

policyAGENDA

March 2019 issue



Tourism as a development engine

Africa's development policy focuses on increasing autonomy and leveraging private-sector investments. The tourism industry can help with these objectives because it is expanding faster in Africa than anywhere else in the world. As a result, it offers vast potential for job creation and prosperity.

Check out the video, page 3 and www.tui-policylounge.com for further information.



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Frank Püttmann
1968 – 2018

OBITUARY

Frank Püttmann, Head of Public Policy with responsibility for the TUI Group's Corporate Office in Berlin, passed away in November 2018.

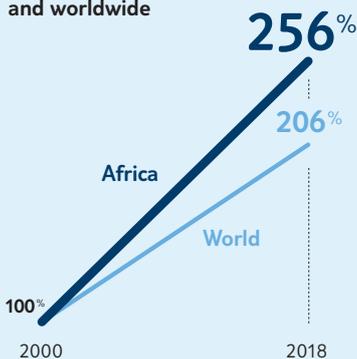
After joining TUI's Berlin Corporate Office as Head of Public Policy in June 2014, Frank established an excellent reputation, both internally and externally. As a TUI ambassador he made the value that our business contributes to social and economic development transparent to German and international policymakers. He always focused on building and consolidating our relationships with our partners in Germany and abroad. He contributed to enhancing TUI's reputation in political circles, in the sector associations and among our friends and partners in many destination markets with his outstanding competence, extraordinary judgement and calm disposition. Recently he made a key contribution to the development of our activities in Asia thanks to his excellent know-how and his many years of experience working in the region. He, the Future Markets Team and TUI China invested a great deal of energy into building local relationships, opening doors and bringing all of us closer to the Asian continent and culture.

Frank Püttmann will be greatly missed and always fondly remembered.

Disproportionate growth in tourism

Africa is attracting an increasing number of tourists. Since the year 2000 the number of people holidaying in Africa has more than doubled to 67 million – which is far higher than the global growth rate.

International arrivals in Africa and worldwide



Source: UNWTO Indexed 2000 = 100%

AFRICA: THE TOURISM INDUSTRY AS A CENTRAL DEVELOPMENT PARTNER

The African continent faces major challenges as a result of population growth. By 2050 the number of people living there will have doubled to more than 2.5 billion. Despite positive economic developments there is a deficit of 20 million jobs for young people every year – in the cities and in the countryside. Poverty and migration are the consequences. In many regions tourism can offer greater prosperity and a better outlook to the locals.

Strategic interest

It is in the interest of Europe and Germany for Africa to prosper as a partner in a globalised world, as a market of the future and as a continent that will soon have the largest potential labour force. In addition to traditional development aid, the Federal Ministry for Economic Cooperation and Development is focusing on two new objectives in its “Marshall Plan with Africa”: to encourage African states to assume greater responsibility and to mobilise private-sector investments.

African destinations are booming

International arrivals in 2017 and change vs. previous year

Worldwide: +7.0 %



Source: UNWTO

Investment in entrepreneurship

It's not the governments that will create the much-needed long-term employment opportunities, but the private sector. So fewer subsidies and more investments are necessary, and European enterprises are called upon to get involved. The Marshall Plan doesn't explicitly mention the tourism industry, although it is a key factor for stable growth and already provides 9 million direct jobs for the young population. If you include the knock-on effects in other sectors such as construction, agriculture and telecommunications, tourism is actually responsible for some 23 million jobs providing financial security. In 2017 there was 9 percent growth in tourism on the African continent, making it the fastest-growing tourism region in the world. Every year, 63 million holidaymakers spend around USD 37 billion in Africa. That's not far short of the international community's total public expenditure on aid for Africa.

