

ANNUAL TOURISM REPORT 2012

HUNGARY

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 is located in the Ministry for National Economy. The Ministry oversees the national economic development including external and internal trade, the national budget and taxation, the employment policy, and the international economic relations. The Minister performs tourism-related tasks through the Deputy State Secretary for Tourism and oversees the activities of the Hungarian Tourism Plc. (Hungarian National Tourist Office – HNTO), which is responsible for tourism promotion in Hungary and abroad. Within the Ministry the Tourism and Catering Department is responsible for the elaboration and implementation of the national tourism development strategy, legislative tasks regarding tourism, international tourism co-operation, it is responsible for providing conceptual framework for the SZEP Card system and for the management and development of national trademark system and since 2009 has been covering government responsibilities as regards the restaurant and catering industry. Within the Deputy State Secretary for Tourism the Health Industry Unit is responsible for the strategy development of health industry (incl. health tourism based on both natural resources and medical services and related sectors (e.g. pharmaceutical industry, production of medical instruments, herbal industry).

The yearly allocated Tourism Fund is supervised by the Ministry for National Development. The EU co-financed development programmes (incl. tourism related programmes) are managed by the National Development Agency. This institution is responsible inter alia for co-ordination of the operational programmes' planning, monitoring of their implementation, finalization of the calls for applications, selection of the developments and the investments to be awarded support.

The Hungarian Tourism Plc. 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 Hungarian Tourism Plc. carries out its international marketing operations mainly through its global network.

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 Tourism and Catering Department has a close co-operation with other government departments regarding tourism related issues (Ministry of Human Resources – cultural tourism, Ministry of Rural Development – rural tourism development and 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. In these regions, the Regional Marketing Directorates of the Hungarian Tourism Plc. 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)

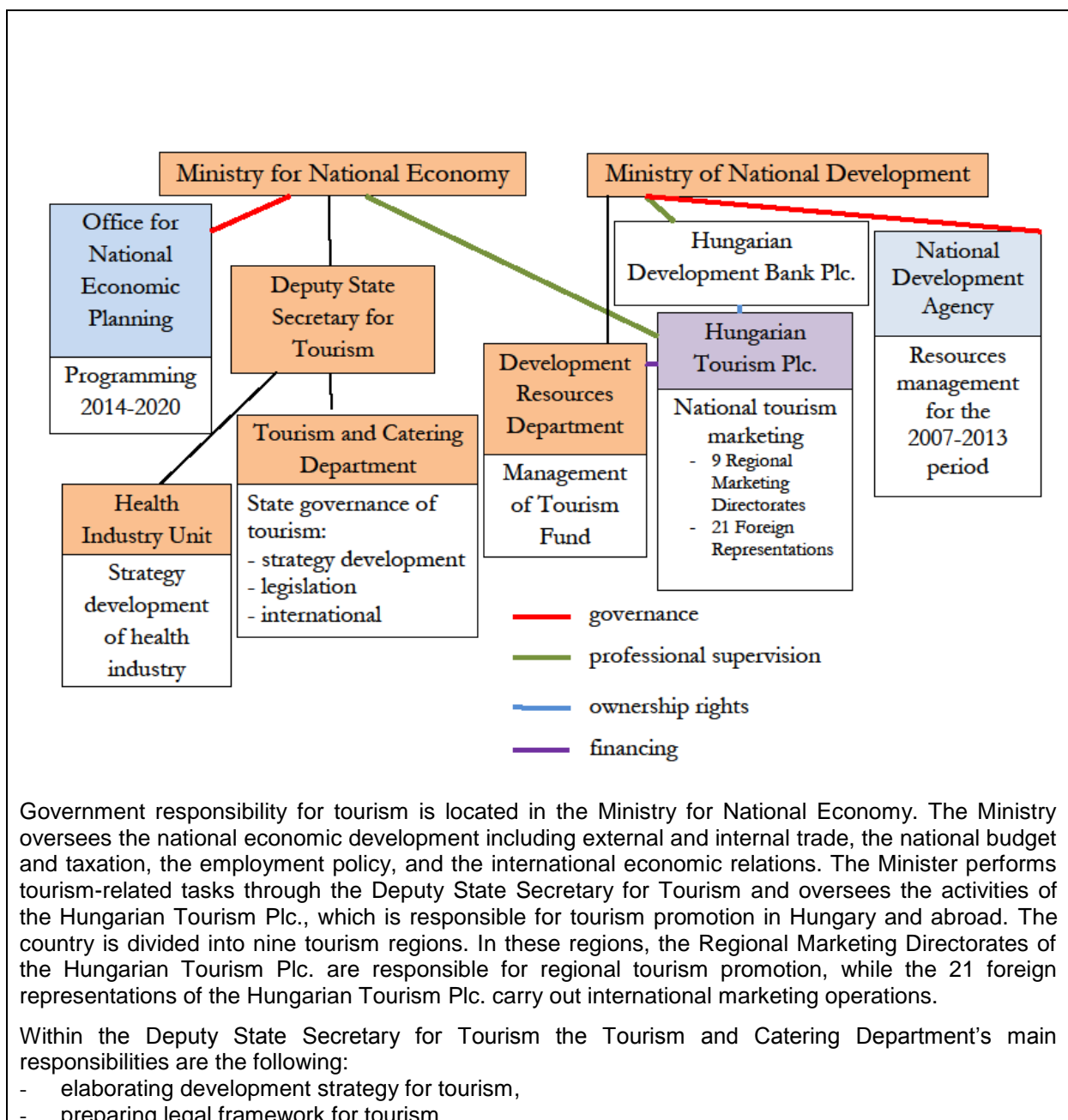
The Standing Committee on Sport and Tourism of the Hungarian Parliament is responsible for taking initiatives, making proposals and participating in the supervision of government work as regards tourism.

