

policyAGENDA

March 2018 issue



Developing countries: German policy is curbing growth in tourism

One single charter plane with two daily flights provides 9,000 Egyptians with jobs in the tourism industry. The German policymakers' special tourism levies and taxes weigh heavily on this kind of development cooperation. Find out more in the new policyCLIP, on page 6 and at www.tui-policylounge.com



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MECKLENBURG-WEST POMERANIA: HOSPITALITY AND TOURISM SECURE JOB RECORD

ITB Partner Country



Mecklenburg-West Pomerania is the first federal state ever to have been asked by the world's largest tourism fair, ITB, to be a "Partner Country".

It was chosen to be featured at the fair as one of Germany's top holiday destinations over the other partner candidates for its sustainable tourism concept. Find out more at this year's ITB from 7 to 11 March 2018 in Berlin. TUI also believes that sustainable tourism products are the way forward, and it plans to provide ten million holidays per year at certified sustainable hotels by 2020.

Tourism is a significant industry in the German state of Mecklenburg-West Pomerania – more so than in any other federal state. Apart from almost 3,000 small and medium-sized accommodation providers, TUI Group hotels and its international tour operator business contribute to a very robust and diversified tourism sector. Over 130,000 jobs in this state are associated with tourism.

Tourism: A key industry in the countryside and on the coast

Mecklenburg-West Pomerania is one of the most structurally weak regions in Germany. But it has a trump card: the beautiful natural landscapes stretching from the Baltic Sea to the Mecklenburg Lake District. It is the German state with the lowest population density and the most open spaces with recreational value. Another typical characteristic of this region, which is no less important than the beautiful countryside, is the hospitality and cosmopolitan attitudes of the people who live there. That's one of the reasons why so many foreign guests choose to travel to Mecklenburg-West Pomerania with TUI Group, Europe's leading travel company with its own hotels and tour operators. They are helping to build tourism into a decentralised key industry in the state's six administrative districts and in the cities of Schwerin and Rostock. ▶

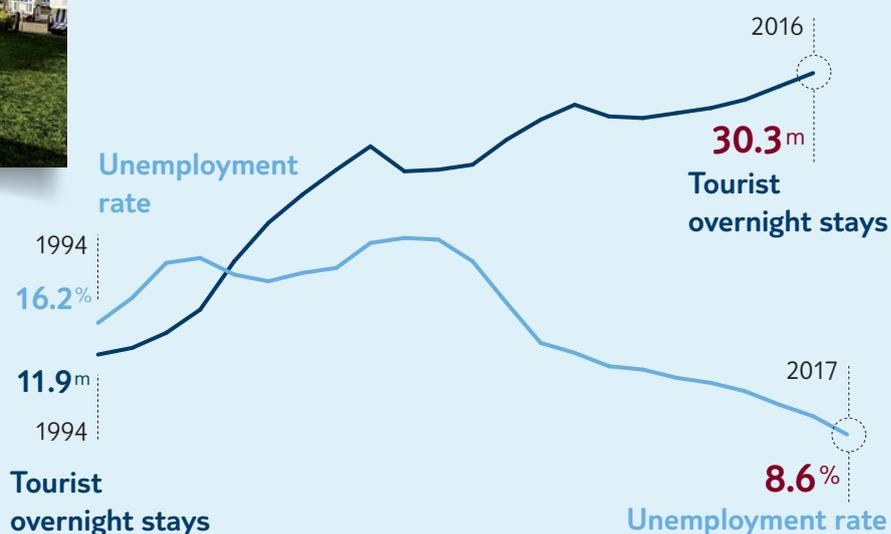
TUI in Mecklenburg-West Pomerania



TUI opened its first Robinson Club in Germany on the banks of the Fleesensee lake in 2000. It has been a major success and the TUI Group now has four more of its own hotels in Mecklenburg-West Pomerania: a Dorfhofhotel and – since late 2016 – a TUI BLUE hotel at Fleesensee lake, plus a Dorfhofhotel and an Iberotel in the Baltic Sea spa town of Boltenhagen.

Tourism and employment records

The unemployment rate was high in the post-reunification years. It has now improved considerably as a result of growth in tourism, reaching its lowest level of 8.6 percent in 2017. Recent figures confirm over 30 million overnight stays in Mecklenburg-West Pomerania – which is another record.



