

PROGRAMME FOR THE DEVELOPMENT OF MOUNTAIN TOURISM IN MONTENEGRO

A REVIEW

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1. INTRODUCTION

A programme for the **Development of Mountain Tourism in Montenegro** has been prepared by the International Institute for Tourism of Ljubljana on behalf of the Ministry of Tourism of the Republic of Montenegro. The programme was produced in March 2005. It is referred to here as the IIT report.

There have been several previous key documents published with respect to tourism in Montenegro. The Tourism Master Plan of 2002 focused on coastal development. However, the **Strategic Framework for Development of Sustainable Tourism in Northern & Central Montenegro**, is directly relevant to the sustainable development of mountain tourism in the Republic. This was adopted by Government on 16th September 2004 and presented in Podgorica in the presence of the Prime Minister on 15th December 2004. Also relevant is the World Travel and Tourism Council report of 2004 entitled **Montenegro – the Impact of Travel and Tourism on Jobs and the Economy**.

In this Review an assessment is made of the 2005 report in the light of the earlier reports and in consideration of a common framework and plan for the development of sustainable tourism in Northern & Central Montenegro.

2. ASPECTS OF SUCCESSFUL MOUNTAIN TOURISM

The Strategic Framework for the Development of Sustainable Tourism in Montenegro incorporated lessons learnt on achieving sustainable tourism, lessons relevant to Montenegro. It drew in particular on the experience of Costa Rica, which has been highly successful in achieving sustainable planned development in a very distinctive way.

Montenegro is highly unusual in Europe, if not unique, in having an extensive largely pristine mountain environment. This is recognised by Government, as indicated by the Declaration of the Ecological State of Montenegro at Zabiljak on September 20th 1991.

A fundamental requirement of successful mountain tourism is that it must be sustainable. A key lesson learnt from other countries is that mountain environments are especially sensitive and that regeneration from environmental damage can be slow even when it is possible at all.

A further lesson is that there has to be a linkage between local communities and National Parks, including in mountain areas. If local inhabitants can obtain income from the Park they will be encouraged to support its conservation. But this income

has to be sustainable; if a short term view is taken, and environmental damage occurs as a result, the end result is a repeat of the kind of de-population that is blighting the mountain areas of Montenegro today.

The income comes from providing an experience that people wish to buy, which means making use of a destination's comparative advantage. In the case of the mountains of Montenegro the special selling proposition is as an unspoilt destination, yet one that is in Europe. It can provide the kind of mountain experience gained in say Nepal, Kyrgyzstan or the Andes, but much closer to the EU market place. A key part of this selling proposition is the demonstrated commitment of Government to environmental conservation and to maintaining the very special qualities of Montenegro's mountain environment.

To achieve results can be based on a relatively modest level of investment, as demonstrated in Nepal. Small scale accommodation is of appeal, as is soft adventure. What is needed is interpretation and training so that visitors have a special experience, whether in river rafting, walking or in cross country ski-ing.

3. MOUNTAINS OF MONTENEGRO TODAY

The mountains of Montenegro, while possessing outstanding scenic beauty, suffer from poverty and de-population. This latter is clearly identified in the IIT report. They suffer from poor facilities, including poor standards of accommodation, and a lack of interpretation. The region is uncompetitive by EU standards and, as a result suffers from poor access. There are relatively few flights to/from Podgorica non stop to key destinations in the EU.

The opportunity is to make use of Montenegro's special position, as identified in the Strategic Framework, of developing distinctive environmentally sound tourism. This can include relatively upscale tourism for modest levels of investment, tourism that directly involves local communities with accommodation associated with homes and local enterprises. To achieve relatively high levels of income retained in the community, it is more important to focus on the level of visitor expenditure per head and on retaining that income locally than it is on achieving a high number of visitors in total.