TUI Group is a strong partner in the process:

- **Jobs** – Tourists book their holidays in Africa with the world's leading travel group. TUI Airlines operates 200 weekly flights carrying 1.6 million guests to Africa every year. One aircraft full of holiday-makers flying twice a day to Hurgada creates around 9,000 jobs in Egypt. The TUI Group also operates more than 70 hotels in Africa. And TUI is still making investments there. For example, a new ROBINSON Club will be opening in Cape Verde in autumn 2019. The resort has the same employment effect as a medium-sized enterprise, providing up to 250 people and their families with a means of sustenance. ▶

Major economic significance

Effects of tourism and shares of the economy in Africa in 2017

GDP contribution

US\$ **177.6 bn = 8.1%**

Employees

22.8 m = 6.5%

Investments

US\$ **28.2 bn = 5.7%**

Source: World Travel & Tourism Council (WTTC)

- **Training** – TUI is committed to promoting vocational training at its destinations because education is crucial to achieving sustained prosperity. The travel company teamed up with the German development agency GIZ and the Moroccan Education Ministry to introduce a model combining academic and vocational training to North Africa and it established the ROBINSON Hotel School in Agadir. Since 2008 many hundreds of people have completed the Hotel School's programmes, learning the essential skills for a career in the hotel industry. Today some of them work at the neighbouring ROBINSON Club Agadir in Morocco, and others in Algeria or on the Ivory Coast. TUI's hotels and local partners provide genuine career opportunities throughout Africa.
- **Equality of opportunity** – In many places girls and women are still not permitted to participate in society – even though those societies would benefit from their skills and ingenuity. This is another focus of the Marshall Plan. The TUI Care Foundation funds projects, in Namibia and Zanzibar for example, that specifically provide training and education to women.
- **Sustainability** – The TUI Group's 2020 Sustainability Strategy sets some ambitious targets. Its main objectives are to reduce the environmental footprint of tourism and preserve cultures. Africa has an incredibly diverse cultural heritage and, to ensure that it remains intact, TUI is working very closely with the local authorities. On the Cape Verde islands, for example, the tourism industry and the local government are developing solutions to reduce the waste, water consumption and energy consumption associated with tourism. The TUI Care Foundation also supports environmental education projects in many places.

Using tourism to kick-start prosperity

Few German governments have focused so intensively on Africa as the present one. It's important to take advantage of this political momentum. As a key industry that is driving growth and creating more jobs, the tourism sector is an important partner on the African continent.

15 German tourists secure one job in emerging and developing countries.



Tax burden is curbing development

The taxes imposed by the German revenue authorities are incomprehensible in light of the important contribution that tourism makes to prosperity.

Aviation tax – On every flight to Egypt the German government imposes a EUR 23 levy on holidaymakers and airlines. That amounts to almost EUR 1.2 billion a year.

The situation in other EU countries is different: Austria halved the rate of aviation tax in 2017 as a result of distortion of competition and Ireland has abolished aviation tax entirely.

As a result of having to pay taxes here in Germany, tourists are spending less money at the destinations.

Source: BTW Development Factor Tourism Study



Omar Essahi
 Chef and former student at the ROBINSON Hotel School in Morocco:

» My time at ROBINSON provided me with a training qualification – and a good knowledge of the international hotel and catering trade. I'm very pleased that the

ROBINSON Club in Agadir offered me a position after the programme. «



Chaieb Ezzedine
 Restaurant owner in Sousse, Tunisia:

» TUI is an indispensable partner for the development of our tourism. In difficult times, they invested further and contributed to the economic recovery of the country. Tourist restaurants and our employees benefit significantly, and also our suppliers. «



Dália Gomes
 Programme Coordinator, The Travel Foundation, Cape Verde:

» Tourism is growing. This is a challenge because resources are

scarce on the islands. Funded by the TUI Care Foundation, we bring together hotels and local authorities to share best practices in sustainability. Our goals: 20% less waste, 10% reduced energy and water consumption, and improved livelihoods. «



Ahmed Abdalla
 Red Sea Governor, Egypt:

» TUI is one of the most important tourism companies in Egypt and helps us to keep the environmental impact low in tourist regions. TUI even stayed in the country in

difficult times, during the revolution. We are looking forward to working together on further successful projects! «



Linda Araújo
 Team Manager, TUI Destination Experiences, Cape Verde:

» Tourism offers unique promotion opportunities. I started

out in 2005 at a RIU hotel and today I lead a team of 10 colleagues and 32 drivers. Local enterprises on Boa Vista profit from the tourists. It's lovely to see how my work is contributing to improving quality of life on the island. «



Capt. Munawer Dhirani
 Managing Director, Flightlink Ltd, Tanzania:

