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RESTRUCTURING AND REPOSITIONING OF PRIVATE ACCOMODATION IN PRIMORSKO – GORANSKA COUNTY: PROBLEMS AND SOLUTIONS

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Abstract: The paper presents the results of a research conducted on private accommodation as most common form of accommodation within the tourism offer of Primorsko-Goranska County. The study was conducted in 2008, and the obtained results of the research are analysed in the paper, conclusions made, key problems identified and appropriate measures proposed, with the aim of enhancing the quality of this segment of the tourism industry.

The goal of the above mentioned measures' implementation are quality improvement, repositioning and restructuring of private accommodation and its transformation into small family hotels, boarding houses or apart-hotels.

Key words: private accommodation, tourism offer, quality, accommodation.

INTRODUCTION

Within the structure of accommodation facilities in the area of Primorsko-Goranska County (hereinafter PGŽ) share of households (private houses) in 2008 was 49.70%. This fact is the reason for the systematic study of this segment of the tourism offer, and during 2008 extensive survey research was conducted in the area of PGŽ.

The results of the research are set out in the paper, and are compared with the planned developments within the core plan document of tourism in PGŽ (Master plan for tourism development in PGŽ till 2015) and the existing situation on the global tourism market.

The legislative framework related to hospitality services in the households of Croatia is laid out in the first part of the paper. Methodology of the research is follows, and in the third part, the analysis of the research results, key issues are identified and possible directions of improvements are suggested.

1. HOSPITALITY SERVICES IN HOUSEHOLDS – BACKGROUND AND LEGISLATIVE FRAMEWORK

Private accommodation represents an extremely important accommodation facility in Croatia and the Law states that hospitality services in the households can be provided by a person who is not a craftsman, nor a tradesman. According to same Law, correct term for such person is: renter (host, landlord).

Also, this Law states that the person who decides to provide hospitality services in the household must be a citizen of Croatia, and the owner of a house that provides services in the household.

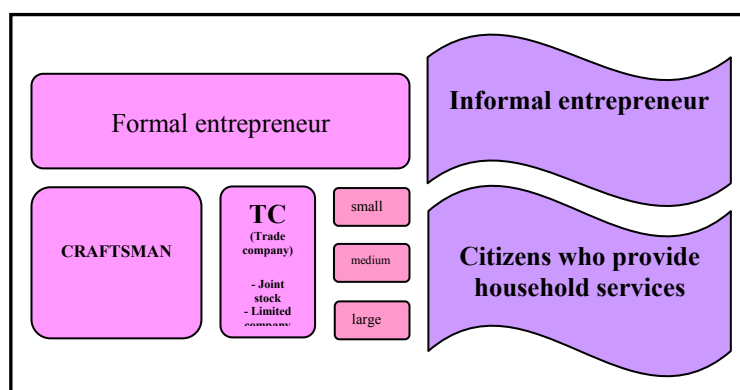
Law on the hospitality sector in the Republic of Croatia defines hospitality services in the household, which includes catering services of accommodation provided by individuals - physical persons. When considering the status and legal framework of the activities, entrepreneurs in the hospitality sector appear as formal and informal entrepreneurs in the market:

Trade Company is defined according to the Law on trade companies (NN RH 111/93, 34/99, 52/00; Zakon o trgovačkim društvima) and **craftsmen**, who are the formal entrepreneurs in the hospitality, according to the Crafts law (NN RH, 49/03 and 68/07; Zakon o obrtu).

Entrepreneur organized as a company must operate within the **Profit tax** system, regardless of the value of revenues, income or assets. Such an entrepreneur has no possibility of choosing the **Income tax** system.

Craftsman can operate in the Profit tax or in the Income tax system, according to their affiliations. These conditions are set by the regulations on Income tax (NN RH 177/2004 and 73/2008; Zakon o porezu na dohodak)

Figure 1: Status-legal framework of entrepreneurs in hospitality



Source: author

Special category of entrepreneurs, which can be labelled as the informal entrepreneurs (hidden-potential), consists of citizens who provide **hospitality services in their households** (Milohnić 2009, 607).

The renter in the household is registered under the County state offices administration, which includes the *Approval of the provision of hospitality services in the household*. He is not a professional, and deals with the provision of accommodation services to guests without becoming a trade or a company.