The IIT report contains a 'wish list' of activities to be developed in the mountains of Montenegro. This includes:

- Discovery of nature;
- Wellness, health and beauty;
- Cultural and historical tourism;
- Sport and recreation, including mountaineering, adrenalin sports, tennis and fishing;
- Local events;
- Wining and dining;
- Trips and excursions.

All of these can begin to be developed relatively quickly in the mountains of Montenegro. Meetings and smaller scale conferences can begin to be developed as facilities are built and as access begins to improve.

However, the IIT report, while listing these promising activities, focuses on the expansion of downhill (as distinct from cross-country) ski-ing. It does not consider how any of the other potential sources of business can and should be developed.

4. EU MARKET FOR SKI-ING

The IIT report indicates that the target market for the expansion of downhill skiing in Montenegro is from European markets – an opportunity is identified as “the large scope and quality of European demand”. It is stated that *“through market analysis and quality characteristics of demand, we came to the conclusion that the most interesting tourist markets for Montenegrin mountain tourist centers are; France, Holland with Belgium and Luxembourg, Great Britain, Ireland, Italy and Slovenia.”*(page 176).

The report does not consider the highly competitive nature of the European ski industry, neither the sophistication of available facilities, including accommodation, nor the quality of marketing and promotion on the part of competitors. Characteristics of the European ski market are, in very summarised form, shown below:

Country	Primary Destinations	Access
France	France	Road, rail, air
Germany	Germany, Austria, Switzerland	Road, rail, air
At budget level	Slovakia (from East Germany)	
UK	Alpine countries, Andorra/Pyrenees, North America	Air, road to France & Switz'd
At budget level	Bulgaria, Romania	

There is preponderance in the French market to prefer French ski resorts, in Italy to prefer Italian ski resorts and, in the German market, to prefer resorts that are German speaking. In the UK, North American resorts have made a substantial penetration, given the low cost of trans-Atlantic air fares during the winter and competitively priced accommodation of very high quality. Eastern European resorts, such as in Bulgaria and Romania, focus on beginners and inexperienced skiers. Their selling proposition is entirely based on low prices.

A particular trend is the growth of independent travel for ski-ing holidays within the EU, away from packaged tours. This reflects the expansion of low-cost airlines within the EU, which enable people to travel when they want at a lower total cost than that of a package tour to the same destination. Since there are few non-stop airline services from the EU to Podgorica, and none from the UK for example, ski-ing would likely have to be developed on the basis of charter flights, but this is contrary to market trends which is away from such flights.

A further consideration is that the construction and operation of ski lifts tends to be funded via local communities and is often subsidised in order to provide a basis for the resort. Alternatively, private companies such as Intrawest, which built the

Whistler resort in Canada and which has now moved into France, depend on substantial real estate development for overall project viability.

The nature of the EU market demonstrates that to achieve any substantial market penetration, ski resorts in Montenegro would need to be cheap – but also very good. This implies a contradiction between high levels of capital spend and low revenue levels, questioning project viability.

5. SKI MARKET CHALLENGES

In terms of the ski market, it is fair to say that – in the EU market place - Montenegro has NO special selling propositions. It is virtually unknown as a ski destination within the EU. To establish it would require very substantial marketing and promotional spend.

A further challenge is that the resorts are, and would be, relatively low. Almost all the proposed ski lifts identified in the IIT report are between 1,500 metres and 2,100 metres. While there can be good snow in current circumstances, there is a major threat from global warming. Alpine glaciers are in relatively rapid retreat, and the UN Environment Programme predicted, in 2003, that the snow line in the French and Swiss Alps could be expected to rise from 1,200 metres to 1,800 metres within the next 30 to 50 years. Poor seasons have already seriously impacted such resorts as Soell in Austria, where the ski-ing height ranges from 622 metres to 1,820 metres. Such trends can be expected to intensify, leading to increased focus on the part of skiers to those resorts able to offer ski-ing at higher altitudes. This will favour resorts such as Val d'Isere, Val Thorens and Zermatt, with height ranges from around 1,500 metres to 3,400 metres.