» Thanks to the close cooperation with travel operators, I was able to start scheduled airline

operations in Tanzania in 2014. Flightlink has grown to become one of the country's most ambitious airlines with a growing fleet of aircraft. TUI has contributed greatly towards to the success of the aviation and tourism industry in Tanzania. «



Rahma Abdulla Ali
 TUI Academy Programme graduate, Zanzibar:

» In the past all the tour guides on Zanzibar were men but I knew I could do the job, too. After the programme I became one of the first female tour guides on Zanzibar. Today my whole family is very proud of me. «

TUI Group in Africa

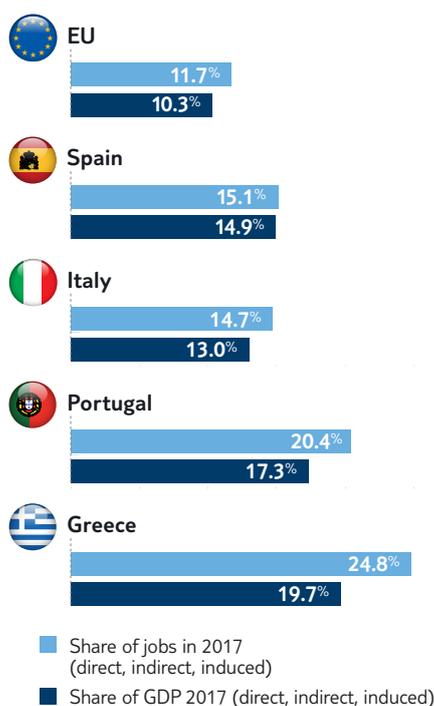
71 hotels

over 200 weekly TUI Airlines flights

1.6 m guests

EU POLICY: PUTTING THE FOCUS ON TOURISM

Employment and growth through tourism



Source: World Travel & Tourism Council (WTTC)
The WTTC's methods deviate in some cases from those used by national statistics agencies, for example the Spanish agency, to calculate the figures.

Development partner

Tourism offers a future to many people around the world. Tourists spend 3.3 times the amount of global development aid.

US\$ **144** bn

global official development assistance 2017

x 3.3

US\$ **470** bn

tourist spending in emerging and developing countries in 2017

Sources: OECD, UNWTO

2019 is a key year for Europe. When the EU parliamentary elections in May are over, the new Commission will face the challenge of uniting Europe against tendencies to disintegrate the Union. The tourism industry can help.

Tourism is a growth engine – especially in difficult times

The travel industry makes a very special contribution to employment and prosperity, particularly in the southern EU Member States which were hit hard by the financial and economic crises. In Portugal, Spain, Italy and Greece the travel industry accounts for between 15 and 25 percent of all jobs – which is far higher than the EU average. The same applies to its contribution to gross domestic product. In other words, tourism offers solutions to urgent economic and labour market problems.

It also provides answers that go far beyond border security to the widely discussed issue of migration. People outside of the EU, particularly in Africa, are able to make a living in their homeland – with training and career opportunities – thanks to European holiday-makers. Development aid and tourism contribute to reducing migratory pressure in many regions.

Increase significance

For the above-mentioned reasons tourism should play a larger role – also politically – in the EU. This means that the future EU parliament and the new Commission have to set the right priorities:

- **Raise status** – The Commission doesn't currently accord tourism the status that it deserves for its economic and social significance. A formal acknowledgement of this key future topic and better networking with and within the relevant Directorates General is necessary.
- **Better coordination** – At the moment, tourism policy still tends to be a national affair. Greater collaboration between the Member States on this key policy area would multiply the positive effects on Europe's attractiveness as a destination and enable the more effective coordination of tourism policy with foreign, development and cultural policy.
- **Integrate tourism into EU structural policy** – A major portion of the EU budget is earmarked for investments in growth and employment. Tourism is paying in to this objective, especially in the rural regions of the EU, and should therefore be taken into account in the fund allocation process.
- **Promote innovations** – Digitalisation is changing the economy. The EU is providing support during this process, and in the Industry 4.0 transformation, with various packages of measures. Similarly, there should be a European initiative for the digitalisation of the tourism industry to support small and medium-sized enterprises and enhance Europe's attractiveness as a destination.