Accommodation services in the household are provided by the citizens who possess the *Approval of the provision of hospitality services in the household*.

Household accommodation in hospitality can be provided through the following types of accommodation: rooms, apartments, studio apartments, holiday homes and camps.

Table 1: Types of household accommodation for hospitality services

| TYPES OF ACCOMODATION | MAX. CAPACITY (Law Act 28) |
|-----------------------|--|
| rooms | up to 8 rooms i.e. 16 beds |
| tourist apartments | |
| studio apartments | |
| holiday homes | |
| camps | up to 7 accommodation units i.e. 25 people |

Source: Law on hospitality (Zakon o ugostiteljskoj djelatnosti, NN RH 138/2006, act 28)

There are different views about whether the host is an entrepreneur or not. On the one hand there are opinions that the host is not considered as such since the entrepreneur (unprofessionally) deals with providing services of accommodation to the guests in the household (residential facility) by doing additional work.

Renter does not legally require any special qualifications and has no possibility of employment of oneself or others.

However, current renter can become an entrepreneur if he opens a craft or establishes a limited liability company (Ltd.), or if the entire residential building or a part of the accommodation units (apartments or rooms in which the service is provided) is converted into the business area.

Conversion of housing into the commercial space is possible if it is adjusted to the spatial plan and the conversion process itself, is started at the county office responsible for issuing location, and then building permits (Cerović, Milohnić, 2009).

Also, the current host can become an entrepreneur at a time when its business in the market exceeds over 85,000.00 kuna turnover. Registering in the crafts registry or registering at the trade court, is a decision that the host will make according to the income.

He is obliged to it according to the *Profit tax law* (Zakon o porezu na dohodak). Until then, the host is not obliged to keeping books, and the tax is paid as flat-rate tax according to the Resolution of the Tax Administration (NN RH 177/2004 and 73/2008; Zakon o porezu na dohodak).

Thus, under the new regulations, people who engage in these activities, determine their profit and pay income tax two ways (Milohnić 2009, 1026):

1. Flat-rate tax according to the Resolution of the Tax Administration
2. based on their book records that can be decided:
 - a) by force of law, if the person is liable to VAT (NN RH 47/95...34/08; Zakon o porezu na dodanu vrijednost) or per second basis if the person is liable to keeping book records
 - b) voluntarily if the taxpayer decides so.

As the host - a citizen who provides hospitality services of accommodation in their own household operates on the tourism market and forms a significant part of the overall offer; it is evident that their location affects the competitiveness of the hospitality business.

2. RESEARCH METHODOLOGY

This paper will show some results of the private accommodation survey. It is a descriptive research underdone on a randomly selected sample.

Target group in this study consists of the renter - the citizens who provide hospitality services for accommodation in the household. Results were obtained using the interviewing method, on a sample of 430 private renters in Primorsko-Goranska County.

As a template for data collection a specially designed structured questionnaire was created, and research in the field was carried out by six people (fourth year students of the Faculty of Tourism and Hospitality Management Opatija) during a period of 23 days, from 29th July to 20th August 2008.

Core set is defined by taking data from the database of the State administration office in Opatija, Croatia - Economy service, the Department of Tourism (Služba za gospodarstvo, Odsjek za turizam).

The used database, which the basic set consists of, are all *categorized accommodation facilities*, which provide accommodation hospitality services in households in Primorsko-goranska county.

Criteria used when forming the sample is based on the provisions of the *Hospitality industry law* that defines the *hospitality services* in the household.

Elements were chosen from the core sample into the sample within the seven strata in particular, in order to get a better global proportionate view at the level of Primorsko-goranska county. Thus, the obtained number of elements in the sample is n = 430.

Table 2: Layout of elements in the sample by stratum

| Region | Krk | Cres-Lošinj | Rab | CRV | Opatija riviera | Rijeka and surroundings | Gorski kotar |
|------------|-----|-------------|-----|-----|-----------------|-------------------------|--------------|
| 430 | 85 | 70 | 65 | 80 | 80 | 25 | 25 |

Source: authors' research

The research was carried out and the results are analyzed for the whole area PGŽ (average) and individually for the area of individual nuclei and a destination, in accordance with the division laid out in the Master plan of Tourism in PGŽ: Krk, Cres and Lošinj, Rab, Crikvenica-Vinodol Riviera (CVR), Opatija riviera, Rijeka and surroundings, Gorski kotar.

