



23 April 2020

## **Duty Free and Travel Retail industry calls for extended and targeted support to address long-lasting impact of COVID-19**

**Duty Free and Travel Retail (DF&TR) is a unique retail channel that serves international passengers while travelling through airports and ports, and on board airlines and cruise and ferry vessels. DF&TR has been the first major retail channel in Europe to be economically impacted by COVID-19 since travel restrictions started to be implemented first in Asia, then in Europe and across the rest of the world. As a result, this channel is today at a standstill.**

**It is further expected that any rebound will take longer for DF&TR than domestic retail as it is entirely dependent on air and maritime passenger traffic resuming normal capacity. Once the emergency dissipates, it will take time for airlines, cruise and ferries to resume operations to pre COVID-19 levels, and regain passengers confidence to travel again.**

**DF&TR is a critical part of the transport industry and by ensuring it is given access to the necessary financial support, as well as benefits from targeted measures, now and until the travel industry gets back on its feet, it will hasten the long-term recovery of the European transport system.**

### **DF&TR is affected like no other retail channel**

The DF&TR sector is under considerable pressure because of the COVID-19 pandemic. The imposition of severe travel restriction across EU Member States and beyond is having a severe impact on commercial revenues, with significant decreases in passenger numbers resulting in dramatically lower turnover for travel retailers and lost sales for suppliers operating in this channel.

The DF&TR sector in Europe has suffered since the beginning of the COVID-19 crisis in Asia, and recovery will take much longer than for domestic retailers. According to ACI Europe latest projections<sup>1</sup>, Europe's airports will suffer a loss of -873 million passengers in 2020, representing a decrease of -35%. In financial terms, a loss of -€23 billion in revenues, representing a decrease of -41%. Further losses are expected to continue until at least the first half of 2021.

Domestic market retailers in principle will be able to re-open immediately after the crisis and welcome customers. Only passengers in possession of a valid travel document can access and purchase at duty-free and travel retail shops. Our retail operators are reliant on airline capacity being resumed and this will certainly not return to full capacity for some time. In addition, passengers will need to have the confidence that they can travel again without risk.

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<sup>1</sup> Unprecedented impact of pandemic on European airports clear as March passenger numbers are released, ACI Europe, 08 April 2020 – [Link](#)



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Summer 2020 airline bookings will be substantially below 2019 and previous years, and winter capacity for 2020/2021 will in all likelihood be much lower as airlines take a cautious view of the market<sup>2</sup>.

**In short, the impact of the COVID-19 crisis on DF&TR started earlier, will last much longer and be more pronounced than on any other retail channel – and tens of thousands jobs are at risk without extended government support.**

### **Retail revenues are vital for the long-term recovery of the European passenger transport system**

In addition of being an integral part of the passenger experience, DF&TR has become a key component of aviation and maritime financing as well as an integral part of the travel experience for European passengers. This discretionary activity, driven by customer choice and enabled by commercial innovation, is the largest single component of commercial revenues for European airports and ferries, being of systemic importance to the wealth of European aviation and maritime industries.

Aside from being a major European employer in its own right – over 100,000 people work across the EU in the DF&TR sector, DF&TR generated revenues in Europe of €18.8 billion in 2016, of which over €12.9 billion was generated at airports and €1.9 billion in the maritime sector<sup>3</sup>. Commercial non-aeronautical revenue can account for more than half of total revenue in European airports and onboard sales are fundamental to the economics of many passenger ferry routes.

If there are significant company bankruptcies in the DF&TR sector this will have a substantial impact upon our partners. Shops will remain closed in the medium term, and significant commercial revenue will be lost. This will have a significant impact upon the recovery of Europe's airports, airlines, ports, ferry and cruise lines which are key to overall economic regeneration.

**Revenues from DF&TR are absolutely critical to the financial and economic well being of Europe's airports and ferry operators. These revenues sustain vital air and ferry routes, which are key to regional connectivity and economic growth.**

### **Emergency support schemes are vital – but need to be extended and taken alongside targeted measures for the Travel Retail sector**

ETRC therefore welcomes the bid from the European Commission and European governments to protect employment in Europe during the COVID-19 crisis, in particular for critical industries such as aviation and maritime passenger transport.