The National Tourism Committee (NTC) functioned as an advisory body of the Minister responsible for tourism since 1996. The committee included representatives of the main tourism business organisations. Currently, the NTC is being renewed and the establishment of the National Tourism Council is in progress. Our goal is to create a smaller and more transparent advisory body to the Minister responsible for tourism.

To develop co-operation 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 Committee's most important aim is to work out a proposal for an overall strategy of the Hungarian catering sector.

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)



- maintaining international relations on governmental level (EU, UNWTO, OECD, Visegrad countries, CEI, bilateral and multilateral co-operations),
- providing conceptual framework for the SZEP Card system,
- management and development of national trademark system (also ownership except in case of hotels).

The Health Industry Unit of the Deputy State Secretary for Tourism is responsible for the strategy development of health industry (incl. health tourism based on both natural resources and medical services and related sectors (e.g. pharmaceutical industry, production of medical instruments, herbal industry)).

The yearly allocated Tourism Fund is supervised by the Ministry for National Development. The EU co-financed development programmes (incl. tourism related programmes) are managed by the National Development Agency. This institution is responsible inter alia for co-ordination of the operational programmes' planning, monitoring of their implementation, finalization of the calls for applications, selection of the developments, investments to be awarded support.

In local level, the creation of Local Tourism Destination Management Organisations' (DMOs) network is currently in process. In December 2010 a national DMO registration system was set up. It is a voluntary quality-assurance process, where the Tourism and Catering Department of the Ministry for National Economy controls whether – according to the submitted documents – the basic professional requirements are met. Since then 85 DMOs has been registered. Following the call for tender of 2009, in 2011 and 2012, further calls for proposal were submitted to stimulate DMOs activity. Altogether 74 DMOs were provided EUR 12.7 million funding to implement common actions. The regional organizations for tourism destination management will be developed after the formation of the local system.

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 EUR 54 billion (HUF 16,205 billion) in 2013,² includes a yearly allocated Tourism Fund, which is dedicated to support specific tourism development schemes, to finance tourism promotion and to cover the royalties of the Formula 1 Hungarian Grand Prix. In 2013 EUR 41.7 million (HUF 12.5 billion) is allocated from the budget for this purpose, which comprises 0.077% of the total budget. The government allocation for tourism marketing purposes takes approximately 45% of the Tourism Fund in 2013.