Irrespective of this challenge, the investment required to build just one ski resort in Montenegro that is competitive in the EU market would be substantial. One of the most recent resorts to be developed is Bansko in Bulgaria. Prior to this development, Bansko was an already established resort with an existing accommodation base. Despite this, the investment in ski facilities in recent years has totalled €30 million. In the case of Montenegro, with a weak accommodation base, the required investment will be very substantially more. A core resort, with a range of accommodation and sports facilities in addition to quality ski lifts, is an essential requirement to be competitive.

It is certain, contrary to the IIT report, that Montenegro could not support more than one such resort in the next 20 years, and the provision of finance for such a resort is far from certain. This means that there is a strong argument for focusing on where Montenegro does have a competitive advantage, namely on the domestic and regional market. This implies a more modest level of facilities, that can be spread over a wider area.

6. FINANCIAL COSTS AND BENEFITS

As noted in Section 4 above, the costs of resort construction especially for ski-ing are very substantial. The total investment stated in the IIT report is €290.5 million to 2010 and €1,055 million up to 2020, as shown below.

	By 2010	2010-2020	Totals to 2020
Total investment	€ 290,550,000	€ 764,500,000	€ 1,055,050,000
New jobs created	2,250	7,350	9,600
Cost per new job	€ 129,133	€ 104,014	€ 109,901
Total annual revenues	€ 65,067,900	€ 185,401,600	
Total jobs	3,750	11,095	
Revenue per job	€ 17,351	€ 16,710	

Source: Investment, revenue and staffing figures taken from 'Program for Development of Mountain Tourism in Montenegro', Tables 66-69. The figures assume 1,500 existing jobs as stated on page 27 of the IIT report.

The capital costs per new job directly created are very high, reflecting the capital costs required for new facilities including ski lifts. Yet, because revenues per room sold will be low (reflecting the necessary market positioning) the revenues per job will be low. Thus a very large investment is required to produce relatively low levels of income.

The IIT report notes the multiplier effect of tourism investment, and states that actual employment will be much higher, with an estimated benefit to 40-50,000 people. This multiplier effect is indeed well established. However, the revenue figures given appear to be for gross revenues, not net revenues, thus indicating that the net financial and economic benefits of the form of development proposed would be low. In addition, there is no guarantee that the ski lifts to be built would be self-financing; it is possible that they could run at an operational loss, needing continuing financial support from local and/or central government.

The overall picture suggests that the investment in ski facilities is proposed in the IIT report is at best questionable in terms of the likely financial and economic benefits.

"...if rates are cut and Montenegro becomes known as a low-cost destination, it will be much harder to shake off the image and try to target higher-yield business in the future. It would also be a pity if would-be tourists – not to mention investors – underestimated the destination's potential in terms of quality products. Unlike some of its competitors – whether Croatia, Turkey, Bulgaria, or even Spain – Montenegro is too small a country to be able to afford those kinds of mistakes." *Montenegro: The Impact of Tourism on Jobs and the Economy. World Travel and Tourism Council, 2004*

7. ENVIRONMENTAL RISKS OF SKIING

The development of ski resorts does have substantial environmental impacts, impacts that may well be contrary to the unique environmental status of the country, and which would damage the overall perception of Montenegro as a tourist destination.

New research by Sonja Wipf and colleagues from the Swiss Federal Institute for Snow and Avalanche Research together with the Universities of Zurich and Potsdam,

has shown that machine grading of ski slopes causes significant damage to vegetation. Graded pistes have more bare ground than ungraded pistes, and the damage has been shown to be long lasting. Further, artificial snow causes changes in species composition. This demonstrates the risks attached to ski development, particularly without very careful and objective environmental assessment prior to any development taking place. The appropriateness of such development within Montenegro's National Parks must be seriously questioned.

Other negative impacts of ski resort development are pollution, as experienced in the Alps and of the high use of water required for artificial snow making, use that can have substantial environmental implications. The likely impact of global warming and climate change has been discussed above.