Sources: MWP Statistics Office, Federal Employment Agency

»I'm proud that our community and TUI have managed to pull off such an impressive structural change from agriculture and livestock breeding region to modern services location. This wouldn't have been possible without the millions of euros that were invested in Fleesensee. We now have almost full employment and our local authority finances are stable. Without the income from tourism we wouldn't be able to afford many of the public services and amenities we provide.«



Peter Becher,
Mayor of
Göhren-Lebbin
since 1990



»Reliable customers are essential to any traditional regional company like Müritzfischer. That's why TUI's hotels in the Fleesensee region are so important. We supply several hundred kilograms of fresh fish to the hotel chefs every month. The TUI hotels are some of our most important customers.«



Sebastian Paetsch,
General Manager
of Fischerei
Müritz-Plau GmbH



»TUI has been a trusted and loyal customer for more than 20 years. It is also a premium customer with a year-round laundry service. In fact, TUI is safeguarding more than 50 full-time jobs at Waschfee. As a regional supplier, we reduce the hotels' carbon footprints. It makes a big difference whether the washing travels just 20 kilometres to a local laundry in Waren or to a laundry further afield.«



Dirk Müller,
Managing Director
of the laundry
Warener Waschfee
GmbH & Co. KG



- **GDP contribution:** The value added by tourism in Mecklenburg-West Pomerania is 4.1 billion euros per annum and it contributes almost twelve percent of the state's gross value added. That's three times higher than the German national average.
- **Significance for employment:** Mecklenburg-West Pomerania has a higher level of tourism than any other German state, with almost 19 overnight stays per inhabitant. The figure for Berlin isn't even half that. Tourism's significance is also reflected in the labour market, where more than one in six members of the working population in this state have jobs in the industry.
- **Further growth:** The tourism industry is also one of the state's key growth sectors. A new record was set in 2016 when 30.3 million overnight stays were recorded – 22 percent more than ten years ago.

TUI: focus on Mecklenburg-West Pomerania

The TUI Group is strongly committed to Mecklenburg-West Pomerania. It has its own hotels in Boltenhagen, on the Baltic Sea coast, and at Fleesensee lake, which is in the Mecklenburg Lake District. There are some 3,000 beds in total at the five four-star hotels.

Fleesensee is an excellent example of the positive effects of integrated hotel complexes on the economy. At the end of the 1990s the town of Göhren-Lebbin had an unemployment rate of 33 percent. Today it has almost full employment thanks to Hotels & Sportresort Fleesensee, which opened in Göhren-Lebbin in May 2000. The complex includes four hotels – three of which are operated by TUI. It is 550 hectares in size and northern Europe's largest leisure facility, attracting over 100,000 holidaymakers every year. Several hundred local residents are directly employed by the hotels. More importantly, the resort works with a number of local businesses. The restaurants use local suppliers and a local laundry washes more than 70,000 guest towels and bed linen items every month. Tourists visit nearby towns such as Waren, which means that the restaurant trade and local retailers there profit immensely from the holidaymakers who are attracted to the region by the resort.

So, when the resort opened its doors in 2000, it kick-started the positive development in employment and prosperity in the Mecklenburg Lake District. No other sector could possibly have written this kind of a success story in the region.

MAURITIUS: STABILITY ATTRACTS TOURISTS AND INVESTMENTS

“A full democracy”

According to the Democracy Index 2017 Mauritius is a “full democracy”. It places Mauritius in 16th place out of 167 countries in total and ahead of all other African countries.

1. Norway
13. Germany
14. United Kingdom
- 16. Mauritius**
23. Cabo Verde
28. Botswana

Source: Economist Intelligence Unit

Mauritius isn't just a holiday paradise in the Indian Ocean, it's also a good example of positive development that serves as a role model to other African countries. Five decades on from the country's independence in 1968, Mauritius is a flourishing democracy with an independent legal system and, thanks to its stability, an economic success. Tourism has made an important contribution to this stability and TUI has been a close partner since the very beginning.

