



Project „Reconstruction of Preiļi Manor House and Park
for Establishing a Business Centre”
PHARE No 2002/000-590-08-02/0017

Preiļi Manor House and Park. Marketing and Investment Plan

(Summary)

Worked out by Preiļi County Council
in co-operation with Preiļi District Council

Preiļi
2005

Introduction

The Marketing and Investment Plan for Preiļi Manor House and Park has been worked out under PHARE 2002 funded project „Reconstruction of Preiļi Manor House and Park for Conversion into a Business Centre” (Agreement No 2002/000-590-08-02/0017). The Project is implemented from November 2004 to July 2005. The Marketing and Investment Plan is based on the basic documents for development of Latvia, Latgale Region, Preiļi District and Preiļi County. The Project and the Plan have been worked out by Preiļi County Council in co-operation with Preiļi District Council.

The general goal of the Project is to promote sustainable and balanced development and social and economic growth of the territory, encouraging development of tourism, ensuring increase of the economic value of the natural, cultural and historical heritage and attraction of investments.

The specific objective of the Project is to ensure reconstruction and development of Preiļi Manor House and Park by working out a tourist marketing and investment plan, technical and tender documentation.

The target group is the local government, tourism infrastructures and entities providing and using services, local and foreign businessmen, potential employees of the spheres of tourist services and customer servicing.

The Marketing and Investment Plan for Preiļi Manor House and Park is aimed at analysis of the current situation and proposing specific recommendations and measures for effective marketing, as well as identifying and attracting potential investors for the period until 2010, in order to convert Preiļi Manor House and Park Complex (PMHPC) into a Business centre.

The full text of the Marketing and Investment Plan for Manor House and Park is prepared in the Latvian language in 40 pages with 9 tables and a map. The summary of the Marketing and Investment Plan is written in the Latvian, English, German, French and Russian languages in 10 pages. It is kept in the premises of Preiļi County Council at 1 Tīrgus Square, Preiļi, LV – 5301, and at www.Preili.lv

Survey of the current situation in Preiļi County

Ø History

In the 12 – 13th centuries Preiļi County occupied the central part of the Latgale state of Jersika, where the capital town of that country – Jersika – was located as well. Preiļi was first mentioned in historical sources as an inhabited location in about 1250. Preiļi acquired rights of a town in 1928, Preiļi County was established in 2000, currently covering the town of Preiļi, Aizkalne and Preiļi Areas. It has been the administrative centre of Preiļi District since 31 December 1949.

Ø Geographical position

Preiļi County is located in the centre of Latgale cultural and historical territory. In terms of social, economic and cultural development it is among the most densely populated territories in modern Latvia that has been inhabited since ancient times. The area of the County is 157.8 km² or 0.24% of the territory of Latvia.

Ø Roads and communications

Preiļi is 205 km away from the capital of Latvia Riga, 60 km away from Daugavpils and Rēzekne. Preiļi District has a well developed road network. A railway line Riga – Daugavpils – Voronezh (Russia) is located 36 km away from Preiļi, another railway line - St Petersburg – Warsaw – Berlin is 19 km away. 100% of the area of the County is covered by mobile communication and Lattelekom (land) telecommunication networks. The town of Preiļi has 4 public internet access points. Lociki airfield (in Daugavpils) is located 50 km away from Preiļi.

Ø Population and employment

In 2004 the population of Preiļi County amounted to 10647, including 8605 people in Preiļi. The natural increase of the population is negative. The average age of the population in Preiļi County is 36.7 years. In Preiļi County women account for 54.1%, and men - 45.9%; national origin of the population is as follows: 59% - Latvians, 35% - Russians, 6% - other nationalities. In early 2005 Preiļi County had 6808 people of working age (64%), unemployment amounts to 11.6%. The population density in the urban area is 1674.27 persons/km², and in the rural area - 12.7 persons/km².