Methods of the research are based on the descriptive analysis with Microsoft Access - 2007 program used for data analysis.

3. BASIC CHARACTERISTICS, PROBLEMS AND POSSIBLE DIRECTIONS OF PRIVATE SECTOR IMPROVEMENT IN PGŽ

Primorsko-Goranska County occupies the second place by the achieved tourism traffic in the Republic of Croatia and covers a share of 19% of the realized tourism traffic in the country (Ured državne uprave PGŽ, 2008).

This destination with long tourism tradition suffered greatly during the transition period in 1990s.

Tourist product that was offered on the tourism market kept losing competitiveness and did not have adequate qualitative properties which the "new" tourists expected. When discussing tourism system, the overall situation was under significant influence of the aggression on Croatia, which has, of course, directly reflected through a large decline in tourism traffic in all parts of the country, as well as PGŽ.

Local government and tourism board have recognized the need for enactment of the new strategic guidelines of tourism development, which resulted in passing the Master plan for PGŽ tourism development for the period until 2015 (Sveučilište u Rijeci, 2005). Master plan defined the key objectives of tourism development, presented a model of development and adopted measures and activities necessary for its implementation.

Table 3 presents the data on the achieved tourism traffic in 2003 in PGŽ (when the Master plan was started), achieved values for 2008 and planned for 2015.

Data clearly demonstrates that the Master plan for tourism development PGŽ anticipates significantly higher growth rates of tourism traffic (6.25) than so far realized (1.93). At the same time, planned maximum accommodation capacities were almost achieved (183,960 beds) and a higher growth rate than planned was recorded.

Table 3: Overnight stay, accommodation capacity, expenditures – planned and achieved for PGŽ

| | 2003 | 2006 | 2008 | Plan for 2015 | Planned growth rate 2003-2015 | Achieved growth rate |
|-----------------------|------------|------------|------------|---------------|-------------------------------|----------------------|
| Overnight stay | 10,241,585 | 10,741,736 | 11,263,755 | 20,970,000 | 6.25 | 1.93 |
| Permanent beds | 159.931 | 169.923 | 181.285 | 183.960 | 1.75 | 2.53 |

Source: Master plan of tourism development in PGŽ, Sveučilište u Rijeci, Rijeka, 2005; Statistički ljetopis PGŽ; Statistical press releases

First of all, it should be noted that the Master plan was directed through the concept of sustainable development of tourism and the need to preserve space.

Given the local conditions (suitable climate, the proximity of the outgoing market) PGŽ area has the necessary conditions for a permanent business, and the growth of tourist overnights stays which is a consequence of tendencies toward a permanent business.

However, it should be mentioned that a part of the PGŽ area still records very stressed seasonality. Another important reason of lower growth rates objectively arises from the global economy crisis that reflected tourism system. Therefore, it will be necessary to correct the planned indicators and the planned growth rates.

In accordance with the trends in the tourism market in the world and in the PGŽ area a decrease in average days of tourists' stay was recorded (from 6.1 days in 2003 to 5.1 days in the 2008).

Average tourists' consumption, which was 38 euros per day in the PGŽ area in 2003, increases. According to plans for 2015 the amount should increase to 90 Euro per tourist per day. It is the very implementation of the Master plan and the tourism offer enrichment that form the prerequisites and a realistic basis for its further growth.

