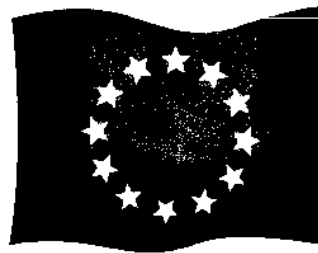


EUROPE AND US



New Europe for me as

HORECA ENTERPRISE

Hotel / Restaurant / Cafe

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2003

Using example of EUROFIT Austria

1. EFFECTS OF 4 FREEDOMS ON THE **xxxxx** HORECA ENTERPRISES

1.1 The free movement of goods

Four basic freedoms (free movement of goods, services, capital and people concerning free establishment) should be explained in similar way as following to **xxxxx** craftsmen, especially effects of these measures on their business.

Goods that are produced according to the law of one EU member country can be launched to the market of the rest EU member countries without any additional controls and permits. This means that, e.g., the food that correspond to the German food law and was produced in Germany can be offered also in our country even if we would have stricter rules for food production in our country. In addition there will exist no customs and also no other not trade obstacles anymore. The border controls within the EU will also fail.

**No controls
by free
movement of
goods**

Effects on the hotel and restaurant craft enterprises

Food from EU countries can unhindered be imported into **xxxxx**. This will probably cause a decrease of the basic products prices in gastronomy. At the same moment the variety of offered goods will increase. Absorptions, contingents and import prohibitions will fall out. Many food legal regulations or standards will be partially harmonized or mutually recognized.

All of this will not be applied at the very beginning of our EU membership. There will be still left some restrictions of free movement concerning particularly agriculture.

It will be very important that responsible **xxxxx** representatives of tourism branch will in this connection examine if some of these stricter rules can not be used as marketing advantage for **xxxxx** food. (e.g., German purity requirement = advantage for German beer industry).

There is prepared EU directive regarding biological products which differ in some aspects from **xxxxxx** regulations.

Hotel and gastronomy craft enterprises can profit from the decreased prices for devices and furniture due to free movement of goods.

1.2 The free movement of people

Border controls within EU will fall out in the future with exception of sample controls. Employees in all EU countries will be allowed to work without working permit. The community citizens will have the right on equal treatment with residents in all other member states with regard to employment, remuneration and other working conditions.

**No border
controls
anymore**

Effects on the hotel and restaurant craft enterprises

Expected is drain or migration of particularly well qualified work force. There will be a strong competition between working conditions and salaries among different EU member countries.

However, on the other hand, some cheap working force will be available also in **xxxxx** tourism branch, namely those without working permit. For non EU citizens (e.g. Turks) will be furthermore required a working permit.

Free movement of people will enable getting of more experience abroad. Payments of insurance and contributions for certain period spent in another EU country will be recognized in home country. So there will no administrative obstacles stand in the way if somebody will e.g. open a practice in Great Britain, France or Italy.

After opening of borders within the EU, there is of course a substantial need for stricter control on external EU border.

1.3 The freedom of establishment and free movement of services

Working without permit allowed in any other EU country

Every citizen of the community who can proof appropriate experience in certain craft activity is allowed to run business within the whole EU without additional examinations and as well to establish himself in any other EU country.

Effects on the hotel and restaurant craft enterprises

3-years lasting practice as a landlord or hotelier (on the self-employment basis or in the leading position) in any EU country entitles a craftsman to establish or manage the hotel and restaurant craft enterprise in **xxxxx** and vice versa also **xxxxxxx** entrepreneur is allowed to manage or start-up a hotel or restaurant in any other EU country after proving of 3 years lasting activity on self-employment basis or in a leading position. This is taken into consideration independently from the respective preconditions legally determined for allowing of activity performance in the one country.

Furthermore you have an access to craft activity in any EU country:

After 2 years practice on self-employment basis or in leading position and proving of officially recognized education.

After 2 years practice on self-employment basis or in leading position and proving of at least 3 years practice on employment basis.

After 3 years practice on employment basis and proving of officially recognized education (this can be more strict in relations to third countries).

Previous experience from EU enlargements showed that freedom of establishment is not much practiced. Free establishment has been already possible for corporate groups, e.g., big hotel chains through positioning of **xxxxx** managing directors or in case

that they have established an enterprise (hotel, restaurant) according to our national rules.

Due to free movement of services it will be possible to conclude insurance contracts with any foreign insurance company. This should contribute to some savings especially in the tourism.

Furthermore it will be possible to offer services over the border. Therefore, a **xxxxx** entrepreneur can offer in the future, e.g., his catering services also in the border regions of neighbour countries.