Ø Business activities

The economic base of Preiļi County covers 430 businesses. In 2005 Preiļi County IT and business information centre is planned to be established for the purpose of giving advice to businessmen, providing information on project development and raising investments, as well as promoting development of medium and small businesses.

Ø Development of Preiļi County

In 2003 „Preiļi County Development Programme until 2015” was worked out to identify the key lines of development:

- Education and training, IT development and effective exchange of information;
- Support and encouragement of business activities;
- Sustainable use of local resources;
- Establishment of a social welfare system.

Ø Attraction of foreign investors

Attraction of foreign investors is among key priorities; hence Preiļi County Council strives to ensure the best conditions for investors.

Ø Cultural heritage and tourism

In terms of culture and history the Manor House and Park and Park Complex is the most important object of tourism and investments owned by Preiļi County Council. Preiļi County Council has implemented seven projects, investing about 48 000 lats, for renovation of the Manor House and Park and Park Complex.

Preiļi County has a favourable natural and cultural and historical environment for development of tourism. The goal is to achieve that potential tourists should spend at least one day in Preiļi County, using the entire range of potential services on offer (cultural and historical education, meals, accommodation, entertainment). Preiļi District Council Tourism Information Centre summarised relevant data which indicate that the number of tourists and requests for information increase by 30% with every year.

Table 1 contains the list of objects Preiļi Manor House and Park Complex and works executed and required for improvement of its infrastructure. In the Table the acronym PCC - Preiļi County Council is used.

Table 1

Infrastructure of Preiļi Manor House and Park Complex

| Object | Owner | Works executed and planned | In charge | Sponsor (current and/or potential) |
|---|----------------|--|-----------------------------------|---|
| Renovation of the Park trees and shrubs | PCC | There is “The Proposal for Reconstruction of Preiļi Manor Park” available (the author – landscape architect I.Janelis, 2003) | PCC | Local government, Local government, EC and other funds, private |
| Reconstruction of Preiļi Manor House | PCC | “Analysis of the current situation of Preiļi Manor House. Recommendations for the renovation concept”(“AIG” Ltd., 2002) “Architectonic and artistic inventory”(“AIG” Ltd., 2002) “Detail design for reconstruction of the Manor House and the Park” (“AIG” Ltd., 2005) | PCC | Local government, EC and other funds, private |
| Reconstruction of the chapel | Private | The contractor design of the chapel in Preiļi Park is available (the author – Restoration Institute, 1992) | Preiļi Catholic Commune | Local government, commune, private |
| Reconstruction of the main gates of the Park | PCC | The technical contractor design is available (the author – Design office for restoration cultural monuments, 1986, updated and accepted by VKPAI in 2004) | PCC | Local government, EC and other funds |
| Reconstruction of the bridges of the Park | PCC | To work out the technical design project for reconstruction of bridges | PCC | Local government, EC and other funds |
| Cleaning the canal system | PCC | “Contractor design for reconstruction of ponds of Preiļi Town Park” is available (the author –Latvian State Land reclamation Design Institute, 1990) | PCC | Local government, EC and other funds |
| Reconstruction of the islet | PCC | To work out the technical design project | PCC | Local government, EC and other funds |
| Arrangement of the museum exhibition room in the former manor building in the residential building at 26 Raina Boulevard in the territory of the Park | PCC un Private | To work out the action plan | PCC Apartment and Land Commission | Local government |
| Manor House cellar | PCC | To work out the concept solution | PCC | Local government |
| Arrangement of small architectural forms | PCC | To work out the design project | PCC Architect | Local government |
| Arrangement of the swimming ground | PCC | To work out the design project | PCC Planning Division, architect | Local government, EC and other funds |
| Building sport fields (for beach volleyball, tennis, minigolf, football) near the swimming ground | PCC | To work out the design project | PCC Planning Division, architect | Local government, EC and other funds |

Historical survey of Preiļi Manor House and Park Complex

Preiļi Manor House complex and a romantic landscape park are the greatest pride of the historical heritage of Preiļi. The core of Preiļi Park that survived to this day dates back to the mid-19th century. Currently it is among the most remarkable landscape parks in Latvia. The area of the Park is 41.2 hectares, the area of the Manor House is 1500 square metres.