SPAIN: THE TRAVEL SECTOR IS A KEY INDUSTRY



Tourism creates new perspectives

»Spain is proud to be one of the world's leading tourist destinations. Tourism is an important source of revenue, accounting for 12 percent of our gross domestic product and securing 13 percent of all jobs in Spain. Tourists aren't just good for tour operators; they additionally benefit local cafés and businesses. Tourism also makes a key contribution to the protection of our cultural and natural heritage. My home town of Seville has profited to a great extent from having been named a UNESCO World Heritage Site back in 1987. A third positive effect of tourism is that it promotes social justice. One of the central aspects of Spanish development policy is the exportation of our proven tourism training system to places such as Africa or Latin America. Helping to create jobs on those continents is also in the EU's interest.



Ricardo Martínez Vázquez
The Ambassador of the
Kingdom of Spain to Germany

Our longstanding relationship with TUI is a Spanish success story. The travel company has been a strong partner that has helped us to build our tourism industry. TUI now brings almost seven million tourists to our country – with all the positive effects on our economy and population.«

Over 80 million tourists travelled to Spain in 2018, securing 2.6 million local jobs and supporting the entire economy. At almost 90 billion euros, tourist spending was at a record level – and it more than compensated for the Spanish trade deficit.

Higher growth and employment

Spain's gross domestic product has been rising for the past five years, recently by around three percent annually. This is above-average growth compared to other EU Member States. The labour market has obviously benefited from this positive development, and the unemployment rate fell to around 14.8 percent in the third quarter of 2018 – its lowest level since 2009 and almost half the peak rate in 2013.

Popularity as a tourism destination boosts the economy

Tourism makes an important contribution to the country's economic health and Spain is a very popular international destination. In 2017 it overtook the USA as the second-most popular destination in the world, and the 2018 figures showed a similar picture. A booming travel industry delivers significant revenue. Foreign tourists spent almost 90 billion euros on goods and services in Spain. This revenue more than compensates for the country's traditionally high foreign trade deficit. The trade balance has been positive since 2013 thanks to tourism. The travel industry is therefore of paramount importance to Spain.

Growth and employment driver

Tourism's contribution to the economy in 2017

Gross domestic product



Source: Spanish Statistics Office

TUI has a strong presence in Spain

The positive development in Spanish tourism has only been possible on the basis of strong and dependable partnerships, with long-term strategies and investments. TUI Group has been a partner of Spain for many years now. Its strategically significant "Destination Experiences" unit is based in Palma de Mallorca. Destination Experiences manages the incoming agencies and their 9,000 employees, who provide services such as transfers and excursions to guests at the destinations. TUI's affiliate, RIU Hotels & Resorts, is also headquartered on Mallorca. Over recent years the travel company has created many new jobs in Spain and it currently has 10,000 employees there.

TUI Group provides holidays for almost seven million guests in Spain – as tour operator, hotel operator and cruise ship operator. It owns nearly 100 hotels in Spain – more than in any other country. In 2018 TUI Airlines operated 400 flights a week to Spanish holiday regions. The travel company's cruise ships and their many guests also regularly call at 24 Spanish ports.

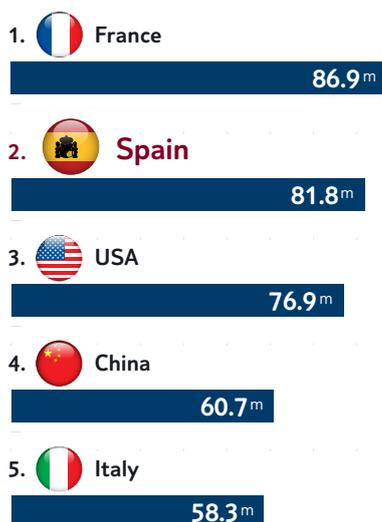


The challenge of Brexit

British tourists are important to the Spanish tourism industry. Over one in five holidaymakers visiting Spain is from the United Kingdom. They profit from the uncomplicated travel arrangements within the EU. We have to make sure that they don't lose this freedom.