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 the establishment of the destination management system. Tourism development projects will be realised through the Regional Development Operational Programmes (RDOPs). Funds available for tourism development covers 4.7 % of the total available EU funds.

Since the beginning of the implementation of the RDOPs, 1,055 projects were supported by EUR 935 million from the EU structural funds, of which 75% was allocated to attraction development, 20% to development of commercial accommodation and related services and 5% to the development of the destination management system. In the period of 2011–2012 altogether 592 projects were supported by EUR 452 million.

The projects to be co-financed from Community funds were selected within the framework of thematic grant schemes (Development of attractions/accommodations and services/Destination management organisations) or by the nomination of the Government (priority projects, which have national/regional significance in tourism development). The Government has decided to support 65 priority projects in a value of EUR 320 million.

² Calculated with an exchange rate of 1 EUR = 300 HUF

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)

The on-going 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 as well. 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: co-ordinated activity in line with special needs
The experience chain establishment

In 2010, the Government defined the national economic development objectives in the New Szechenyi Development Plan, in the Development Strategy of Recovery and Progress for Hungary. One of the Plan's priority areas is the health industry, including health tourism. From 2011 this document was the base of support schemes financed from EU Structural Funds.

Following a series of consultations with tourism stakeholders a new Tourism Development Concept has begun to be outlined for the period of 2014–2020. The elaboration of the new development document is still in progress, it has to be finalized in 2013.

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

The initiator of the new concept is the Tourism and Catering Department of the Ministry for National Economy due to its responsibility for strategic planning of national economic development. The idea behind is that the Government's primary economic mission is to create favourable business, financial conditions for tourism development and SMEs involved in the sector.

Earlier, the National Tourism Development Strategy included numerous actions that could only be implemented by local municipalities or private companies. Despite seeking for partnership with involved bodies, especially private sector stakeholders and NGOs, the implementation of some of the planned interventions were not efficient as the economic environment changed drastically since the strategy had been approved.

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

The implementation of the National Tourism Development Strategy was monitored by a Monitoring Committee where all the relevant government departments, professional tourism organisations and NGOs were represented. The Committee makes a yearly overview of the implementation.

Following the approval of the New Szechenyi Plan, the governmental actions had to be revised and focused on those areas where market failures had to be eliminated (e.g. declining domestic demand).

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

In Hungary, tourism is regulated in the Act on Commerce (Act 164/2005) and there are certain Government and Ministerial Decrees that regulate the different types of activities.

- Government Decree 281/2008. (XI. 28) on travel contract
- Government Decree 213/1996. (XII.23) on tour operator and travel agent activity
- Government Decree 239/2009. (X.20) on commercial accommodation services
- Government Decree 173/2003. (X.28) on non-commercial, recreational accommodation services
- Government Decree 141/2011. (VII.21) on time share in accommodation establishments, on distance contracts concerning holiday products and on provision of long-term right to use accommodation establishments
- Ministerial Decree 33/2009. (XII.18) on tour guiding activities
- Ministerial Decree 14/2008. (XII.20) on equestrian services
- Ministerial Decree 3/1992. (I.13) on the qualifying examination of tour operators

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)

To eliminate the impacts of seasonality is one of the priorities of the Ministry for National Economy responsible for tourism. Currently, the Ministry is the governmental partner of the Hungarian National Foundation for Recreation in OFF2013, which is supported by the European Union within the framework of the Calypso Program. The objective of OFF2013 is to facilitate low-season transnational exchanges of seniors and families facing difficult circumstances in Hungary and Poland.

Besides assisting in the realization and sustainability of the project, the main goal of the Ministry is to stimulate tourist flows between Hungary and Poland in off-season by facilitating the travels of seniors and families facing difficult circumstances and providing the opportunity to all Hungarian tourism destinations to get involved, and to contribute to the reduction of the economic impacts of seasonality by encouraging the more effective utilization of capacities and a more active employment.