The first castle of the Livonian Order was built in the late 14th century, when Preiļi and the neighbourhood became possessed by the Livonian Order and were let to the Count von Borch. The castle continued to exist until the second half of the 16th century, when it was devastated during the Livonian War (1558 - 1583). All documents of the Borch kin archive were lost at that time too. One can see where the second castle was located, entering the Park from the side of Daugavpils Street – the cellar of the ancient castle built in the mid-18th century survived to this day.

Construction of the new manor house of Preiļi castle started in about 1836, according to the design project of the architects G.Schacht and A.Beleckis. It was built by the counts von Borch, whose kin owned Preiļi County in 1382 - 1864. The Counts von Borch belonged to one of the oldest kins of German landlords in the Baltics. It is from the Counts von Borch that the town of Preiļi inherited its coat-of-arms – a black raven. Construction of the Manor House was an important event in the cultural life of Latgale at that time. Pictures of the Manor House were published in the Polish and German press publications. The building was built in English neo-Gothic style, the so-called Tudor style, and decorated by many elements of intense Romanticism – small turrets, petite ornaments and statuettes. Possibly, the choice of Gothic style was determined by the wish of the manor landlord of that time Mikhail von Borch to make his dwelling look like a medieval fortress as a reminder of his origin from the knights.

Most important years in history of the Manor House and the Park:

Ø History of the Manor House

1866 – 1873 – the Manor House was transferred to ownership of the English merchant Johann Heinrich Fredrick.

1873 – 1891 – the Manor House belonged to the German baron Johann Ungern Stenberg under the law, however the Polish landlord Jans Mols possessed it by attorney.

1891 – 1910 – the Manor House belonged to the Russian landlord, the Tsar's chamberlain Konstantin Gulkevich.

1910 – 1919 – the German landlord Karlis Hipiuss possessed the Manor House .

1924 – 1944 – Preiļi two-year agricultural school (from 1939 – the School of Agriculture and Housekeeping) was located in the Manor House.

1945 – 1963 – Preiļi Secondary School No 1.

1963 – 1978 – Preiļi District children's sport school, sport union „Varpa”, SCO, district information and computing division, technical inventory bureau, a branch of the Company „Rigas apgerbs”, DOSAAF, district pioneers' centre.

In February 1978 the Manor House was devastated by a fire. To prevent further damage of the building, a new roof was built immediately after the fire.

Ø History of the Park

The layout of the Park is considered to have been designed by the Italian architect Vincenzo Mazoti (1756 - 1798.). The Park was girded by a decorative fortification (Kastell) and four rows of lime-tree lanes. In the middle of the Park, a system of ponds and canals with multiple islands and peninsulas was laid by flooding the river Preiļupite. Picturesque garden-houses of linden or outlandish tree groups and shrubberies were made in clearings. Historians believe that the Park was established over a period of 60 years (1806 - 1865).

The core of Preiļi Park dating back to the mid-19th century survived to this day, with nearly 25 different species of trees and shrubs growing there, including more than one secular tree. Preiļi Park is a typical landscape park of the Classicism period with its winding paths, large massives and multiple greenery, water occupying 13 ha of its area.

After World War II the Park was renamed into a Victory Park [Uzvaras parks], and had a new entrance arranged. The Park was described during the 1969 inventory. In the 1970s an open-air stage was built in the north-eastern corner of the Park, in the former garden landscape territory of the manor, which was quite a success too.

In 1996 Preiļi County Council took over the complex to its ownership and made regular investments in the complex maintenance (restoration of the park gates, benches, equipment of the children's playground, bridges over canals, cleaning the canals and ponds, arrangement of a public swimming ground) that were comparatively small in terms of their amount, and established a pilot group to summarise and evaluate information on possible increase of economic value of and investments in the Complex.