Table 4: Structure of accommodation capacities in PGŽ

| | Beds 2003 | Share % 2003 | Beds 2008 | Share % 2008 | Beds 2015 | Share % 2015 |
|-------------------|----------------|---------------|----------------|---------------|----------------|---------------|
| Hotels and villas | 17,477 | 1.90 | 19,365 | 10.70 | 30,147 | 21.80 |
| Camps | 37,936 | 23.70 | 38,515 | 21.20 | 41,949 | 22.80 |
| Households | 72,476 | 45.30 | 90,080 | 49.70 | 74,620 | 40.50 |
| Other | 32,042 | 20.10 | 33,325 | 18.40 | 27,217 | 14.79 |
| TOTAL | 159,931 | 100.00 | 181,285 | 100.00 | 183,960 | 100.00 |

Source: Master plan of tourism development in PGŽ, Sveučilište u Rijeci, Rijeka, 2005; Statistički ljetopis PGŽ; Statistical press releases

The structure of accommodation facilities in the area PGŽ is relatively inconvenient. In the structure of accommodation facilities, hotels and villas represent only slightly more than 10% (when talking about the whole business, strengthening of these accommodation capacities is required).

The previous table shows that it is planned proportion of accommodation capacity in hotels and villas grow by 21.80% by 2015. Reduction by 40.50% of the accommodation in households share is also planned. The actual opposite trend that really happened, when compared to 2003 (as the base year for making the Master plan) should be noted, so the growth rate rises significantly and reaches 49.70% (Sveučilište u Rijeci, 2005; Ured državne uprave PGŽ, 2009).

This is one of the reasons that this study focused on this type of accommodation and the expected tendencies of movement in this segment of the tourism offer. Also, the economic crisis and a more cautious spending of tourists shows an inclination to use this form of accommodation, so such a trend is expected for 2009 and 2010. The research results show that in the structure of accommodation capacities in households three star level accommodation prevails (82.38%); 12.47% of the objects are categorized with two stars, while only slightly more than 2% of capacity is categorized with four or five stars.

Important progress in improving the quality of this segment of accommodation was recorded during field research and visits to identify the capacities. This was necessary on the one hand because of the expectations and demands of tourists, and on the other hand due to high competition in this segment of the accommodation.

Table 5: The structure of accommodation capacities in households PGŽ by category

| Region | Category in % | | | | |
|-------------------------|---------------|-------|-------|------|-------|
| | * | ** | *** | **** | ***** |
| Krk | 3.85 | 15.38 | 78.21 | 2.56 | 0.00 |
| Cres-Lošinj | 0.00 | 4.62 | 92.31 | 3.08 | 0.00 |
| Rab | 1.54 | 12.31 | 81.54 | 4.62 | 0.00 |
| CVR | 14.46 | 20.48 | 62.65 | 1.20 | 1.20 |
| Opatija riviera | 0.00 | 8.24 | 88.24 | 3.53 | 0.00 |
| Rijeka and surroundings | 0.00 | 6.25 | 93.75 | 0.00 | 0.00 |
| Gorski kotar | 0.00 | 20.00 | 0.00 | 0.00 | 0.00 |
| <i>Average-PGŽ</i> | 2.83 | 12.47 | 82.38 | 2.14 | 0.17 |

Source: authors' research

From the results of the survey it is clear that 36% of the hosts in PGŽ are in the business for more than 20 years, which shows the long-standing tradition. Discrepancies are visible when taking into account different stages of individual destinations tourism development.

Gorski kotar is special, since 85% of the renters have been engaged in this work for less than 10 years, which is realistic, as is the area of Gorski Kotar was directed towards tourism in the last decade only. Island of Rab cherishes a long tradition of private accommodation, and research shows that more than 80% of the

renters are engaged have been this business for more than 20 years. These indicators speak of an assertion of local population in the area PGŽ towards this form of participation in the tourism offer, and the apparent stability of the market.

Table 6: Number of years in rent business in PGŽ

| Region | Years of rent in % | | | | |
|-------------------------|--------------------|-------|-------|-------|------|
| | <10 | 10-20 | 20-30 | 30-40 | >40 |
| Krk | 36.49 | 55.41 | 5.41 | 0.00 | 2.70 |
| Cres-Lošinj | 13.33 | 33.33 | 30.00 | 15.00 | 8.33 |
| Rab | 11.67 | 6.67 | 45.00 | 28.33 | 8.33 |
| CVR | 32.86 | 37.14 | 15.71 | 11.43 | 2.86 |
| Opatija riviera | 15.19 | 48.10 | 20.25 | 12.66 | 3.80 |
| Rijeka and surroundings | 13.33 | 40.00 | 13.33 | 33.33 | 0.00 |
| Gorski kotar | 85.00 | 15.00 | 0.00 | 0.00 | 0.00 |
| <i>Average-PGŽ</i> | 29.70 | 33.66 | 18.53 | 14.39 | 3.72 |

Source: authors' research

The paper has already referred to the development orientation of PGŽ: the improvement of accommodation, which includes the improvement of the quality of private accommodation, but also significant investments in this segment, which should result in the transformation of part of the capacity into the small family hotels or apart-hotels. The following table shows the age category of the renters in PGŽ.