To reduce the seasonality of inbound and domestic demand – in order to help the sustainability of the sector – is also one of the main objectives of the Hungarian Tourism Plc.. 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, which aim is inviting tourists to Budapest in the off-season: between November and April. The campaign attracts more and more visitors to the Hungarian capital while more and more hotels and other service providers join it. The campaign's total budget is about EUR 1 million. During the winter in 2013–2014 the eighth campaign is going to be organized.

What refers to domestic tourism, the Hungarian Tourism Plc. has several initiatives with the regions and service providers (e.g. Great Restaurant Day, Open Cellar Days, the Goose Tour on Saint Martin's Day).

The promotion of off-season mega events, like Budapest Spring Festival, Budapest Christmas Market or sport events also contribute to decreasing seasonality. The Hungarian Tourism Plc. 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.

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 the development of the transport concerning touristic services (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 development of water-transport is also supported by EU Funds. As a result of recent development in Budapest on the Danube public transport ships are operated. On the major lakes (Lake Velence, Balaton) landing places in ports have been extended.

One of the major areas of transport development is bicycle route development as the impact of transport is less harmful on nature. A national bicycle route development programme has started, within which funds up to EUR 200 million are available until the end of 2013. In Hungary, the total length of cycle paths is some 3,500 km, as a result of the abovementioned resources.

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, 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.

Despite the sector's important role in employment (according to the latest TSA from 2007 directly 323 thousand people work in tourism, which is 7.9 % of the total number of employees), the recognition of tourism jobs did not improve much in the last couple of years: generally low salary is offered and efforts are needed to further develop the share of registered employees. After the economic downturn, it was first in 2011 when employment figures in the accommodation and hospitality sector increased and exceeded the number from the pre-crisis level. In 2012 the average gross salary was EUR 465 in the sector, which is 63% of the national average.

The most important aim of the New Szechenyi Development Plan is to create 1 million new, taxpaying jobs in 10 years. The Plan contains seven priority areas as possible break-out points for Hungary. First is Healing Hungary – Program for Health Industry. One part of the health industry is health tourism, in which Hungary possesses with great capabilities (thermal and medical waters, wellness hotels, high level medical skills). With better exploitation of the relevant attractions, Hungary will be able to create at least 300,000 new jobs in tourism. If the Development Plan will be successful, these new jobs will be able to improve the quality of employment in the field of tourism.

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's wellbeing. In order to convince people about the significance of tourism every year a dedicated campaign aims at changing people's and service providers' attitudes towards Hungarian and foreign tourists on World Tourist Day (27 September).

To promote domestic tourism the Szechenyi Recreation Card (SZEP Card) was introduced in 2011 as part of fringe benefit system replacing the holiday vouchers. The SZEP Card is also generating economic boost by providing financial resources to domestic tourism related services (accommodation, hospitality and recreation).

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

In Hungary over the past years environment friendly waste-management was given growing attention. Tourism service providers are motivated to apply modern approach by the grant-scheme providing financial support for developments.

The most important voluntary action in this field is the Green Hotel award initiative of the Association of Hungarian Hotels and Restaurants, 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.

In 2012 there were around 6,600 places in the country where residents have the chance to throw off the waste in selective way. This chance is well known by the 96% of the whole population and 75% of them are able to live with this opportunity near their home. Hungarian people select especially plastic, paper and glass.

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.

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. In 2011–2012 financial support was provided for the development of ecotourism sites in line with the guidelines of National Ecotourism Strategy. 16 projects were supported in a value of EUR 31 million. Among the ecotourism projects the Blue track national hiking route, the Nograd Geopark and the Old-Drava program have specific (regional, national) significance. Cultural heritages are also prioritized in tourism development. In 2011–2012 more than 55 projects were provided EUR 190 million financial support. As the most important cultural sites Esterhazy Castle in Fertod, Buda Castle, Pannonhalma Benedict Monastery, Szechenyi Zsigmond Hunting Museum in Hatvan, and the 2nd stage of Edeleny Castle should be mentioned.