Possibilities of development of Preiļi Manor House and Park Complex

Problem: Currently Preiļi County, District, as well as Latgale region lack possibilities of arranging training, conferences and events with meals, accommodation and recreation services for a large number of people (up to 200 participants). There are not many places of this type in Latvia at all, as they are mainly centred in Riga.

Solution: Preiļi Manor House and Park Complex and their further use would be a project of large volume and significance, and not only promote improvement of environmental, cultural and historical heritage, but also impact on tourism industry and other related industries in Preiļi County and District, as well as would create at least 120 new work places.

According to statistical data of the World Tourism Organisation, tourism is the major source of export income in the world, an important contribution to the number of work places, as well as a significant factor of regional and social development. The Framework Document worked out by Latvia emphasises the direct impact of attractive cultural environment and well-developed cultural infrastructure on the quality of life of the people of any territory, which offers neat living environment, as well as economic welfare, and provides substantial resources for regional development and their competitive growth.

The Latvian National Programme for Tourism Development for 2001 – 2010 sets the objective of achieving a higher share of tourism in the gross domestic product of Latvia by positioning and , promoting Latvia in the international market as a different, safe and recognisable tourist destination, increasing the inflow of tourists to Latvia, as well as encouraging the development of local tourism.

Analysis of products of Latvian tourism implemented by the Latvian Tourism Development Association made it possible to distinguish two key groups of products of Latvian tourism:

1. Cognitive tourism focussed on cultural tourism – getting acquainted with cultural and historical heritage, the people's way of life, and Latvian traditions;
2. Conferences and business tourism related to business activities and conferences.

The following products of tourism have been put forward as strategically important on the scale of Latvia:

- § Latvia as a centre of Baltic business tourism and conferences;
- § Latvian culture in national traditions, holidays, events;
- § Rural, nature, active and eco tourism for health, education and new impressions.

According to Latgale Region Development Programme, it is planned that Latgale as a Land of Blue Lakes with its natural and cultural values should be an important tourist region. Therefore its inclusion in the general context of tourism of Latgale Region will be vital for development of Preiļi Manor House and Park Complex. Unlike Daugavpils and Rēzekne hotels, Preiļi Manor House is unique due to its antiquity and interesting history, and the whole Complex – due to its geographical location in an original town in the middle of Latgale Region.

Preiļi Manor House and Park Complex SWOT

Strengths:

- Ø ecological environment;
- Ø interesting architecture;
- Ø location in the geographical centre of Latgale Region, convenient traffic;
- Ø Aglona Basilica is located at a distance of 20 minutes drive, which ranks first among the most popular and visited tourism objects in Latvia;
- Ø a technical design project of Preiļi Manor House and Park Complex has been worked out;
- Ø Daugavpils and Rēzekne are located 60 km away;
- Ø Lociki airfield is located 50 km away;
- Ø the local government supports development of tourism and takes an active part in co-operation projects;
- Ø versatile colouring of different ethnic groups with ancient traditions;
- Ø the local population has a good command of the Russian language;
- Ø borders with Lithuania, Byelorussia, Russia are within easy access;
- Ø proximity of EU eastern borders;
- Ø effective work of Preiļi Tourism Information Centre.

Weaknesses:

- Ø the local population has insufficient command of the English, German and French languages;
- Ø no effective tourism marketing events have been carried on to date;
- Ø lack of knowledge of principles of rendering tourism services among local businessmen and population;
- Ø shortage of investments.