An economic success story – facilitated by tourism

The country's economy is benefiting from a stable economic framework. Mauritius has the third highest gross domestic product (GDP) of all the nations on the African continent at almost USD 10,000 per capita. The expanding tourism industry is part of this success story. Between 2012 and 2016 alone the number of tourists visiting Mauritius every year increased by around one-third to almost 1.3 million. French tourists are the most frequent visitors and they account for 20 percent of the total tourism headcount. Mauritius is also becoming increasingly popular with German tourists. The number of German holidaymakers visiting the island state rose from 40,000 in 2015 to 72,000 in 2016. Its inhabitants are benefitting considerably from this positive trend. Tourism now accounts for one in four jobs, providing a living for around 135,000 people and their families.



Everyone benefits from tourism

»Tourism in Mauritius is undeniably an important pillar of the economy. Thanks to the travel industry, my country is globally visible. We connect with other countries not only economically, but also culturally. Our cultural diversity is a major asset for our tourism industry. As we welcome more and more guests to visit us, the tourism sector is focussing on diversification.



H. E. Prof. Dr. Kheswar Jankee,
Ambassador of the Republic of Mauritius
in Germany

We also offer cultural, eco and medical tourism. One important aspect is that tourism is only sustainable if all parties benefit. Part of the tourism revenue is used for enhancing social welfare in the communities. In that way, large investments such as those of the TUI Group will help all Mauritians to benefit from tourism and increase visibility.«

TUI investments

The TUI Group has played a key role as development partner to the island state. TUI company RIU implemented extensive renovation projects at two hotels on the south-western part of Mauritius and re-opened them in 2015. The new RIU resorts are at the foot of the UNESCO World Heritage Site, the Le Morne mountain. They are located in a nature reserve, so RIU liaised closely with the local authorities on all the construction activities. Traditional thatched sugar cane was used for the roofs and RIU also uses local suppliers. The company employs 400 staff all year round in the hotels. Most are islanders, and a number of the Mauritian employees hold management positions. TUI has also invested in north Mauritius, where it has opened the TUI Sensimar concept hotel.

There are other ways in which TUI Contributes to growth:

- **Tour operators:** The travel company works closely with around 100 local hotels, supporting many family-run businesses and SMEs.
- **Flights:** TUI airlines fly twice a week on average from European cities to Mauritius.
- **Cruises:** The ships operated by TUI's subsidiary Hapag Lloyd Cruises will be dropping anchor at the island several times in 2018. MS Europa and MS Europa 2 also call in to Port Louis on their Indian Ocean cruises.

Tourism as an economic catalyst

Tourism on Mauritius has positive knock-on effects in other sectors of the economy. Around one-quarter of value added and one-quarter of jobs were accounted for by the travel industry in 2016.

Contribution to GDP

Direct	Total
USD 1.0 billion	USD 3.1 billion
GDP share 8.4%	GDP share 25.6%

Contribution to employment

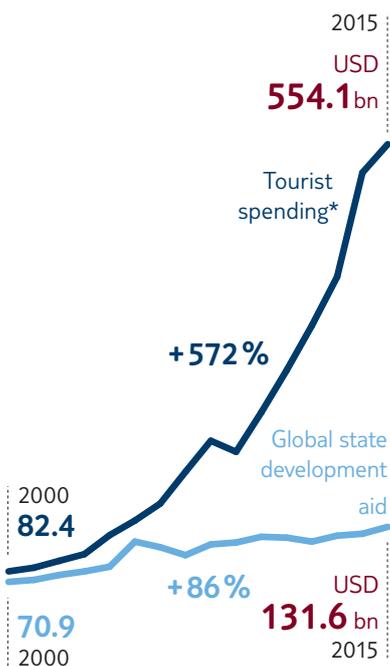
Direct	Total
45,400 jobs	135,100 jobs
employment share 8.2%	employment share 24.3%

Source: WTTC



Tourist spending is four times as high as development aid

Tourists spend more than half a trillion US dollars every year in developing countries, providing them with prospects for stability and prosperity. So the tourism industry is a strong development aid partner.



*in low and medium-income countries

Sources: UNWTO, OECD

THE FIGHT AGAINST POVERTY: LEVERAGING THE OPPORTUNITIES ASSOCIATED WITH TOURISM

The UN's Agenda 2030 sets ambitious development goals, such as a world without poverty achieved through sustainable economic growth. The tourism industry can make an even greater contribution to achieving those goals if the German policymakers remove the obstacles it faces.