1.4 The free movement of capital and payments

this freedom belongs to the most important presuppositions for a functioning of internal market. All EU enterprises can apply and accept credits in all EU currencies and have their accounts in any EU country. It will also be possible to transfer foreign currencies over the border without problems.

Effects on the hotel and restaurant craft enterprises

All currency exchanges will diminish thanks to the existence of one common currency. On one hand this will make travelling easier, on the other hand it will enable to compare prices of various suppliers easier. To keep the market share if your prices have higher level it is necessary to provide your customers with sufficient information and transparency of your pricing.

2. OTHER ASPECTS OF AN EU ENLARGEMENT ON THE **xxxxxxx HORECA CRAFT ENTERPRISES**

Labour and social legislation

Only part of the rules and regulations within the framework of EU labour and social legislation are obligatory, considering namely following fields:

- the free choice of work
- the social security of the migrant workers
- the equal remuneration for men and women
- the working environment
- the health and safety of employees on working place
- mass redundancies in big enterprises and
- the notice and dismissal protection in connection with a complaint or claim regarding equal working remuneration.

All other obligatory rules concerning labour and social legislation refer primarily to cross border affairs.

However, these rules are always only the minimal requirements that have to be kept. In addition, every EU member state has the right on stricter national laws and regulations.

National standards as much as possible compliant to EU standards

For the tourism are of importance previous directives, suggestions about certain employment relations (partial time directive, temporary work) which says that social insurance payments are compulsory when employee works more than 8 hours per week. This number of hours should then secure the claim on all legal social security benefits. If we compare our national social standards with those of the EU we will realise that most of them are already essential compliant, and therefore, no fundamental changes are expected after EU entry.

Ground and soil ownership

Many tourism representatives complain that ground and soil are sold out. The EU regulate in this aspect only an equal treatment of citizens of all countries. It means that **xxxxx** legislators must apply such measures that would prevent a sell out of ground and soil in our country but on the other hand that would not discriminate other EU citizens. As a good example is the Danish ground and soil ownership law (other good examples: South Tirol, Bavaria).

European booking systems

The construction of uniform European booking systems will raise the information density. In the long term we can expect that tourists will make reservations on their own.

Also internet and being present there will be of major importance.

Travel

In short term perspective it is expected a reduction of transportation costs (for flights, buses, trains) on account of raised competition what can positively stimulate the tourism. However, in the long term there must be counted with increase of the transportation expenses.

Conference tourism

In the united Europe the number of the business trips and conferences will probably further increase. **xxxxx** tourism branch is not developed appropriately in this segment yet. New chances and potential should be recognized soon enough also in this area.

New competitors

Increased competition - need for special advertisement measures

Increased competition in form of fast-food chains and other forms of system gastronomy would appear more likely than competition in catering but independently from our EU entry. In this respect there should be invested also in the promotion and advertisement of quality and unique of **xxxxx** catering services.

The demand in the hotel branch (holidays resorts, recovery centres, sport facilities) is considerably increasing.

Annual ranking of the top 10 ten hotel groups in Europe (2003)

				Hotels		Rooms		Hotels in xxxxxx	
2002 Rank	2003 Rank	Group	Country	2002	2003	2002	2003	2002	2003
1	1	ACCOR	F	1 799	1 965	179 423	203 127		
2	2	BEST WESTERN	USA	1 122	1 120	70 713	70 570		
3	3	SIX CONTINENTS	UK	414	418	65 580	64 848		
4	4	LOUVRE / ENVERGURE	F	915	869	62 705	60 535		
5	5	HILTON INT'L	UK	235	243	49 312	51 514		
7	6	MARRIOTT INT'L	USA	232	254	38 438	41 427		
6	7	SOL MELIA	SP	213	200	41 946	41 380		
9	8	CHOICE	USA	419	435	31 861	33 704		
8	9	TUI	GER	154	154	33 587	33 587		
10	10	NH	SP	298	195	31 767	27 228		
Total top 10 groups				5 801	5 853	605 332	627 920		

MKG Consulting – February 2003
Official statistics of hotel groups

Source: www.hotel-online.com, (xxxxxx)

3. PROMOTION OF THE TOURISM BY THE EU

Importance of the tourism has not yet been sufficiently recognised by the EU. However, more support measures are supposed to be prepared in this area.

**Strategy of
tourism
promotion**

Recognition of special features of tourism

One of the main points of this measure package is to know more precisely the special features and development of the tourism branch. Following measures are intended for that:

- Development of common tourism statistics
- Effects examinations of running community policies on the tourism and the analysing of new forms of tourism, as well as
- to find appropriate adaptation strategies for tourism representatives
- Coordination of the community policies concerning tourism
- Consultation of the representatives of tourism branch by accepting of community decisions

Holidays

In addition it is important to achieve better division of the holidays. Initiative in this aspect should be given to the national authorities.