Opportunities:

- Ø establishment of a recognisable, attractive and significant object of tourism infrastructure to serve as a beginning of further development of a network of tourism infrastructure objects in Preiļi District and Latgale;
- Ø conversion of Preiļi County into one of the centres of Latgale tourism, where tourism business would ensure employment and tax income;
- Ø an effective complex of marketing events for development of tourism;
- Ø attraction of a regular inflow of tourists after renovation of the airfield in Lociki (in Daugavpils);
- Ø involvement of the State Cultural Capital Fund, Latvian Tourism Development State Agency, Latvian Ecotourism Union and other institutions in establishment of new tourism projects;
- Ø Preiļi – a venue of meetings of businessmen from Eastern Europe, Russia and Western Europe;
- Ø Including PMHPC in the network of international/national hotel operators;
- Ø attraction of private investors in other spheres;
- Ø improvement of the County infrastructure;
- Ø training of specialists in rendering tourism services and in related spheres (in colleges in Daugavpils and Rēzekne);
- Ø working out co-operation/partnership projects for funds raising.

Threats:

- Ø choosing an inadequate investor/operator;
- Ø insufficient volume of investments;
- Ø insufficient state funding for improvement of road infrastructure;
- Ø competition – a new hotel in Daugavpils;
- Ø unbalanced state investment policy.

Marketing of Preiļi Manor House and Park Complex

Target groups of Preiļi Manor House and Park Complex are as follows:

- 1) Latvian tourists willing to travel and learn their country, especially Latgale with its peculiarities – artisans, folklore and folk traditions;
- 2) foreign tourists willing to get acquainted with cultural heritage in Eastern Europe;
- 3) international, national and regional businessmen who will organise and participate in conferences;
- 4) regional and local people who will hold recreational events – wedding parties, banquets, etc. which normally lack appropriate venues.

Preiļi Manor House and Park Complex has the following marketing elements:

1. **Product** – Preiļi Manor House and Park Complex and related services. The Business Centre will accommodate the following premises: a 3-star hotel with single and double rooms (for 60 persons), double hotel rooms (for 10 persons) in the adjacent refurbished building, conference rooms (for 150 persons), banqueting opportunities (for 200 persons), a restaurant, a recreational and relaxation complex.

Land and water areas in the Park (41.2 ha) and 10 ha of the adjacent territory may be used for construction of different objects of tourism infrastructure (car parks, etc.), as well as sport and recreational objects – tennis courts, minigolf grounds, boating on the Park ponds, etc. In the future other tourism services available in this region and this country may be incorporated in one tourism product.

2. **Price:**

- until the Business Centre is established the price set on a guided tour along Preiļi Park is Ls 0.50 per person;

- after the reconstruction the price will be set on specific guided tour along Preiļi Park, and prices will be set on respective services in the Business centre.

In setting the prices they may be differentiated according to the visitor, the duration of using the services, the service type, etc.

3. **Location** of the Complex which cannot be changed, however its inherent benefits may be discovered. The services of agents – the Latvian Tourism Agency, Countryside Traveller [Lauku ceļotājs], internet as a modern means of communication, etc. - will be used for distribution of information in the market, however once a successful hotel operator is found, its information network will be used.

4. **Promotion** in the market may be implemented via advertising, popularisation, and encouragement of sales. Public opinion about Preiļi Manor House and Park Complex is vital as well, because the local population of the County should have sufficient information on the progress of the Project and be certain of its necessity and that the funding by the local government is used according to its purposes.

5. **Human factor** of the services is an essential marketing element, because it the competence, skills, aptitude for work, personal commitment and feedback of personnel of Preiļi Manor House and Park Complex that the general level of the services will depend on.

Integrated marketing communications shall be used which combine all communication means and marketing elements in a complex: the brand, advertising, mass media planning, corporate communication, encouragement of sales, sponsorship and other marketing instruments to be focussed jointly on achievement of a common goal.

Public and private partnership for possible conversion of Preiļi Manor House and Park Complex into a Business Centre

The Ministry of Economics of the Republic of Latvia is the leading institution determining basic principles of the Public and Private Partnership (hereinafter referred to as the PPP) and co-ordinating its implementation. Possible options of development of Preiļi Manor House and Park Complex are described in Table 2.

