

## **Editor's comment from *Travel Markets* No. 20 – June/July 2004**

### **Europe's travel industry welcomes qualified inclusion of tourism in EU Constitution**

Despite aggressive lobbying by the industry and some member governments of the European Union over the years, tourism has never been a 'competence' of the European Commission in Brussels. So it is hardly surprising that all sectors of Europe's travel and tourism industry have welcomed its inclusion in the latest draft of the proposed EU Constitution.

The European Tour Operators Association (ETOA), whose members include the leading European inbound tour operators – handling primarily business from outside Europe – says the fact that tourism is on the EU agenda at all is really good news, especially as the EU finally seems to see tourism in terms of enterprise and competitiveness. However, ETOA remains sceptical as to the implications of this latest move. The draft constitution begs a number of questions and says nothing about the main issues confronting tourism in Europe that urgently need to be addressed.

In particular, ETOA notes that there is no actual working definition of tourism at EU level. In addition, it would like to see a distinct set of proposals for Europe-wide action as opposed to national activities. There is so far no indication of whether tourism will become a prime responsibility of a European Commissioner, as in the case of agriculture or transport and energy. Decisions by several Commissioners can have an impact on tourism policy, but they tend to be unco-ordinated and related to industry in general rather than the specific needs of travel and tourism.

Meanwhile, there appear to be a number of contradictions in the draft constitution regarding tourism. To quote the tourism Article:

"A European law or framework law shall establish specific measures to complement actions within the Member States to achieve the objectives referred to in this Article, excluding any harmonisation of the laws and regulations of the Member States."

But if there is to be no harmonisation of laws and regulations, says ETOA, what new measures can the new European law or framework law introduce?

Four key issues need to be addressed:

#### **Reform of VAT**

ETOA has also identified the four most important tourism-specific issues that need to be addressed. It wants to see a relaxation in the operation of value-added tax (VAT) on trade in the tourism sector. Since the activity of bringing tourists to Europe is all about exporting (it earns foreign currency), there is a clear logic in exempting it from VAT, as is the case with other exports. Reforming the application of VAT to tourism exports would make Europe more competitive as a destination and would help create jobs within the EU.

#### **Reform of the Package Travel Directive**

Another area of concern is the requirement for tour operators to place substantial amounts of money in bonds. Tour operators are required by European law to provide a bond that can be used to repatriate clients in the

event that the operator collapses financially. The problem is that the bond system operates on a nation-by-nation basis, so a bond in one country is only good to get clients home to the same country.

ETOA says this arrangement has the effect of limiting competition and inhibits free trade. "The EU's inability to establish a truly borderless destination is greatly to be regretted," said ETOA Director Tom Jenkins. "Reform of the Package Travel Directive and, within it, the operation of bonding must now be a top priority for EU officials dealing with tourism."

#### **Elimination of restrictive practices in tourism**

The exclusion in the tourism Article of any determination to harmonise national laws relating to tourism is also questioned by ETOA. In some parts of Europe, for example in Italy and France, there are local laws that prohibit tour guiding without the services of a locally qualified and licensed guide. There are no specific proposals so far to create Europe-wide mutual recognition of tour guide qualifications, even though the national restrictions conflict with European law on the free movement of workers within the EU.

"One of the central objectives of the EU is to create a more open, fair and competitive market," said Jenkins. "It is therefore particularly distressing to see that EU institutions are apparently impotent to deal with overly restrictive national practices in tourism. Resolution of this issue must be a key test of success."

#### **Increased investment in promotions**

Lastly, ETOA wants to know how much more money will be made available to promote Europe in long-haul markets? What new initiatives will be developed? And who will be responsible for their implementation?

Over the past three years, Europe has witnessed the worst decline in its inbound tourism market since the Second World War. ETOA research shows that the number of inbound visitors to Europe fell by 30% between 2000 and 2003 and their expenditure dropped even more sharply, says Jenkins. While the recovery is clearly underway and inbound tourists are returning, Europe's market share as a destination is still in decline.

There is a clear need for Europe as a region to make itself a more attractive and to promote itself more aggressively. The general feeling is that funding for this should come from the public as well as the private sector, even if it means allocating a part of the national tourism organisations' budgets to joint efforts.