Before any new ski development takes place in Montenegro, a careful environmental impact assessment carried out by an objective independent agency would be essential.

8. EXPLOITING MONTENEGRO'S COMPETITIVE ADVANTAGE

It must be emphasised that Montenegro's special selling proposition is spectacular unspoilt nature that is more easily accessible from major outbound tourism markets, notably the EU, than other more unspoilt mountain destinations.

It can sell special experiences such as soft adventure, river rafting being but one example. Montenegro should focus on market segments where it has competitive advantage, especially when combined with distinctive beach tourism. Those areas mentioned in the IIT report, such as wellness, culture/history, cuisine and fishing, are all areas which can be relatively easily developed with relatively low levels of capital expenditure. They are also areas of activity in which the local population, with appropriate training, can participate, thus raising local incomes and reducing the trend to out migration. Meetings and conferences business requires better facilities than currently exist, and considerably improved access, but this can be developed in the medium to long-term.

It is suggested that a more appropriate form of ski-ing development for Montenegro than that proposed in the IIT report, is smaller scale ski-ing, based on existing resorts, for the local/regional market, where Montenegro has a competitive advantage by virtue of its proximity to those markets.

9. CONCLUSIONS

It is recommended that the development of mountain tourism in Montenegro is based on the accepted Strategic Framework, already adopted by Government.

Tourism in the mountain areas should be built steadily from the current very low base. This implies:

- Supporting improvements in accommodation. Small scale enterprises, including those where the visitor can meet local residents and learn from their culture, have touristic appeal. If this is linked with a certification scheme and the development of an accommodation brand, it will enhance the ability to

market and promote these enterprises. A central booking system may prove advantageous in this direction;

- Supporting the development of activities for visitors. River rafting and walking/trekking, with the provision of interpretation and jobs for local people, including as guides, is an example of this. UNDP is already working in this direction, via its current project in Durmitor National Park (Savnik, Zabljak and Pluzine).

For winter sports, as indicated above, the optimal route is likely to be more modest developments than proposed in the IIT report, which focus on the local market and regional market, incur lower environmental and financial risks, including in relation to climate change.

This kind of approach will provide a platform for sustainable development within Montenegro's mountains that will also enhance the incomes of local inhabitants. The opportunity is there, as is the Strategic Framework. What is required is the will to act.