Cultural tourism (incl. cultural heritage) is one of the key tourism products that 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 2011, the Parliament adopted the Act on World Heritage (2011/LXXVII). The law summarizes the rules and restrictions on the Hungarian World Heritage territories, and help to determine the potential for development opportunities as well. The World Heritage Act provides a legal framework to the management plans of each site, in which also tourism appears to ensure information to local governments and potential investors on the opportunities, restrictions and prohibitions regarding all individual sites.

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

One of the most useful and effective tools to make holidays available to all and help people to participate in domestic tourism was the holiday voucher system, which – as part of fringe benefits – specifically supported tourism since 1997.

In 2011, a more modern, electronic card-based system was introduced instead of paper-based vouchers. The name of the new electronic card is Szechenyi Recreation Card (SzRC).

From 2012 further improvements were taken and since last year behind the single plastic card there are already three sub-accounts (pockets) for the different purposes. From the first account accommodation services and domestic travel packages, from the second account catering and accommodation services and from the third account leisure services (e.g. festival, concert and theatre tickets, spa and swimming pool tickets, fitness season tickets and sports equipment rentals) and accommodation services can be paid.

Until the end of 2012 almost 19,000 companies gave this benefit to their employees and more than 750 thousand cards have been issued. The amount that has been transferred to SzRCs was EUR 240 million, from which EUR 147 million have already been spent on domestic services.

While the main purpose of SzRC is the development of tourism and catering industry, the other

important element of the Hungarian fringe benefit system, the Erzsebet Voucher (EV) primarily serves social goals.

EVs are paper-based vouchers entitled to purchase services of hot meal catering units and ready-for-consumption meals and foodstuffs. According to the law, they can now be given by the employer with preferential taxation up to EUR 27 per month. The issuer of EVs is a partially government funded non-profit organization, the Hungarian National Holiday Foundation.

EVs have two social functions:

- on the one hand, the benefit of EVs itself can be interpreted as part of social policy, as it provides additional funding for food to hundreds of thousands of employees,
- on the other hand, an act decrees that the issuer Hungarian National Holiday Foundation has to spend its profits derived from the distribution of EVs on the implementation of social programs (organized social holidays, providing meals for children). This complex social welfare and application system is called Erzsebet Programme.

In 2012, under the Erzsebet Programme the Hungarian National Holiday Foundation invited applications for organized social holidays for an amount of more than EUR 10 million. As a result, more than 100 thousand people, of which more than 30 thousand were children had recreation and camping opportunities.

The Ministry for National Economy is the governmental partner of the Hungarian National Foundation for Recreation in OFF2013. The overall objective of OFF2013 – supported by the European Union within the framework of the Calypso Program – is to facilitate low-season transnational exchanges of seniors and families facing difficult circumstances in Hungary and Poland. The partners of the consortium being dedicated to “Tourism for all” and “Europe, the world’s No. 1 tourist destination” aim to create opportunities for the above 2 CALYPSO target groups to spend their holiday abroad at an affordable price.

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 maintain both international and domestic tourism growth and our competitiveness while not losing sight of the horizontal principles (e.g. sustainability, equality, responsibility). So that Hungary can stand strong international competition in the field of tourism the new Tourism Development Concept will specify the objectives of tourism development and determine the necessary tools to meet the goals. Among the priorities of the Tourism Development Concept are

- the improvement of tourism infrastructure,
- the implementation of development programs with integrated strategic approach instead of individual projects,
- the development of the structure of tourism organizations and
- effective marketing and sales promotion.

Regarding tourism statistics we 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.

As the question of travel facilitation is one of the key issues in today’s tourism policy making on global level, this issue is foreseen in Hungary as well.

In connection with our Governments’ policy of “opening towards the East”, besides our traditional markets Hungary is trying to find new potentials from emerging markets such as the former member states of the Soviet Union (CIS countries), the GCC countries or other far east Asian countries to attract additional visitors. In these cases visa requirements currently seem to be an obstacle to tourism and despite the marketing efforts of the Hungarian Tourism Plc. large number of visitors are choosing different destinations where visa administration process is much easier and quicker.

