based on a successfully repeated application. The success of the programme is proved by the renewed application of 20 previously awarded hotels. The award is a distinctive brand and a guarantee of high quality service, based on objective eligibility criteria system which contributes to the competitiveness of the Hungarian Horeca sector.

The awarded service providers get also promotional support from the Hungarian National Tourism Office.

5.3 Responsible tourists: What support is given to promote responsible choices by tourists (e.g. sustainability in education, national marketing and media campaigns, promotion of certification schemes)? (maximum 600 characters)

On the initiative of the Ministry of Local Government an Ecotourism strategy has been elaborated in Hungary in which specific attention is given to responsible tourist approach and an attempt is envisaged to establish a code of ethics for ecotourists, assisting awareness raising for tourists to remain in harmony with nature during tourism activity.

Parallel to this initiative the State Secretariat for Tourism proposed an in-house awareness raising campaign about responsible tourist behaviour within the Ministry. The national brochure presenting tourist attractions in national parks contain a code of conduct for responsible tourists.

The Hungarian National Tourist Office also participates in several actions that aim at enhancing the knowledge and consciousness of tourists regarding their responsibility for the environment. Different awards – like Entente Florale for cities and villages or Rosemary Award for restaurants with best floral milieu, or the Green Hotel award are also serving to raise awareness of tourists towards regions, service providers with environmentally responsible business attitude.

The Ministry of Local Government outlined an awareness raising campaign on hospitality behaviour and positive attitude to tourists.

6. DATA AND INDICATORS

Eurostat will provide, as an annex, the key statistical data required to support the reporting process covering around 20 indicators³. These are mainly related to the aim of 'economic prosperity'.

Please, identify indicators that are being used or developed which could add to the range of information being provided by Eurostat, particularly in relation to social and environmental issues (other indicators from the TSG report, visitors/ residents satisfaction, etc.). (maximum 500 characters)

One of the possible indicators for measuring the social aspects namely the role of tourism in quality of can be the "Budapest TQoL model" described in point 4.1.4.

7. COMPLEMENTARY ADDITIONAL INFORMATION

If necessary use the following box to provide additional complementary information that has not already been covered.

As requested during the TAC meeting, please find enclosed the major tourism figures of tourism development and the measures we implemented in tourism in response for the economic crisis.

- **General information on the tourism sector of Hungary**
 - Important branch of the economy, its **contribution to the GDP: 8.5%** (direct + indirect impacts)
 - **Employment: 490.000 persons** (12.5% = every eighth people working in the field of tourism)
 - Tourism is very important in balancing the deficit of the current balance of payment through its 1,4 billion EUR surplus generated in 2008 as a balance of the **foreign currency receipts and expenditures**.

- **Main results of the tourism sector**
 - **In 2009-ban at commercial accommodations**
 - 7.0 million guests spent
 - 18.3 million guest nights.

 - The number of **guests decreased by 8,3 %** while the guest nights at **commercial accommodations decreased by 8.4%**.
 - The **major driving force** of tourism now is more and more the **domestic tourism (51%), it has already higher ratio than foreign tourism**.
 - The number of foreign guests decreased by 9,7% (to 3.2 million), and their guest nights decreased by 9.8 % (amounting 9.0million guest nights).
 - The **average stay** –in harmony with international trend- decreased a bit in Hungary too, it is **2.6 nights (domestic 2.4, foreign 2.8)**.
 - **Domestic tourism** covers 51% of the total, the number of guests decreased by 7.2% (3.8million) while guest nights decreased by 7.1 % (9.3 million).
 - The **Holiday cheque system** plays an important role in stimulating domestic tourism, in 2009 it contributed to the increase of the quality of life of 2 million people. (See details above 4.1.7)

- **Major source markets:**
 - **Germany, Austria UK, Italy and Poland**, but unfortunately the guests and guest nights are decreasing from these countries except Austria
 - **Structural changes:**
Positive changes can be experienced on some important neighbouring markets: Czech Republic (+22%), Slovakia (+27%) and in some other markets

³ These indicators have been selected from the 50 TSG indicators on the basis of the possibility to calculate them at the European level.