Table 7: Age group of the renters in PGŽ

| Region | Age in % | | | |
|-------------------------|----------|-------|-------|-------|
| | <30 | 30-45 | 45-60 | >60 |
| Krk | 1.35 | 32.43 | 50.00 | 16.22 |
| Cres-Lošinj | 1.67 | 5.00 | 38.33 | 55.00 |
| Rab | 0.00 | 8.33 | 50.00 | 41.67 |
| CVR | 1.43 | 12.86 | 40.00 | 45.71 |
| Opatija riviera | 2.53 | 12.66 | 45.57 | 39.24 |
| Rijeka and surroundings | 0.00 | 6.67 | 33.33 | 60.00 |
| Gorski kotar | 0.00 | 50.00 | 50.00 | 0.00 |
| <i>Average-PGŽ</i> | 1.00 | 18.28 | 43.89 | 36.83 |

Source: authors' research

The research results show that even 36.83% of the renters are older than 60 years, and 43.89% of them are aged from 45-60 years. So, less than 20% of registered renters in PGŽ are less than 45 years.

This is a very important fact, especially in the context of the need for new investments in the improvement of accommodation. Namely, if the renter's age increases realistic expectation that they will join new and significant investments decreases. Therefore, "status quo" tendency is more likely to take place even though it is not a good tendency (Cerović, Milohnić; 2008).

Renting private accommodation, resulting from the above-mentioned, is seen as complementary and seasonal source of income of elderly population. There is a significant deviation (33.78% of registered renters are under the age of 45 years) in the area of the island of Krk, which has the largest share of the renters.

In the area of Gorski Kotar even 50% of renters are under the age of 45, as already mentioned Gorski Kotar has in recent times started its tourist development, which resulted in incentive middle-aged population to engage.

Along with age, the research has observed the status of the renter (the employee, pensioner, housewife, unemployed, etc.). The obtained results were expected and can easily be compared with the previous data. 60.26% of renters in the area of PGŽ are employed, which corresponds to their considerations of renting as a supplementary source of income, and not the primary source of income. In accordance with the obtained data on the high share of elderly population among the renters, 29.94% in the renters PGŽ have the pensioner's status.

Table 8: Renter status (employed, retired, housewife, unemployed, other) in PGŽ

| Region | Status | | | | |
|-------------------------|-----------|------------|-------|---------|----------|
| | Housewife | Unemployed | Other | Retired | Employed |
| Krk | 4.05 | 2.70 | 1.35 | 24.32 | 67.57 |
| Cres-Lošinj | 5.00 | 8.33 | 0.00 | 51.67 | 35.00 |
| Rab | 15.00 | 3.33 | 1.67 | 35.00 | 45.00 |
| CVR | 7.14 | 2.86 | 0.00 | 44.29 | 45.71 |
| Opatija riviera | 10.53 | 0.00 | 0.00 | 27.63 | 61.84 |
| Rijeka and surroundings | 6.67 | 0.00 | 0.00 | 26.67 | 66.67 |
| Gorski kotar | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 |
| Average-PGŽ | 6.91 | 2.46 | 0.43 | 29.94 | 60.26 |

Source: authors' research

Interestingly, only 2.46% of the renters in PGŽ are unemployed, and 6.91% were housewives. Reasons for such a situation arise from the fact that according to the Law, the renter can only be a person who owns the real estate.

Therefore, it can be assumed that there is still significant number of unemployed and housewives actively engaged in business related to the renting, but since the buildings are not in their formal ownership, a second family member (owner) is registered.