ANNEXE

SPECIFIC COMMENTS ON THE IIT REPORT

1. There is a fundamental contradiction within the Report between the statement on Page 8 that the program adopts the principle of sustainable tourism and the emphasis on non-mass tourism, and the subsequent development of ski resorts of a substantial capacity, especially within National Parks.
2. It is stated on page 12 that “there is no document that can give a comprehensive picture of the future development of mountain tourism in Montenegro”. This appears to understate the principles of the Strategic Framework and the pilot implementation already being undertaken by UNDP.
3. On page 14, Poon (1993) is quoted, with an attribution of the masculine gender. Auliana Poon is very much a lady, with an established reputation in international tourism consulting. Although from Trinidad, she lives in Germany and invariably runs a presentation session at ITB in Berlin every March.
4. On page 21, it is stated that “there will be a reduction in the demand for summer vacations.” I am not aware of any evidence at all for this statement.
5. On the same page, it is also stated that “there is a reduced interest in the demand for Bed and Breakfast, as it is seen as a cheap tourist product”. I see no evidence for this in the markets that I am familiar with. In the USA, bed and breakfast is, I believe, still growing as a phenomenon and it isn’t cheap. In the UK, the trend is for quality improvements in Bed and Breakfasts, not in their decline. Indeed, on-farm tourism – including B&B – continues to grow.
6. Later on the page, it is stated that there is a trend for a “preference for simple vacations”, which somewhat contradicts the statement about B&B.
7. On page 27, under “Strategic Goals for the Development of Mountain Tourism in Montenegro” it is stated that the authors expect that de-population of the northern and central parts of Montenegro will end”. This seems a very ambitious goal.
8. On page 33 it is stated that “The development of tourism in the world...is aimed at the concentration of larger tourist destinations with the common recognizable image....” This may be true of ski resorts, but not of other forms of tourism. Indeed, one could argue the contrary, that there is a trend away from larger resorts and larger hotels to the small distinctive resort that can offer privacy and quiet. Examples are lodges in Bhutan, and up scale wildlife resorts in Botswana, Kenya and South Africa.
9. On page 71, it is stated that the price of a daily ski pass at Jezerine is 25% of the price of a comparable ski centre in the Alps. I have not been to this resort, but it must be doubted if the facilities are comparable to any Alpine resort in terms of their quality. It is apparent from the diagram on page 70 that the resort area is small, with very limited ski runs.
10. Also on page 71, it is stated that the Tara Canyon is in second place in the world. This may come as a surprise to the Government of Namibia, and the Namibia Tourist Board, who consider the Fish River Canyon in their country as second only to the Grand Canyon. The Tara River Canyon is about 78km long and up to 1300m deep; the Fish River Canyon is 161km long, and up to 550m deep. Thus Tara Canyon is deeper but Fish River is considerably longer. Nonetheless, both can be considered exceptional attractions.
11. Re page 73 (and others), given the risks of climate change, the reliability of the estimates of the number of ski days by areas must be questioned, at least for the future.
12. An opportunity on page 108 is given as “connections with low-cost airlines”. This must be dubious. It would likely require Montenegro to be an EU member state (because of de-regulation), and it is difficult to conceive any substantial volume of low-cost airline traffic between principal centres of the EU and Podgorica.

13. A strength of the Bjelaisca Region is given as “good geographic position and accessibility by road, railway and plane”, but from where?
14. There is an implication on page 111, and stated elsewhere, that the main competitive threat is the development of competitive centres in BiH and in the wider region of SEE. This must be doubted. The main competitive threat for ski tourism (if that is what they mean) from the EU is ski destinations within the EU itself and new destinations, such as are being developed in the Canadian Rockies.
15. On page 120, it is stated that there are “46 large tourist centers in the Alps only”. The major ski centres in the Alps (or in North America come to that) are of a scale that is never likely to exist in Montenegro. It is unreasonable to expect Montenegrin ski resorts to “imitate” the Alps.
16. On page 123 it is stated that “the mountain center that starts developing first into a modern tourist center (like the ones in the Alps – in Austria, Italy, Switzerland, France and even in Slovenia) will have a perspective for development”. This seems to ignore that Bulgaria, Romania and Slovakia, and also Andorra, are already established in the cheaper end of the European ski-ing market. Any resort in Montenegro that seeks to target EU markets would have to compete with these established resorts.
17. On page 130, it talks about “village tourism”. This is an appropriate form of development.
18. “Funicular railways” on page 131 must be a dream!
19. On page 132, no mention is made of river rafting.
20. The statement on page 156, that “Tourist destination Prokletije can generate most tourists from the ethno-market in the USA” is of some surprise. Do the authors have any evidence for this?
21. On page 160 it is stated that Lovcen has international significance. Yet in the next paragraph it is stated that it is “visited by numerous citizens of Montenegro” which implies a more domestic significance – more likely to be true.
22. On page 163 construction of a golf course is suddenly mentioned. The environmental implications of such a development would have to be evaluated very carefully.
23. On page 177, it is stated that “we are convinced that the mountain center which is the first to develop a tourist center like the Alps ... and which comes first out to the world tourist market will be the most successful. Besides this, Montenegro has got considerable advantage, especially if it manages to develop complementarity of its coastal and mountain tourism”. As stated earlier, none of the proposed ski centres would match the major centres of the Alps for scale and variety of their ski-ing, and probably of other facilities. Nor could they match the international renown of villages like Chamonix and Zermatt, with their long mountaineering history, and presence – in the case of Zermatt – in markets like Japan.