Therefore we believe it is important to look for new alternatives within the existing policy framework (EU Visa Code) which can provide greater travel mobility while maintaining the level of national security. Currently a dialogue is being started between the Ministry of Foreign Affairs, the Ministry of

Home Affairs and the Ministry for National Economy, which is the responsible governmental entity for public administration of tourism in Hungary.

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)

Szechenyi Recreation Card (SzRC)

In Hungary, fringe benefits have long been an integral part of the employer's compensation system. Through the tax system, the Hungarian state encourages the employers to give non-wage benefits, as they can be provided to the employees under more favourable taxation conditions than salaries. A net wage of 100 forints costs now 196 forints to the employers, while a net fringe benefit of 100 forints costs only 135.7 forints. It also follows that the state gives up significant tax revenue due to the lower common charge of fringe benefits. The state is still worth it to maintain the system, because through this, it can provide additional resources to important social and economic policy objectives, as all the benefits are earmarked. Among them, there are for example food vouchers, benefits which can be spent on health services, retirement saving contributions, commuting assistance and benefits for holiday activities and recreation.

The provision of fringe benefits is not mandatory, but the consent of the employer.

Since 1997 holiday voucher system as part of fringe benefits specifically supported tourism.

In 2010, the government decided to introduce a more modern, electronic card-based system instead of paper-based vouchers. The name of the new electronic card is SzRC. The legal basis of the Hungarian fringe benefit system is the Law on Personal Income Tax, which defines the items of benefits, the basic conditions of their use, and the associated tax rules. Detailed rules for the issuance and use of SzRC are determined by a government decree.

The electronic card format has several advantages compared to the paper-based voucher:

- It is easier to use, there is less administration:
 - *Issuers* do not have to produce a lot of paper-based voucher, as plastic cards are valid for 5 years.
 - The system is also good for the *employers* as they do not have to distribute paper vouchers to the employees a number of times year by year, it is sufficient an electronic transfer to the issuer.
 - For the *employees* it is easier to use a card instead of a packet of paper vouchers. In contrast to the paper-based system the great advantage of the card system is that there are no denominations.
 - Finally, *service providers* do not have to collect paper vouchers from time to time and send them regularly to the issuers.
- It contributes to the reduction of black economy, as the electronic transactions can be tracked better than the circulation of paper-based vouchers.
- As the operational costs are low, no need to ask high commission from the service providers. Only 1.5% commission is to be paid by the service providers after transactions.

SzRCs are issued by market participants (at the moment by three bank-owned company groups), thus the operation of the system does not cost anything to the state. The decree specifies the conditions under which the issuers are required to be compliant.

The legislation originally defined SzRC as an e-card with a maximum budget of EUR 1,000 in it per year, which could be used only for services in conjunction with staying in commercial accommodation. This meant that someone could only pay by SzRC e.g. in a restaurant, theatre or spa if he or she was staying in commercial accommodation at the same time. This solution provided targeted tourism consumption, however based on the initial experiences, made it very difficult to use the card, as the proof of the use of accommodation was difficult to implement in practice.

Therefore, from 2012 improvements were introduced and since last year behind the single plastic card there are already three sub-accounts (pockets) for the different purposes. From the first account accommodation services and domestic travel packages, from the second account catering services (including both eating in a restaurant and in the workplace) and accommodation services and from the

third account leisure services (e.g. festival, concert and theatre tickets, spa and swimming pool tickets, fitness season tickets and sports equipment rentals) and accommodation services can be paid. Together with the creation of the three pockets, the maximum amount behind the card increased to EUR 1,500. The Law on Personal Income Tax sets an annual ceiling of the amounts which can be transferred to each pocket with a preferential tax. These are,

- up to EUR 750 for the accommodation pocket,
- up to EUR 500 for the catering pocket, and
- up to EUR 250 for the leisure pocket.

