

**MEDIA STATEMENT BY THE OFFICE OF MR KINGSLEY MAKHUBELA, DIRECTOR GENERAL OF
THE NATIONAL DEPARTMENT OF TOURISM**

(FULL COMMUNIQUE AS ADOPTED IN BERLIN ATTACHED HERETO)

Discriminatory unilateral taxes on tourism in some EU countries

Significant job losses and potential threats to the livelihoods of thousands of people in long haul destinations will become a stark reality unless the practice of imposing excessive, discriminatory unilateral taxes on travel to long haul destination are abandoned by certain Eurozone countries said Minister of Tourism, Mr. Marthinus van Schalkwyk, today at a media briefing in Berlin.

Speaking at the ITB, Minister van Schalkwyk was joined by representatives from other long haul destinations attending ITB Berlin, a leading travel industry convention. Although the meeting was initiated by Minister van Schalkwyk, they all share serious concerns that, just as global tourism arrivals are showing signs of resuscitated growth following the economic recession, arbitrary taxes imposed by certain European countries could adversely affect travel to long haul destinations.

Van Schalkwyk emphasized that it is the right of any country to raise revenue to fund tourism growth, and that many destinations do so through fair, reasonable and transparent levies/taxes. However, what is happening now in some European countries where they discriminate against long haul destinations through so-called "distance banding" and where passenger departure levies are simply of an order of magnitude that defies any sense of fairness, it becomes a problem with global ramifications.

What is also problematic is how it is introduced. Whereas these unilateral taxes were first introduced as a green or environmental tax, it is clear today that it is not reinvested for environmental purposes or green growth in tourism and aviation. One is inevitably left with the impression that it was designed in a way that prioritises fiscal objectives over environmental effectiveness - while presenting the opposite position.

These taxes are expected to add 3-5% to ticket prices from these European tourism source markets, with a material adverse impact on passenger numbers and tourism revenue in long haul destinations. The categories of travelers that will be hit hardest are the lower income passengers (where the taxes make up a much larger % of ticket prices), families and long haul passengers.

From a long haul destination perspective, the reality is that there is no practical alternative to flying, whereas short haul travelers in Europe can choose to avoid the burden of extra taxes by resorting to road, rail or ferry.

We argue that these taxes:

- have reached levels that can no longer be regarded as fair and reasonable;
- are discriminatory due to distance banding based on capital cities;
- are 'trade barriers'/protectionism in another guise;
- stifle development and are prejudicial to thousands of people's livelihoods in long-haul destinations;
- hit developing countries the hardest; and

- are imposed on precisely the green service exports that give developing countries a comparative advantage.

The meeting commended Minister van Schalkwyk for his initiative in convening the meeting to share views on this matter which has a negative impact on long haul destinations, and urged him to expand the consultative gathering to include other affected destinations.

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**JOINT COMMUNIQUÉ ISSUED BY AUSTRALIA, KENYA, NEW ZEALAND, SEYCHELLES,
SINGAPORE, SOUTH AFRICA AND THE CARIBBEAN TOURISM ORGANISATION AS
REPRESENTATIVE OF 33 LONG HAUL DESTINATIONS**

11 March 2011 – ITB, Berlin, Germany

UNILATERAL, DISCRIMINATORY TAXES ON LONG-HAUL DESTINATIONS

At the invitation of the Minister of Tourism of the Republic of South Africa, Mr Marthinus van Schalkwyk, tourism ministers and senior officials from long-haul destinations convened in Berlin in the margins of ITB 2011 to discuss the unilateral, discriminatory taxes imposed on travel to long haul destinations by some European countries.

Having met in Berlin to discuss streamlining and growing our respective tourism industries; and noting that tourism is a major driver of job creation, poverty eradication, socio-economic development and people-to-people contact in our respective countries; and

understanding that the sector is particularly important as a source of export revenue, contributing 30% of the world's services exports, amounting to US\$1 trillion a year and 45% of the total services exports in developing countries, rendering it an important driver of growth in the global economy; and

believing that the low-carbon development of sustainable eco-tourism destinations and sustainable modes of transport are critically important; and

noting the increase in unilateral and discriminatory taxes imposed on international travel in a number of European countries; and that aviation will in addition also be included under the EU's emissions trading system from 2012; and

noting our respective commitments under ICAO; and now therefore we express concern that:

these unilateral taxes and the basis for its calculation are inherently discriminatory favouring short flights over long haul travel; and more specifically, that some taxes discriminate against long-haul destinations through so-called 'distance banding' based on distances to capital cities; and

the order of magnitude of these taxes on long-haul destinations is excessive; and

the International Air Transport Association estimates that flight costs on these routes could increase by 3-5%, which will have a negative impact on passenger numbers, tourist volumes and downstream tourist receipts in long-haul destinations;

and we stress that:

there is no practical alternative to air travel when it comes to long-haul destinations, whereas travellers in Europe may choose to avoid the burden of extra taxes by resorting to rail, road or ferry modes of transport; and

as likeminded long-haul destinations, we are concerned about the longer-term negative impacts that these taxes will have on our competitiveness; and

there is a need to avoid duplicative measures that could undermine progress towards a multilateral approach.

We therefore call on those countries involved to reconsider these excessive, discriminatory taxes that adversely affect long-haul destinations, including many developing economies.

Recognising the ongoing efforts by various countries and regions, we have extended an invitation to other countries affected by these unilateral, discriminatory taxes to become part of the process.