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Group of National Travel Agents' and Tour Operators' Associations within the EU
Association Internationale sans but lucratif

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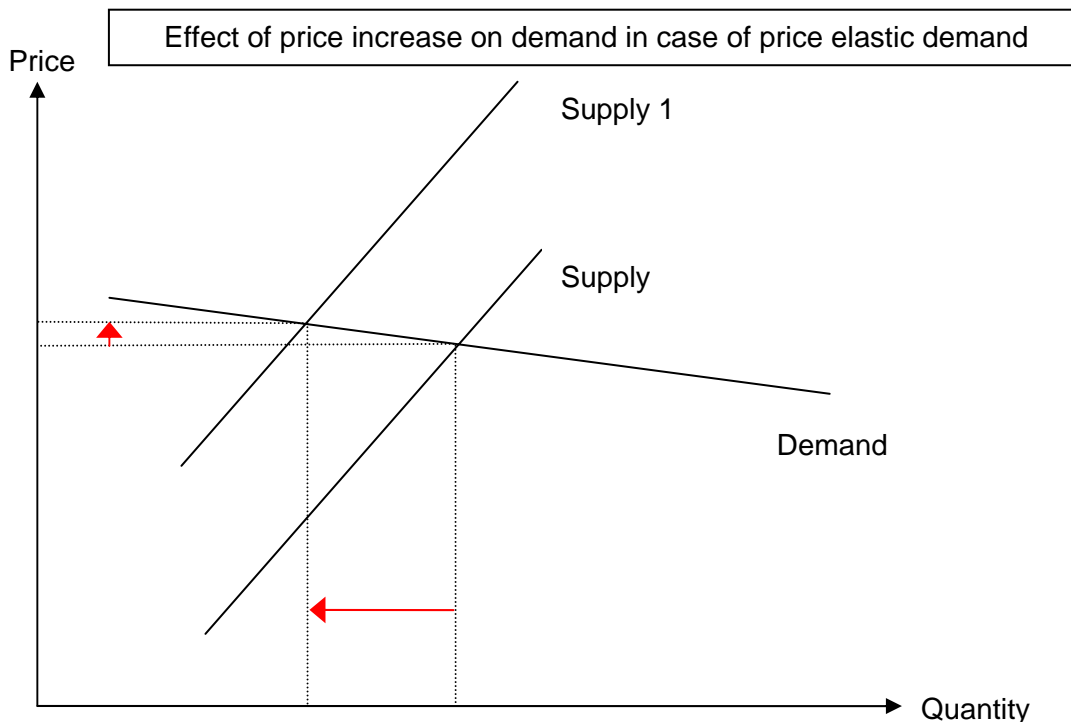
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Is the EU an expensive destination? – A journey through charges and taxes affecting travel to and within Europe, by
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Is the EU an expensive destination?

The answer is yes. It is expensive compared to other destinations in the world. With air transport becoming cheaper and new routes opening up every day, and with new countries developing their tourism market, tourism has become global and increasingly competitive. Destinations are fiercely competing with each other. While Europe is still n° 1 destination in the world, it is gradually losing market share to other destinations in the world. According to WTO statistics, the majority of regions registered double digit growth figures in international tourist arrivals in 2004, with the exception of Europe and Africa. Europe reported the lowest results of all regions, registering merely a 5% increase in international tourist arrivals, compared to Asia and the Pacific and the Middle East registering 28% and 18% growth respectively.

With such fierce competition, price is an essential factor determining the customer's choice of destination. Tourism has become very demand elastic, which means that relatively small changes in price result in relatively large changes in demand. Thus, to stay competitive, tourism providers need to carefully price their products. Unfortunately, in Europe tourism services are **hit** by a **myriad of taxes, fees and charges**, which are added onto the cost of tourism services and **inflate the price**. It is well known that a tourism tax distorts when demand is relatively elastic, since the price differential caused by the tax leads to a significant change in demand (see graph).



It is breathtaking to see how many taxes, fees and charges the average tourist is paying during his stay in Europe. The figures published by the World Travel & Tourism Tax Policy Center make for very interesting reading. The group has analysed the amount of taxes collected during a five day, 4 night trip in 52 cities worldwide, which are high traffic destinations. The hypothetical trip includes purchase of four nights' lodging, five days' car rental, twelve meals, and one set of international airport arrival and departure charges. The cities were ranked in order of highest taxes paid. The 20 highest ranking cities include 10 European cities, notably London, Copenhagen, Stockholm, Brussels, Istanbul (in an enlarged Europe), Vienna, Frankfurt, Rome, Helsinki and Munich. As you will see from the table, for a five day trip to London, the traveler will have to pay **335,7 US\$** worth of taxes.

City	Total taxes in US\$	Ranking of 52 cities
London	\$335,70	2
Copenhagen	\$300,16	4
Stockholm	\$243,11	6
Brussels	\$237,89	8
Istanbul	\$234,17	9
Vienna	\$234,01	10
Frankfurt	\$223,76	12
Rome	\$223,15	13
Helsinki	\$219,59	15
Munich	\$210,23	18

Source: World Travel & Tourism Tax Policy Center, June 2002

The same exercise has been done calculating the %age that taxes represent in the total price of a trip which includes four nights' lodging, five days' car rental, twelve meals, and one set of international airport arrival and departure charges. Here again the 20 highest ranking cities include 8 European cities. Copenhagen, London, Vienna and Brussels make it to the top 4 highest taxed cities as a percentage of the total price; For the five day trip to Copenhagen, a little more than **24%** of the total travel expenses account for taxes!