Both the issuance of the cards and their acceptance is under government control. Controls are carried out by the authority controlling a wide range of commercial activities, the Hungarian Trade Licensing Office. Both the issuers and the service providers can expect severe penalties, if they do not comply with the law.

Until the end of 2012 almost 19,000 companies gave this benefit to their employees and more than 750 thousand cards have been issued. The amount that has been transferred to SzRCs was EUR 240 million, from which EUR 147 million have already been spent on domestic services.

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)

Over the past years the reorganisation of territorial tourism organisation has progressed. Local destination management organisations (DMOs) were set up in most of the important destinations. These organisations’ activity is based on the co-operation of major related tourism stakeholders, and covers 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 stakeholder activity and administrative tasks.

Community funded support was provided for the efficient operation of DMOs within the framework of the Regional Operational Programmes of the New Szechenyi Plan. In 2011–2012 altogether 68 DMOs’ action plan was deemed to be eligible for some EUR 12 million financial support.

An intensive partnership program is also organised by the Hungarian DMO Association including several workshops, regional meetings with the DMO managers in order to enhance dissemination of tender information and to contribute to their networking across the country. The representative of the Tourism and Catering Department of the Ministry for National Economy participates in these meetings and gives information about the latest trends of tourism.

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 have modernised and modified the tourism related legislation in line with the recent adopted EU legal acts giving impetus and clear regulations to quality services.

The already mentioned SzRC system in addition to stimulating domestic tourism has further contribution to the competitiveness of the Hungarian tourism service providers, as they have to pay

only 1.5% commission after a transaction.

As regards the sustainability orientation for businesses, the economic, social and environmental aspects of sustainable development are taken into consideration in the evaluation process of all the applications for funding from the Regional Development Programmes. 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 (predecessor of the Tourism and Catering Department in the Ministry for National Economy).

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 a national trademarking system has been established since 2009 when obligatory qualification of accommodation was eliminated. Joining the national trademark system is not obligatory, but it contributes to distinguish good quality service providers from non-qualified services, to strengthen consumer consciousness and to provide guidelines for the easier selection of services. National trademark qualifications were set up until the end of 2012 for rural accommodations, private rooms, holiday camps, camping sites and hotels. The owner of the trademarks is the Hungarian State except the Hotelstars Union system, which is owned by the Hungarian Association of Hotels and Restaurants. The administrative duties/management of the qualification – operating the thematic website, receiving, processing tenders, carrying out site inspections, contracting service providers, updating the list of qualified accommodations etc. is the responsibility of the relevant professional associations. The decision about authorising, the use of trademark is authorised by the Minister responsible for tourism, who makes the decision based on the proposal of the Qualification Committee.

Another qualification of competitive and sustainable business is the Hungarian Tourism Quality Award (HTQA). 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 self-evaluation is controlled by the awarding committee and through mystery shopping.

The fourth break-out point of the New Szechenyi Development Plan is the Enterprise Development Program. The main goals of the programme are to give new entrepreneurs the belief that to run an enterprise in a trustworthy way is rewarding, while decreasing the bureaucratic administrative procedures and to create union with the Hungarian enterprises in order to have new workplaces.

In November 2011 the Hungarian Government accepted the Government Resolution 1405/2011, on making the State more simpler and user friendly (Simple State Programme), which contains 114 actions in 10 priority areas. The main goal of the process is to dismantle the bureaucratic procedures currently in place and decrease the administrative charges of Hungarian enterprises by 500 billion HUF (1.6 billion EUR) until the end of 2013. With less administration, quicker and more efficient processes enterprises will save time and money which can be converted into the creation of new jobs and retention of currently existing jobs.

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 (predecessor of the Tourism and Catering Department in the Ministry for National Economy), an Ecotourism strategy has been developed where 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 (predecessor of the Tourism and Catering Department) 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 Tourism Plc. also participated 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.

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)

7. COMPLEMENTARY ADDITIONAL INFORMATION

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

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.

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

- **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.