Popular travel destination

Countries with the most international tourist arrivals in 2017



Source: UNWTO

TUI Group in Spain



TUI Hotels – pioneers in environmental protection and energy efficiency

TUI Group is committed to sustainable growth. High-quality holidays with low environmental impacts are the future. The some 90 TUI-owned hotels in Spain are sustainability pioneers and in many respects they are setting industry standards. The ROBINSON Club Cala Serena on Mallorca has three biomass boilers that substantially reduce its carbon footprint. In 2017 RIU achieved a 1.6 percent reduction in energy consumption per guest and night at its hotels, and, in a pilot project at the RIU Palace Meloneras on Gran Canaria, it is testing additional measures to boost energy efficiency.

Advancing certification

Another key priority for TUI is to raise awareness of sustainability among its hotel partners and to encourage them to embrace it. Minimum criteria are contractually defined and TUI actively encourages its hotel owners to obtain Global Sustainable Tourism Council (GSTC) certification. TUI isn't just promoting sustainable tourism in Spain. In 2018 over 9.2 million guests enjoyed sustainable holidays at destinations worldwide – two thirds more than three years ago.

Year after year the tourism sector underlines its enormous significance for the Spanish economy. TUI Group will continue to actively pursue this strategy with its Spanish partners in the future.

Initiating positive change



Tourism can make a special contribution to the protection of cultural heritage and the environment, and to overcoming social challenges. The TUI Care Foundation supports these changes, especially in Spain:

- **Empowering underprivileged women in Málaga** – This project supports 70 women from deprived districts to create new tourism products. The women are developing and run food-related activities for tourists in Malaga, including cookery workshops, trips to markets and guided tours.
- **Sustainable agriculture in Andalusia** – Soil erosion and water shortages are threatening the livelihood of many small farmers. 130 farmers have joined forces in a sustainable agriculture initiative to create new sales outlets in the regional tourism industry.
- **Winegrowing on Lanzarote** – People with special needs on this Canary island are employed in cultivating the vines in the volcanic soil. Holidaymakers can find out about the centuries-old method of winegrowing and sample the wines.

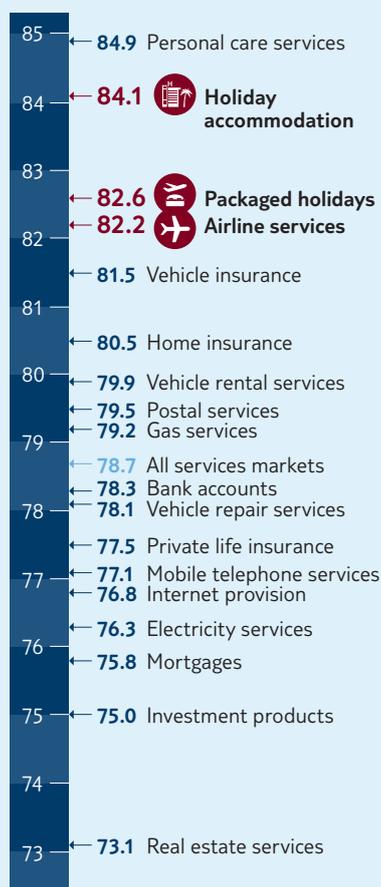


PACKAGE HOLIDAYS: OPTIMUM CONSUMER PROTECTION

Consumer satisfaction in the EU

The EU Consumer Markets Scoreboard regularly surveys consumer satisfaction in 25 sectors. Holiday products are associated with a high level of satisfaction. Consumers ranked holiday accommodation, package holidays and air travel in second, third and fourth place overall.

Service ranking list by market performance indicator



Source: European Commission, Consumer Markets Scoreboard 2018

Package holidays are the most popular way of travelling for German holiday-makers, who book around 30 million package holidays every year. One reason why package holidays are so popular is that the tour operators ensure that the holiday goes smoothly and handle any problems guests may have at the destinations. Package holiday customers are satisfied customers, so there's no need for a package holiday redress body.