Table 9: Share of renters within the VAT system

| Region | Within the VAT system in % | |
|-------------------------|----------------------------|-------|
| | No | Yes |
| Krk | 94.59 | 5.41 |
| Cres-Lošinj | 96.67 | 3.33 |
| Rab | 96.67 | 3.33 |
| CVR | 98.57 | 1.43 |
| Opatija riviera | 89.87 | 10.13 |
| Rijeka and surroundings | 100.00 | 0.00 |
| Gorski kotar | 100.00 | 0.00 |
| <i>Average-PGŽ</i> | 96.62 | 3.38 |

Source: authors' research

Also, according to the law, the renter has the market obligation to register and pay the VAT if his annual total income exceeds over 85,000.00 kunas. The results of the survey show that the renters represent only 3.38% in the VAT system, which is a very small percentage. The owners express displeasure with the relatively low limit of 85,000.00 kn, and many of them have recognized that they renounce further renting in the following year (a part of them undoubtedly does not present the correct data and thus violates the regulations).

According to everything stated so far (the limits for payment of VAT, older age of the renters, and the traditional perception of renting as only supplementary sources of income to improve the house budget) it is clear that the significant and active measures should be undertaken to support the current renters and significant new investment.

Table 10: Annual rent gross turnover in PGŽ

| Region | Annual gross turnover in % | | | | |
|-------------------------|----------------------------|-------------|-------------|-------------|--------|
| | <20000 | 20000-40000 | 40000-60000 | 60000-80000 | >80000 |
| Krk | 10.81 | 40.54 | 21.62 | 18.92 | 8.11 |
| Cres-Lošinj | 10.00 | 35.00 | 26.67 | 20.00 | 8.33 |
| Rab | 66.67 | 5.00 | 10.00 | 13.33 | 5.00 |
| CVR | 21.43 | 35.71 | 24.29 | 12.86 | 5.71 |
| Opatija riviera | 30.38 | 7.59 | 20.25 | 30.38 | 11.39 |
| Rijeka and surroundings | 13.33 | 13.33 | 40.00 | 33.33 | 0.00 |
| Gorski kotar | 40.00 | 25.00 | 25.00 | 10.00 | 0.00 |
| <i>Average-PGŽ</i> | 27.52 | 23.17 | 23.98 | 19.83 | 5.51 |

Source: authors' research

Specifically, the relatively low total annual gross turnover does not provide a real basis for new investments, but primarily reuse of objects to small family hotels, apart hotels and rural households. Results of research indicate that at the level PGŽ even 50% of the renters make an annual gross turnover of 40,000.00 kuna. Deviation may be noticed in the following area:

- (a) the Opatija Riviera, where almost 62% of the renters make an annual gross income greater than 40,000.00 kuna (of which 11.39% greater than 80,000.00 kunas)
- (b) Rijeka and its surroundings, where 73.33% of the renters make an annual gross income greater than 40,000.00 EUR (but no registered with income exceeding 80,000.00 kunas)

At the same time, these two destinations (Opatija and Rijeka) have the least expressed seasonality of tourism traffic, which obviously contributes higher income.

Restructuring and repositioning of this segment of accommodation undoubtedly requires considerable investment as follows:

- Investments in improving the quality of the existing accommodation facilities
- Investments in the construction of additional facilities with the existing accommodation ones
- Investments in the content, organizational and technical reuse of the existing buildings to small family hotels, or rural households
- Investment in knowledge (education) of the renter - especially important, since a large part of the renters have no formal education in the field of tourism and hospitality.

Given that all the capacities of households are owned by private persons, individuals or families, it is perceived logically that they need to access the mentioned investments. However, with the apparently modest financial possibilities, a strong dose of caution in investment is necessary.

Table 11: The intention of new investments in the improvement and capacity expansion in PGŽ

| Region | Expansion and investments in % | |
|-------------------------|--------------------------------|-------|
| | No | Yes |
| Krk | 79.73 | 20.27 |
| Cres-Lošinj | 93.33 | 6.67 |
| Rab | 35.00 | 65.00 |
| CVR | 55.71 | 44.29 |
| Opatija Riviera | 88.61 | 11.39 |
| Rijeka and surroundings | 73.33 | 26.67 |
| Gorski kotar | 75.00 | 25.00 |
| Average-PGŽ | 71.53 | 28.47 |

Source: authors' research

Also, it is more difficult to get a loan, so undoubtedly, active measures presented by the state authorities but as well as local authorities are required, since they would trigger serious investment in this part of the tourist offer. The importance of these measures is even greater if you take into account the attitudes of the renters, where 71.53% reported that they have no intentions of additional investments and/or offer expansion.