Creating new "local" perspectives

Tourism is an expanding industry, even in the world's structurally weak regions. Tourists spend more than half a trillion US dollars in low and medium-income countries every year. Investments in those countries' tourism sectors have massive positive impacts. The Robinson Club being built on the Cape Verde Islands, which is due to open in autumn 2019, will provide up to 300 permanent jobs. It's an additional medium-sized business that TUI is setting up on the island – with close ties to the local economy, because most of the suppliers are regional farmers and businesses. More than 80 euros for each overnight stay remain in the destination country according to a study of Cyprus by PwC and TUI. The stabilising effect of tourism in northern Africa and other countries is also helping to reduce global migration flows to Germany and Europe because a lack of economic perspective is one reason, besides dissatisfaction with political regimes, that drives migration.

German policymakers can do far more

Instead of supporting the travel industry as a key partner in the fight against poverty and causes of migration, the German government is making both tourism companies and holidaymakers pay. The money they pay for the following taxes and levies could be spent and invested in the destination countries:

- **Air transport tax:** This tax was introduced in 2011. It affects all flight departures from Germany and provides the exchequer with a total of one billion euros every year. It costs the tourism industry around EUR 350 for each job it creates in Egypt.
- **Holiday tax:** The German tax authorities pocket additional tax revenue for hotel rooms, even in developing countries. Tour operators are required to pay trade tax on purchased hotel room contingents. TUI partners in other countries cannot understand why the German exchequer is artificially raising the price of overnight stays abroad with its so-called "trade tax add backs". They mean that income from tourism at the destinations is taxed by the German revenue authorities. It's an unintended redistribution of income by the legislators that is having a negative impact on development cooperation.
- **Air security costs:** All costs for airport security checks in Germany are paid by the passengers and the airlines. In other countries such as the USA, Spain and Italy the governments either share the burden of costs or pay them all.

Germany policymakers are called upon to eliminate these massive obstacles to growth through tourism in developing countries. They have to put an end to this special national strategy for air transportation and holiday tax, and for security costs.



Find out more about this issue in the new policyCLIP at www.tui-policylounge.com

EU-AGENDA: THE FIVE TOURISM ISSUES

Tourism policy has an important impact on European prosperity and employment. Bulgaria took over the Council presidency in the first six months of 2018. It is focusing on key areas that TUI believes are especially significant.

TUI at the heart of Brussels

TUI Group opened its new EU Corporate Office in Brussels on 30 January 2018. TUI's CEO Fritz Jousen and EU Commissioner Günther H. Oettinger both emphasised the important role of the EU for the travel industry. "It provides the foundations for companies like TUI to provide customers throughout Europe with an excellent service," said Oettinger.



Chief Executive Officer of TUI Group Fritz Jousen, Member of the TUI Group Executive Committee Thomas Ellerbeck and EU Commissioner for Budget and Human Resources Günther H. Oettinger (l-r)

- Brexit:** The European Commission received the mandate to commence negotiations on transitional arrangements with the British government in January. It is essential that aviation issues are prioritised in this process. We urgently need to establish a legal framework for the millions of tourists in the EU, bearing in mind that flight schedules have to be agreed years in advance. This is why it's so important to negotiate transitional phases and a final agreement as soon as possible. The whole of Europe would profit from a new agreement that fosters competition and is as close to the current regulations as possible.
- Development policy:** 79 African, Caribbean and Pacific Group countries (ACP countries) enjoy special EU market access. The Market Access Regulation covers issues such as development cooperation and investments under the Cotonou Agreement. It expires in 2020. The Bulgarian presidency is planning a follow-up agreement. As a result of the economic success stories in countries such as the Cape Verde Islands, Mauritius and the Dominican Republic, the tourism industry will be involved to a greater extent as a development cooperation partner. It is capable, more than any other industry, of creating jobs and offering opportunities.
- Digital single market:** The EU Commission wants to improve access to online services and leverage potential through the digitalization of all sectors of the economy. TUI welcomes the initiative. No other travel company has the same level of digital innovation focus as TUI. For example, in summer 2017 it switched over to blockchain technology for internal hotel capacity provisioning, setting an important example for the use of this new technology in the EU.
- Competition in aviation:** The liberalisation of the aviation industry has allowed competition to thrive. To safeguard the competitive framework in the future and protect European airlines against the unfair practices of non-EU countries, the European Commission is planning to revise the current regulation. TUI welcomes this initiative and supports competition.
- EU border checks:** The effective control of EU external borders is essential to free movement within the Schengen area. At the end of 2016, the European Commission presented the European Travel Information and Authorisation System (ETIAS). It is an electronic authorisation that allows visa-free nationals to board a carrier in the Schengen Area. A regulation will be adopted in this respect in coming weeks. Politicians have taken the travel industry's criticisms of the original procedure into account and intend to use a so-called iAPI protocol for fast and protected data transmissions. It means convenience and data security for passengers.