Cross border regions cooperation

Another aim of the EU is to promote the cooperation between border regions, as well as the improvement of the tourist and technical cooperation among cities.

Use of the cultural heritage

The community has an interest on usage of cultural heritage of our continent for the tourism purposes.

- Cultural routes should be compiled and advertised appropriately in the information brochures and leaflets
- Establishment of an European price for the best offer in the cultural tourism
- Price competitions for museums that will offer special products in cooperation with the tourism
- Service improvements of the European museums for foreigner, e.g. multilingual information materials ...

Tourism and environment

The community actions should more and more consider exactly the reciprocal effect and dependence of tourism and environment. The following measures are intended:

- support of the member states by selecting of the regions suitable for environment friendly tourism
- production of a behaviour codex for tourists with focus on good ecological and ethical behaviour
- Establishment of community environment price
- Support of pilot measures concerning the exchange of experience in administration of tourist places

Rural tourism

The community wants to promote particularly the active holidays in rural regions, among other things vacation spending at farm or in small family pensions. Following measures are intended for these purposes:

Chances and Risks can be after all defined only individually

Promotion of active holidays

- Promotion of partnership initiatives among tourism suppliers on local and European level
- Information improvement of the tourism suppliers in the rural areas
- Publication of easily understandable prospects
- Publication of guides and information materials
- Promotion of pilot projects with purpose to stimulate new tourist offers in the rural areas
- Competitions for rural tourism areas

Special tourism and youth tourism

The European community wants to enable the access of various groups of people on tourism, even of people who can not afford it due to their bad social situation. The following measures are planned:

- Better promotion of various accommodation types
- Promotion of tourism of seniors
- Consolidation of the most important youth travel organizations
- Expansion of reduction possibilities for student youth cards
- Information of the youth about existence of craft tourism enterprises and about their working possibilities

Professional training

The community wants to promote tourism branch by supporting of professional training. The following measures are intended:

- Support of the cooperation between universities and tourism schools
- Pilot project on education in rural, social, cultural and environment fields
- Development of professional profiles in the tourism branch
- Exchange programs as for example Leonardo

Promotion of professional training

Advertising in the third countries

EU wants to foster advertising measures on markets of North America and Japan.

Education of skilled worker

The European Commission in collaboration with the European Centre for the Development of Professional Training (CEDEFOP) have implemented acknowledgement measures concerning following craft profession education within the

whole EU (reception secretary, doorman, barkeeper, storekeeper and warehouseman, waiter, restaurant staff, chief waiter and wine waiter) to promote free mobility on the labour market. Similar measures are planned to be implemented for further education important for tourist branch.

4. QUESTIONS

To define chances and risks of the business and to draw from it the correct conclusions means, to answer as precise as possibly a multitude of questions, which refer:

- * to the analysis of an own enterprise and his position in the competitive environment,
- * to the developing goals
- * to the appropriate strategies and measures.

Appropriate questions for the enterprise or competition analysis can be, for example:

- * What kind of products / services do we offer?
- * What can we do we particularly well?
- * With what kind of products do we achieve what kind of results?
- * With what kind of customer groups will we handle?
- * By what kind of customer groups do we achieve what kind of results?
- * What is our market?
- * Why do we restrict our performance to this market?
- * Which kind of advantages and disadvantages does have our location?
- * Who are our strongest competitors, measured by the capital or sales?
- * Which of our competitors are the most innovative?
- * Which are our most important strengths and weaknesses?
- * Which planning and control instruments are available for us?
- * What accuracy has achieved our pre calculation in comparison with post calculation?

Questions to the developing goals can be for example:

- * What are our substantial strengths that we can sell to our customers particularly well and that can distinguish us clearly from our competitors?
- * Why would customer choose our product even if the distance would be bigger?
- * What chances do we have by export deliveries to the previous target groups?
- * What chances have we if we want to attend new export target groups or delivery chains?
- * Which additional costs appear, if we perform our services to the more distant customer?
- * Which target groups do we want to address more intensively / particularly / exclusively?
- * Which products or product groups should be further supported / launched?
- * Which service performances should we strengthen?
- * Which marketing activities can strongly influence our sales?

Questions to the definition of appropriate strategies and measures are, for example:

- * What do we have to do in order to achieve our goals in for example these areas?
 - Customer relations
 - Offered assortment
 - Service performance
 - Marketing and advertisement
 - Cost structure
 - Planning and control
 - Calculation

- * Who is responsible for the execution of the measures?
- * What deadlines do we have to pay attention to for the separate measures?
- * Who is responsible for coordination and control of the specified measures?