



Shaping the future of tourism



Visa policy
Destination engagement
Tax and tourism
Package travel regulation

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Visa policy

Europe's share of global international tourism arrivals is declining. High-quality visa facilitation and border processes are essential to support growth from emerging markets. Only 17% of the EU's visitors come from all long-haul markets. In 2017, growth in international arrivals to non-EU European destinations outpaced growth to the EU: 8% average for EU and an average of 12% to non-EU southern and Mediterranean Europe, including Turkey. The appeal of non-European destinations is developing fast, in part due to visa-free travel and smart visa processes, including e-visas. Visa policy remains particularly subject to political risk.

What you need to know

- Risk of economic loss grows as non-European destinations develop.
- The Schengen Visa Code is under review.
- Political risk to visa-waiver status remains significant.

Policy objectives

- An objective assessment of risk allowing more countries to have visa-waiver status.
- Intelligent reform to the Schengen Visa Code.
- Efficient and welcoming border processes.



Destination engagement

Destinations need to be appealing places to live, work and visit. As tourism grows, so does the need for product diversification and smart capacity management. Increased demand, especially in certain sites or at peak times, puts pressure on attractions and infrastructure. The long-term interests of visitors and residents become lost in a polarised, over-simplistic debate. While problems related to tourism in famous cities capture the headlines, a growing visitor economy would be a welcome addition to many destinations, supporting much-needed employment. Industry can help.

What you need to know

- Local policy-makers have most control over tourism regulation and taxes.
- Public opinion is highly influential on destination strategies.
- The value added by leisure travel intermediation is often poorly understood.

Policy objectives

- Improved destination and capacity management, with adequate notice of change.
- Better visitor experience, and no tourist taxes without service improvement.
- Improved public perception and understanding of tourism.

Activity

- Collaborate with industry partners, including 'Manifesto for Jobs and Growth in Tourism'.
- Work with European Commission, Parliament and national governments.
- Conduct origin market surveys and publish reports.

The requirement to obtain a visa before travel is a deterrent. Only 3-4% of the EU's leisure visitors from outside Europe have a visa, yet citizens from large source markets require them, including China, India, Indonesia, the Philippines and Russia. While some improvement has been made, Schengen visa processes remain problematic and costly.

The Schengen Area remains one of the EU's great success stories. Borderless travel between 22 EU and four non-EU states transformed the offer of multi-country itineraries enjoyed by long-haul visitors in particular. The introduction of the European Travel Information and Authorisation Services (ETIAS), expected in 2021, should increase confidence in borderless travel and enable more origin markets to qualify for visa-waiver status. Its fee should be kept at a modest level and not used as a stealth tax on tourists.

Activity

- Local engagement, including ETOA working groups with members and the public-sector.
- Seminars on product development and origin market trends.
- Operational updates for members and destination-related research.

Electoral cycles are short. The planning horizon for adequate destination strategies is long. Cities and their identities evolve; origin market tastes develop.

To be effective, tourism policy discussion requires detailed industry insight, close community collaboration and an openness to change. Attractions have a duty to look after cultural heritage and make it available. Destinations have a duty to their community and its long-term economic, environmental and social interests, including business development and industry support.

Industry has a duty to its clients from all origin markets to provide positive experiences, continually refining product and developing new services. Tourism is more likely to have a long-term positive impact if it is properly integrated into local plans and processes.



Tax and tourism

How tourism is taxed is the most influential factor on business viability. The added value of intermediation is often poorly understood. The EU is at a disadvantage for three reasons: it taxes tourism exports; the price of holidays to non-EU destinations is VAT-free; and local taxes have increased significantly.

The Tour Operators Margin Scheme (TOMS) remains an intelligent simplification: it shares tax benefit between destination and operator's country of establishment; it minimises the need for multiple registration; it is relatively easy to administer.

However, TOMS still taxes exports to non-EU clients, and provides a competitive advantage to non-EU businesses selling EU product. Relocation is often not an option for small businesses on whose success tourism's job generation depends. There is very little volume in retail sales of EU travel product to non-EU consumers.

What you need to know

- The EU is reviewing how TOMS should operate: significant change is likely.
- There is an urgent need to illustrate the impact of options on business.
- Local taxes are becoming a more significant source of revenue.

Policy objectives

- Sales to non-EU clients to be VAT-free.
- Tax matched by reciprocal benefit enjoyed by residents and visitors.
- Ease of compliance, with better consultation and notice of change.

Activity

- Lobbying and participation in expert group on legislative review.
- Provide advice through seminars, online briefings and a helpline.
- Research and reports.

Tax reform is complex. At an EU level, significant regulatory change requires unanimity among all member states. Tax on tourism makes sense if it improves infrastructure and service. Looking after and making accessible Europe's cultural and natural heritage requires funding. Taxation without benefit to the taxpayer may bring short-term relief to hard-pressed budgets, but it will cause long-term competitive harm.

The increase in devolved tax-raising powers through overnight taxes and access charges was noted as a significant factor in competitiveness by the OECD in 2014. Visitors typically do not vote and they are an easy source of revenue. They notice both price and service level, and they have a choice.



Package travel regulation

European package travel regulation was introduced in 1990 to protect consumers. In practice, it also suppresses innovation and causes market confusion. Most of the growth in retail travel services took place outside the scope of the 1990 directive. Consumers were offered much more choice in product and how they buy.

A new Package Travel Directive (PTD2) came into force in July 2018 and includes welcome modernisation: no more should brochures be reprinted if prices change, electronic updates will suffice; compliance in one EU state is sufficient to sell to consumers in another; the addition of an ancillary service may not necessarily constitute a package. It also introduced the concept of a 'linked travel arrangement' that can give rise to several liability and is often poorly understood.

What you need to know

- PTD2 enables more cross-border selling.
- "Linked travel arrangements" create liability for third-party performance.
- Not all travel service combinations give rise to a package.

Policy objectives

- More value-adding with increased consumer choice across borders.
- Increased business awareness of opportunity and risk.
- Appropriate sector-specific protection for consumers.

Activity

- Participation in the EC's expert stakeholder group on PTD2.
- Lobbying, consultation and seminars.
- Research and reports.

How will the success of the new directive be judged? European tourism needs a regulatory framework that encourages innovation. As for tax, the higher the compliance load and perceived barriers to market entry, the more growth will happen elsewhere.


While insolvency protection is desirable, what degree of sector-specific protection is necessary? There has been extensive development of general consumer protection, through legislation, insurance and credit card protection. The EU's 2004 air passenger regulation provided for compensation in the event of denied boarding, cancellation or long delay.

The case for special protection for packages that do not include a significant travel component remains unproven. PTD3 may yet be necessary to unlock the economic potential of Europe's leisure travel industry.

For further information please contact policy@etoa.org

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