PACKAGE HOLIDAYS: MAXIMUM CONSUMER PROTECTION – EVEN IN CASE OF INSOLVENCY

TUI takes care of Niki customers

Being a tour operator with six of its own airlines, TUI Group has the resources to respond in exceptional circumstances. When Niki stopped all flights on 14 December 2017, TUI fly scheduled additional flights to ensure that guests didn't have to forego their holidays. Around 5,000 German TUI guests were affected up to the end of the year. TUI informed them about the changes and paid the additional board and accommodation costs. It also helped stranded holidaymakers who hadn't booked a TUI package holiday by offering them a replacement flight on a TUI fly plane at half fare.

Insolvency protection for package tourists works

2017 was a year of airline insolvencies. German package tourists didn't have to worry because the tour operators took care of every single traveller.

The insolvencies of Air Berlin, Niki and British airline Monarch at the end of 2017 clearly underline the comprehensive protection that package holiday tourists enjoy if their airline goes bankrupt, because their tour operators organise alternative flights for them. Travellers who book flights themselves, on the other hand, miss out on this protection. Any regulation on airline insolvency insurance should take this into account.

Preventing a double burden

The Federal Ministry of Justice urged the European Commission to extend insolvency insurance cover for air passengers in a letter dated September 2017. If this happens, the following has to be ensured:

- Prevention of a double burden for tour operators with their own airlines:**
 Insolvency insurance has been mandatory for tour operators since the 1990s. If the tour operator goes bankrupt, the holiday is guaranteed or the customer receives the full price of the holiday reimbursed.
- Package tourists are already protected against airline insolvency:**
 If a flight is a component of a package holiday, the tour operator organises an alternative flight to or from the destination. Additional airline insolvency insurance for package tourists is therefore not necessary and would mean over-regulation, high costs and a lot of red tape.
- Insolvency insurance for airlines only makes sense on an international scale:**
 European or national regulations would be ineffective and commercially questionable. German airlines are already extremely disadvantaged over airlines based in other countries as a result of having to pay air transport tax and air security costs.

A lower burden on the state

The high level of consumer protection for package tourists also reduces the burden falling to the state. The tour operators take care of their guests if there's a crisis, accident, adverse weather or an airline declares insolvency.

Airline insolvency	Package tourists	Protection for package tourists
Air Berlin 15 August 2017		Replacement flights ✓
Monarch 2 October 2017		Rebookings ✓
Niki 13 December 2017		Reimbursements ✓

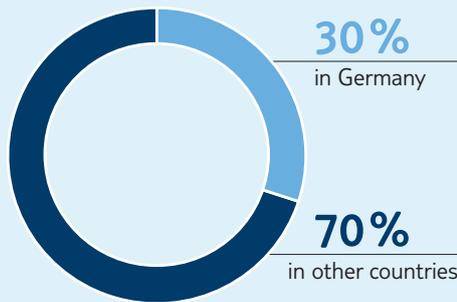
TOURISM COMPETENCE CENTRE: PUTTING AN END TO PAROCHIAL POLITICS

Focus on foreign tourism

70 percent of Germans holiday abroad. Outgoing tourism dominates the travel market, offering unimagined opportunities for development cooperation and the creation of prosperity worldwide. The new Competence Centre has to take this into account in its work.