ETRC further encourages EU governments to consider creating specific funds to protect the travel sector, given its importance to the European economy, to tourism and connectivity of citizens, and given the sheer scale of the impact of lockdown measures and travel restrictions on this sector.

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<sup>2</sup> Brussels Airlines supprime 8 destinations jusqu'à mars 2021, Le Soir, 09 April 2020 – [Link](#)

<sup>3</sup> Economic impact of duty free and travel retail in Europe - A report for the Duty Free World Council; Authors Dr Harry Bush & Daniel Storey; March 2016 – [Link](#)



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Like the rest of the aviation and maritime sectors, Travel Retail operators are not able to withstand a seismic economic shock of this nature. Hence it is imperative that DF&TR receives urgent support and is given access to those specific funds, along with airports and airlines, ports and ferry and cruise operators.

In addition, in light of the current situation with COVID-19, ETRC anticipates significant difficulties in meeting some of the new legislative requirements across the EU due to come into effect in the coming months.<sup>4</sup> ETRC therefore suggests legislators also reconsider current deadlines to take account of the further impact of the current limitations on Travel Retail activities.

**At the outset, ETRC asks for the following mitigation measures for Duty Free and Travel Retail operators trading at European airports, ports, ferries and cruise lines :**

- Government guarantee that any future compensation schemes will cover the wider aviation industry, including airport retailers
- Extended direct financial intervention by government to pay staff salaries for the duration of global passenger transport restrictions
- Deferral of payments of all VAT, excise duties and other taxes for duration of global passenger transport restrictions
- Direct financial compensation from government to compensate for losses incurred as a result of current government policy
- All local government taxes for airport retailers to be cancelled for 2020

**ETRC urges European governments to provide adequate and extended support to cover a longer period than that during which the shops are closed and travel restrictions remain in place, to take account of the loss of transport connectivity in Europe, and therefore of revenues for the coming year. Supporting the recovery of DF&TR is therefore essential to allow for a healthy recovery of aviation and maritime passenger sector in the future.**

**For more information, please contact:**

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<sup>4</sup> The Tobacco Products Directive 2014/40/EU requires a number of measures to come into effect on 20 May 2020. Article 7 prohibits the placing on the market of products with a characterising flavour (menthol products). Article 15 (Traceability) and Article 16 (Security Features) requires Member States to implement an EU-wide system of tracking and tracing for tobacco products. The DF&TR industry is obliged to sell through all pre-TPD2 compliant tobacco before the 20 May 2020 deadline. ETRC therefore suggests to allow an extension to the grace period until the end of 2020 to allow the planned sell through of remaining stock to take place.



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### **About the European Travel Retail Confederation (ETRC)**

*The European Travel Retail Confederation (ETRC) is an industry association representing the interests of the duty-free and travel retail industry in Europe, focused on creating the right environment to allow the industry to operate and achieve its potential. The organisation works closely with European and international governments, regulatory authorities and other stakeholders. ETRC is composed of 14 national and regional affiliated trade associations representing over 200 European companies, Tax Free World Association (TFWA) representing over 500 brand companies, and direct corporate membership from individual companies working in the duty free and travel retail trade across Europe and beyond.*

*The European Travel Retail Confederation's operations are directed by its Supervisory and Managing Boards and carried out by a full-time secretariat. For more information about the organisation, please see our website – [www.etr.org](http://www.etr.org)*

### **What is Duty-Free and Travel Retail?**

*Duty-free & travel retail is a global industry selling goods to international travellers, which are exempt from certain local or national taxes and excise duties, normally on the understanding the goods will be taken out of the country.*

*Airports represent the majority of such sales globally but duty-free & travel retail is also available at border shops, onboard cruise & ferry vessels and onboard aircraft during international travel, at international railway stations and in some non-EU countries at downtown stores where proof of travel is required and at airport arrival shops.*

*“Travel retail” refers to shops in travel environments where customers require proof of travel to purchase and goods are subject to taxes and duties.*

*Duty-free & travel retail generates significant levels of employment and vital revenues for the world's airports and for the aviation, tourism and maritime industries and is now a key element of the travel experience for many passengers.*