In 2008 specific support programs, such as those that are directly relevant and can be used for the improvement of private accommodation, were offered to entrepreneurs and/or physical persons at the level of Croatia (www.hbor.hr, 2009):

- Crediting family entrepreneurship in tourism - Loan Program "Promotion for success" with a sub-program "Under the ancient roofs". Program "Promotion for success" is an economy based measure of policy-oriented towards development of small and medium-sized companies and is based on the credit funds of banks and subsidies from the Ministry of Sea, Tourism, Transport and Development. The funds are the Ministry support to small and medium businesses to encourage their initial investment in tourism. (This excludes individuals as beneficiaries of this subsidiary program.)
- Development of tourism in the rural areas - Loan Program for rural tourism. The goal of the program is encouraging the development of rural tourism in the rural areas of Croatia. Users of loans under this program may be physical or legal persons from the Upisnik poljoprivrednih gospodarstava (Register of agricultural holdings) and registered for the hospitality and tourism services and who have the approval for the provision of hospitality services in the country/rural households.

One of the key development objectives of PGŽ tourism is, as already mentioned, improving the structure of accommodation facilities. In this context, local governments (cities, districts) may in accordance to their budget and the possibilities activate the following measures of stimulations:

- Local governments can make a decision on approval for a partial exemption from payment of municipal contributions, or payments of contributions by instalment, i.e. the accommodation unit, which is financed by funds from the program
- When building new or extending the existing accommodation according to the Spatial Plan (holiday homes, small family hotel, pension, tourism agriculture holding), a proposition is made: payment of municipal contributions with a delay of 18 months, no matter from which sources the construction / expansion of accommodation facilities is financed
- In the context of preserving the traditional architectural heritage, capital grant assistance from the local governments is suggested at the moment of purchase, reconstruction and development of the traditional house with the aim of putting them into function as tourist accommodation facilities. Funds should be awarded pursuant to a public competition which defines the maximum amount of assistance provided by the local governments per user, and other conditions for the fund's approval.

It is necessary to consider the possibility of conversion of the existing accommodation facilities in the household to small hotels. Specifically, the current regulations do not allow converting an object in the residential area into a small family hotel. Conversion of the existing buildings (owned by the renters) to provide hospitality accommodation services in the household should be characterized as business or at least residential and office building in the process of conversion and adaptation.

Existing legislation should therefore have to be adapted to these needs, procedures for defining and issuing licenses for the adaptation and conversion of the existing buildings into facilities that can turn into "small family hotels" (a boutique hotel, hotel with a special purposes, heritage hotels, family hotels, etc.) should be formulated and created (Magaš, Milohnić, Smolčić Jurdana, 2009). This would be a way to transfer a part of objects into commercial buildings (although they may be located in residential zones).

One of the important functions of local governments (counties, cities and municipalities) is advising local renters about all the possibilities that are available, since they lack sufficient knowledge and often face bureaucratic obstacles which are a common cause of cancellation of the new investment.

Application of the above measures and incentives should be aimed to motivate private renters so they would focus their career towards a more professional participation in the tourist offer, and in the end to professionalize their business (establishment of a trade or company). This would significantly increase the competitiveness of both private accommodation, and tourist products of PGŽ as a whole.

CONCLUSION

Private accommodation is an important segment of the tourism industry in PGŽ. It makes up 49.70% of total available accommodation PGŽ - in 2008 there were 3,726,046 overnight stays, or 33.10% of tourist overnight stays.

Taking the importance of this offer segment into account, it is necessary to encourage new investment and quality improvement with the aim of:

(a) improving the quality of private accommodation, (b) restructuring the private accommodation (households) into commercial buildings - small family hotels, rural houses, hospitality services in the country households, (c) repositioning on the tourism market.

The paper is based on the research analysis of the private accommodation status in PGŽ, and measures for the realization of the above mentioned objectives in this offer segment are proposed.

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