Table 2

Options of state and private partnership

| PPP option | Partner relations | Objectives | When to choose |
|---|---|--|---|
| Lease (the object and the surrounding land are let, the lease agreement providing for development targets) | To be laid down by the lease agreement, the local government receives the rent according to the extent of completed object construction and the land area let | To ensure fulfilment of PHARE project objectives (or other objectives agreed by the parties) | 1. The local government is incapable to run, manage or develop the object effectively 2. Construction of the object is not completed |
| Strategic investor (the object and the surrounding land are let, the lease agreement providing for development targets; a limited company may be established) | To be laid down by the lease agreement or the bylaws according to the extent of completed object construction and the land area let | To ensure fulfilment of PHARE project objectives (or other objectives agreed by the parties) | The object is not built (failure to start up construction) and/or the investor's capacity and plans exceed the scale of the object |
| Build – operate – transfer (the object and technical documentation are transferred to the partner for long-term possession) | | Objectives to be set by the partner, they may coincide with PHARE objectives | The local government failed to raise funds for renovation of the object |

Future concept of Preiļi Manor House and Park Complex –

- Ø Preiļi Manor House and Park Complex is a popular sight of international tourism.
- Ø Preiļi Manor House and Park Complex is a marketable and popular business centre (a hotel and premises for conferences and exhibitions) where international, national and regional conferences and other business events are held, accommodating a 3-star hotel and excellent exhibition rooms, and providing high-quality service and neat and well-equipped environment.

Mission –

To establish a modern tourism and business centre for arrangement of international, national and regional business events, ensuring appropriate well-equipped environment and high-quality service for the private, public and local needs.

Objective 1. To ensure positive publicity for Preiļi Manor House and Park Complex/Business Centre, favourable attitude of the public and to inform the public, providing for a possibility to express their opinion on development of Preiļi Manor House and Park Complex on the basis of IMC system.

Objective 2. To organise seminars for experts and potential investors/operators on opportunities for development of Preiļi Manor House and Park Complex/Business Centre on the basis of IMK system.

Objective 3. To work out projects and the PPP concept for development of Preiļi Manor House and Park Complex/Business Centre.

Conclusions and propositions

1. According to the technical design project worked out, reconstruction of Preiļi Manor House and Park Complex will require approximately LVL 2 million, and implementation of the marketing plan from 2005 to 2010 – approximately LVL 46 th.
2. According to the investor's/operator's potential, development of Preiļi Manor House and Park Complex has the following prospective options:
 - 1) reconstruction of Preiļi Manor House and Park Complex and establishing a business centre within the PPP:
 - Ø raising funds from the EU structural funds and the government - 45% of the total amount, private funding - 55%;
 - Ø raising funds from the EU structural funds and the government - 51% of the total amount, from private investors - 49 %;
 - Ø raising funds from the EU structural funds and the government – at least 87.5% of the total amount, co-financing of the local government ensured by private funding within the PPP – 12.5%.
 - 2) Letting the object to a major tourist operator for a long-term period on condition that hotel – exhibition – conference services, preservation and efficient management of natural, cultural and historical heritage be ensured.
3. Preiļi County Council will be able to ensure development of the tourism infrastructure and services on the basis of natural, cultural and historical heritage within the PPP, offering hotel, conference and banqueting opportunities for up to 200 persons, as well as possibilities for smaller meetings, exhibitions, training and other activities and recreation (golf, tennis, walks, boating, outdoor activities, festivals, cultural events).
4. Development of Preiļi Manor House and Park Complex complies with the goals of the Latvian Framework Document, development of Latvian state tourism, as well as Latgale Region, Preiļi District and Preiļi County.
5. Preiļi County Council as the owner of the object implementing the Project shall carry on supervision over, as well as evaluation of the progress of reconstruction of Preiļi Manor House and Park Complex for establishing a Business Centre and implementation of the Marketing and Investment Plan, by finalising the and Investment Plan of the Park, as well as making assessment of completed works and necessary corrections during implementation of the Project on a regular basis.