Sources: FUR, Travel Analysis 2017

Holidays of five or more days in length in 2016



Tourism policy in Germany is predominantly location policy. How can we strengthen destinations between the Baltic Sea coast and the Alps? The EU Package Travel Directive has shown us that we have lost sight of the bigger issues. The Ministry for Economic Affairs' new Tourism Competence Centre now offers us the chance to make the most of the opportunities associated with tourism.

Jobs and prosperity thanks to tourism

The average collective spending of 15 German tourists in 2012 created one job in an emerging or developing country.



More than Germany as a location

The ministry's Tourism Competence Centre will be starting work in the next few weeks. It will be implementing specific projects to facilitate knowledge transfer between politics, business and the tourism associations, with the objective of meeting the requirements of all segments of the German tourism industry. This also means looking at the wider picture and supporting cross-border tourism.

Three issues in particular should be on the agenda:

- Development policy:** Tourism is the driving force behind development in many countries. German tourists inject eleven billion euros every year into the economies of emerging and developing countries. The competence centre will be tasked with developing a roadmap for tourism to make an even bigger contribution to the achievement of development policy objectives and identify the political obstacles that have to be eliminated to make this possible.
- Cooperation with destinations:** Regulatory obstacles prevent foreign partners from investing in hotels, ports and airports in many countries. The new forum could develop strategies for setting up an appropriate framework supporting market access and key infrastructure investments.
- Education:** A shortage of skilled employees is a central challenge facing the global travel industry. The competence centre has to be the industry's mouthpiece in the political arena, lobbying for more uniform education standards and the elimination of bureaucratic obstacles facing travel companies that are willing to make investments. The tourism industry is setting an example in the area of education. The Robinson Club Agadir is cooperating with the Moroccan Education Ministry to provide a dual vocational training programme at its own school.



Source: BTW

TUI CARE FOUNDATION: CREATING PROSPECTS FOR YOUNG PEOPLE

Education opportunities and prosperity are improving around the world as the tourism industry expands. At the same time, many destinations are facing obvious social challenges. Through the TUI Care Foundation, TUI Group hopes to contribute to ensuring that everyone at the destinations profits from tourism. TUI Academies are an example of how TUI is providing disadvantaged young people with a positive outlook.

From vocational training to life skills

A good education is the foundation for economic and social advancement, especially in emerging and developing countries. The TUI Care Foundation hopes to improve the life chances of over 100,000 children and young people by the year 2020. TUI Academy is an important element of this plan. It collaborates with local partners at the destinations to provide children and young people with education courses, workshops and life skills training. Three examples:

Find out more about the TUI Care Foundation and its projects around the world at www.tuicarefoundation.com



Namibia: In Namibia the TUI Care Foundation has teamed up with Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Futouris initiative, which was co-founded by TUI, to empower and support disadvantaged young women. The mainstay of this project is the Namibian Football Association's "NFA Girls Centre", which provides the girls with a protected space where they can do sports and one year of scholastic and vocational training – e.g. in the hotel and restaurant trade.

Zanzibar: The TUI Care Foundation and a local training centre have been training young people in Zanzibar to be tour guides since early 2015. During the six months of training, participants are given language lessons and computer training. They learn to present information properly and how to turn history into storytelling. Since it was launched, 80 percent of participants in the programme have found full-time employment.

Dominican Republic: There is a TUI Academy in the Dominican Republic operated by the TUI Care Foundation and Plan International. It provides 150 young men and women aged 17 to 24 with a three-year vocational training course in tourism. The programme also covers important issues such as sexual and reproductive health because the teenage pregnancy rate in the Dominican Republic is twice as high as the world average at 21 percent. So the TUI Academy is helping young people to protect themselves from exploitation and make better-informed decisions about their future lives.

Trainees in Namibia (top) and in the Dominican Republic (bottom)



TUI GROUP – An overview



Global Group – Company headquarters in **Germany**



Turnover: **18.5 billion euros***



Adjusted EBITA **1.1 billion euros***



An **FTSE-100** company



Market capitalisation **10.26 billion euros****



67,000 employees in **130** countries

* Numbers based on the 2016/17 business year ** Status 21 February 2018



20 million customers travel to
180 destinations around the world



Over **300** company-owned hotels with **239,000** beds



5 tour operator airlines with around **150** aircraft



16 cruise ships



1,600 travel agencies and leading online portals

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