Absolutely reliable service

A holiday is the highlight of everyone's year. The TUI Group ensures that its guests are happy by providing comprehensive support throughout the entire process, from the day they book to the day they return home:

- **Pre-booking advice** – TUI Germany operates some 500 own travel agencies providing personalised advice to guests in line with their holiday preferences. There are also around 600 travel agents at four German TUI Service Centres providing a telephone, e-mail and online advisory service.
- **Arrivals and departures** – TUI organises flights, cruises and local transfers, and it quickly arranges alternative transportation in the event of unforeseeable changes to the travel itinerary.
- **Incoming agencies** – TUI has 9,000 employees at incoming agencies in 49 countries and at 180 destinations worldwide, providing personal assistance to guests with complaints, questions and requests. The "My TUI" app also provides seamless digital support to travellers and a personal 24-hour service.

TUI package holiday guests benefit from a prompt and comprehensive service. Guest complaints are dealt with immediately by the agents and partners at the destinations whenever possible. In exceptional cases, if the guest is still not happy with the solution, he can travel home within 24 hours and get the entire cost of the holiday reimbursed. Very few other industries offer this kind of reimbursement scheme.

The excellent customer reviews that TUI receives are testament to the company's commitment to looking after its guests. In a guest satisfaction survey conducted by TÜV Saarland TUI's guests rated it as "very good". The TUI guest complaints rate is also very low at just two percent. And in 99 percent of cases TUI resolves any issues directly with the guest. The same applies to the other tour operators. According to the German Travel Association, only one in ten thousand package holiday complaints ends up in court.

Redress body: the costs outweigh the benefits

Based on these figures, the redress body proposed by Gerd Billen, State Secretary at the German Federal Ministry of Justice and Consumer Protection, is not helpful in the case of package holidays. It doesn't add any value. In fact, such a redress body would increase the administrative and cost burden in an industry where tour operators and consumers generally reach amicable settlements.

DIGITALISATION: TAKING ADVANTAGE OF OPPORTUNITIES IN TOURISM

»Digitalisation is not an end in itself. It is a means of creating added value for our customers, our people and our business partners.«

Elke Reichart, Chief Digital Officer at TUI Group, at the Berlin Corporate Office on 8 November 2018



New digital business models and innovations are essential to the future sustainability of certain sectors, including tourism, an industry that contributes four percent of German GDP and safeguards three million jobs. TUI Group is leading the way – delivering benefits to customers and creating new jobs.