City	Total tax %	Ranking of 52 cities
Copenhagen	24,25%	1
London	21,66%	2
Vienna	20,65%	3
Brussels	20,17%	4
Stockholm	19,99%	9
Frankfurt	17,94%	10
Istanbul	17,71%	12
Munich	17,45%	14

Source: World Travel & Tourism Tax Policy Center, June 2002

It should be noted that these figures date from 2002. The 5 day package includes an average European air fare. In the meantime we have seen the incredible rise of low cost airlines, which means that the overall price of such a package is probably lower, while taxes, fees and charges have remained the same or are on the increase.

Over the years, there has been a proliferation of taxes and fees levied in the tourism industry. Tourism is perceived as a profitable business and thus lends itself well for generating additional tax income. However, often new taxes and tax increases or other charges are applied with very little regard to other levies being applied on other tourism services. The end result is that a European visitor cannot make a step without paying money for some tax, fee or charge. Let me give you some examples. The data have been collected with the help of our Partners from NET: HOTREC, IRU, ETOA and EFCO.

A group of Chinese tourists land in Copenhagen and make a European bus tour through Europe, taking them through major historical Italian cities. They fly back from Frankfurt. The Chinese travelers will have to pay the following taxes, fees and charges / per person:

- Schengen visa fee (as of 1 January 2007), 60€
- International airport fees and charges (China and Frankfurt), 130,86€
- *Fuel surcharges, 60€ (not a government imposed charge)*
- VAT on coach travel (25% in Denmark, 16% in Germany [increased to 19% in 2007], 10% in Austria)
- Motorway user charges in Austria, Switzerland, Italy, including extra tolls on special motorway stretches, like the Brenner
- Entry fees and high parking fees for coaches in historic cities like Venice, Florence and Rome
- VAT on hotel accommodation, restaurant services, bar & café services (25% in Denmark, 16% in Germany [increased to 19% in 2007], 10% in Austria and Italy)
- Bed taxes per person / per night (various per country and within country)

All in all, on an average package tour of 10 days sold for approximately 1000€ in China, 30% of the total price constitute taxes, fees and charges.

Needless to say, it's not only the non-EU travelers that are excessively burdened by levies in the tourism industry. Even travel by European citizens within Europe attract substantial taxes, fees and charges. Let me provide you with another example:

A Maltese tourist visits Paris and London on a round trip. He will have to pay the following taxes, fees and charges:

- Airport taxes (passenger service charges, security charges, etc. including 46,61€ Malta departure tax, which has doubled in August 2005), 247€
- France solidarity tax on airline tickets (1€ per economy class ticket and 10€ per business class ticket for European destinations, 4€ and 40€ respectively for non-European destinations)
- *Fuel surcharges, 78€*
- VAT on hotel accommodation, restaurant services, bar and café services (5,5% hotel accommodation and 19,6% rest in France, 17,5% in London)
- VAT and other charges (sales taxes, airport surcharges and others) for car rental (30,08% in London and 28,52% in Paris)
- Bed taxes per person / per night (various per country and within country)

With such high taxes, fees and charges, it becomes very difficult for tourism providers to compete with other destinations in the world, which are becoming increasingly more accessible as air fares are going down.

Conclusion

As one of the worlds' largest and fastest growing industries tourism is an important generator of growth and employment. In this context it is important to enhance the sustainable development of tourism rather than crippling it with unnecessary or unjustified levies. Tourism services are very price sensitive. In a global market, a small increase in prices will have a relatively large effect on demand for these services. By levying more taxes, fees and charges, Europe will price itself out of the market.

While it is unrealistic to abandon all taxes, fees and charges, it is important that only those taxes, fees and charges are retained that are effectively reinvested into the tourism industry to enhance tourism development. Intelligent taxation involves taxation that makes a link between Travel & Tourism, economic growth and jobs. Taxes and other charges, which bear no relation to the tourism service provided, such as the French solidarity tax on airline tickets for development aid, should be prohibited. Similarly, applying an environment tax on air tickets or to raise VAT on

international flights to offset their climate impact, as called for by the European Parliament, will not encourage carriers to reduce carbon emissions. A more intelligent way is to include air transport in the carbon emission trading scheme.

It is important to create a level-playing field among all tourism providers and destinations. In this respect we call for a reduced VAT rate for accommodation and restaurant services in ALL EU Member States and equal VAT treatment of different modes of transport across Europe.

It is ever so much important that travel and tourism sector be actively involved in the formulation of tax policies affecting the industry. Policy makers should seek input from the industry when considering any tax or fee on travel & tourism services, products or consumers. Today, either stakeholders are not consulted (see increase of Schengen visa of 35€ to 60€), or they are informed but not taken into consideration.

As a final note I would like to recall that tourism services are export services. Taxing tourism services is taxing our exports. A tax reduction will boost sales, support the balance of payments of the country, generate increased volumes of arrivals, which will ultimately increase turnover, employment and thus more tax receipts.

Ladies and Gentlemen, thank you very much for your attention.