- too: Switzerland (+4%), Finland (+4%)
- From **overseas markets**, mainly the USA and Japan the guest nights decreased (by -24%, -9% respectively). The exception is China where we had an increase of guest nights by 12% and Israel by 6%.

The signs of the crisis and the implemented measures

- ✓ We experienced decrease in tourism, which was less than earlier forecasted. The guest nights at commercial accommodations started to increase in the second half of the year.
- ✓ The accommodation and hospitality industry suffered a 4.5-5 % decrease compared to the 6 % decrease of the whole GDP. at the same time the investments in tourism decreased by 20 % which is much higher than the national average.
- ✓ The importance of domestic tourism further increased and we experienced a major change in the ranking of the top ten destinations, closer destinations like Poland, Czech Republic have gained importance, while USA dropped.
- ✓ the crisis seriously effected the tourism of Budapest, both the number of the guests and guest nights decreased over 11 %, partly due to the decline of business tourism and the general tendency of decreasing city breaks outside the main season.
- ✓ As regards domestic tourism, due to the decrease of the real income of the population the domestic spending declined by 18 %.

Hungarian responses to the crisis

- The VAT of accommodation services was decreased to 18 %
- Some major new and traditional mega events were supported, like Pécs – European Capital of Culture 2010, the Formula 1 race, Sziget Festival, Budapest Spring Festival.
- The State Secretariat launches an **awareness raising campaign** on hospitality behaviour through the media and modern communication channels.
- The HNTO concentrates its resources to the **closer and neighbouring source markets**.
- We put efforts to attracting car and bus travellers to Hungary (Easter part of Germany)
- The **Budapest Winter Invitation** campaign (pay 3 get 4 nights) has been prolonged and a similar one was introduced in summer period.
- The HNTO **strengthened its co-operation with service providers** through jointly financed actions, like Air Marketing Fund or as a new initiative Bus Marketing Funds.
- The promotion of domestic tourism increased in co-operation with the regions and service providers. The **concentrated thematic year promotions** was strengthened, this year the theme is the Festivals tourism, next year the Health tourism.
- The HNTO stimulates the utilization of the holiday cheques for domestic travelling.
- The marketing office **strengthen the image of the visitor friendly and hospitality** attitude of service providers and the population through competitions and awards, like Hungarian Tourism Quality Award, Entente Florale competition for cities, villages, restaurants.

APPENDIX

Principles of sustainable tourism:

- **Taking a holistic and integrated approach**

All the various impacts of tourism should be taken into account in its planning and development. Furthermore, tourism should be well balanced and integrated with a whole range of activities that affect society and the environment.

- **Planning for the long term**

Sustainable development is about taking care of the needs of future generations as well as our own. Long term planning requires the ability to sustain actions over time.

- **Achieving an appropriate pace and rhythm of development**

The level, pace and shape of development should reflect and respect the character, resources and needs of host communities and destinations.

- **Involving all stakeholders**

A sustainable approach requires widespread and committed participation in decision making and practical implementation by all those implicated in the outcome.

- **Using best available knowledge**

Policies and actions should be informed by the latest and best knowledge available. Information on tourism trends and impacts, and skills and experience, should be shared across Europe.

- **Minimising and managing risk – the precautionary principle**

Where there is uncertainty about outcomes, there should be full evaluation and preventative action should be taken to avoid damage to the environment or society.

- **Reflecting impacts in costs – user and polluter pays**

Prices should reflect the real costs to society of consumption and production activities. This has implications not simply for pollution but for charging for the use of facilities that have significant management costs attached to them.

- **Setting and respecting limits, where appropriate**

The carrying capacity of individual sites and wider areas should be recognised, with a readiness and ability to limit, where and when appropriate, the amount of tourism development and volume of tourist flows.

- **Undertaking continuous monitoring**

Sustainability is all about understanding impacts and being alert to them all the time, so that the necessary changes and improvements can be made.