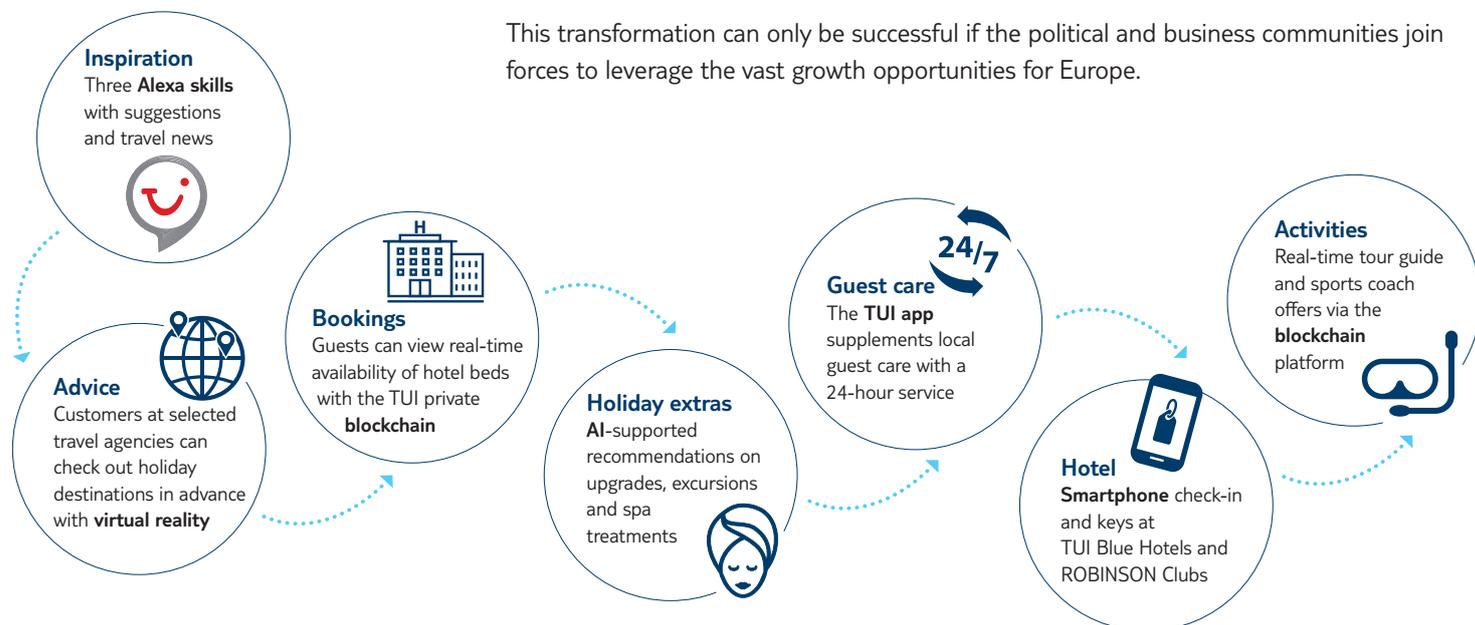
Digital opportunities

TUI is digital by default. The company's digital strategy pursues the following aims:

- **Create sustainable jobs** – TUI is creating many new non-tourism jobs in Europe for people like blockchain professionals, digital marketing experts and risk managers. Several hundred employees will be developing digital innovations at various locations.
- **Enhance Europe's strengths as a destination** – Digital applications are central to success in new source markets such as China, Brazil and Malaysia. TUI has developed a platform without a physical sales structure to enable it to expand into new growth markets. As a result of the platform, the number of tourists visiting the EU has increased.
- **Offer an even better service** – TUI offers customers bespoke services such as excursions and preferred hotel room options. Machine learning and artificial intelligence will help TUI to provide digital users with channel-specific offers. The "My TUI" app supplements the personal guest care service with seamless digital support throughout the holiday.
- **Improve efficiency** – Blockchain is a buzzword that TUI isn't just talking about, it has already adopted it. Blockchain makes the more efficient management of global bed capacities possible. This delivers added value to guests by increasing availability rates at their preferred hotels. IT experts are continuously testing new applications for blockchain. The German government's promotion of the digital transformation with its AI Strategy is a welcome development in this respect.

This transformation can only be successful if the political and business communities join forces to leverage the vast growth opportunities for Europe.

Digital holidays with TUI





Tourism as an economic factor for Greece and other southern European countries was a key topic of discussion in January 2019 when Norbert Barthle, Bundestag MP, Secretary of State and Federal Government Commissioner for Greece, (right) and Thomas Ellerbeck, Member of the Group Executive Committee at TUI Group and Chairman of the TUI Care Foundation, met for talks.

NEWS



GREECE: SUSTAINABLE UPSWING

2018 turned out to be a record year for tourism in Greece with around 33 million tourists. TUI has been operating in Greece for more than four decades and this Mediterranean holiday land is one of the top three global holiday destinations for TUI guests. The tourism boom is helping the Greek economy to recover. Around one-fifth of Greece's GDP is accounted for by the tourism industry today. A focus on sustainable tourism is an important part of this development. For example, in a project on the island of Crete, the TUI Care Foundation is supporting the sustainable cultivation of olives and grapes. Excursions allow the local agricultural community to benefit from the tourism industry. Around 200 farmers, food producers and hotels are involved.



Norbert Barthle Bundestag MP (2nd from right) visited TUI in November 2018 on Crete: "The TUI Care Foundation is setting new standards with this project and sustainable structures are being created."



Cruise holidays are also gaining in popularity in Greece, where TUI Group ships have over two dozen ports of call. The German Ambassador to Greece, Jens Plötner, (right) and Thomas Ellerbeck, Member of the TUI Group Executive Committee, discussed this issue in November 2018 on board MS Europa, a ship in TUI subsidiary Hapag-Lloyd Cruises' fleet, at the port of Piraeus near Athens.

TUI GROUP – An overview



Global Group – Company headquarters in **Germany**



Turnover: **19.2 billion euros***



Operational result **1.177 billion euros***



A **FTSE-100** company



70,000 employees in **100** countries

* Numbers based on the 2017/18 financial year



27 million customers travel to **180** destinations around the world



380 hotels



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



16 cruise ships



1,600 travel agencies and leading online portals

TUI GROUP: YOUR CONTACTS



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