



POLICY-AGENDA

The TUI Group perspective on the 18th parliament of the German Bundestag (2013–2017)

TUI'S POLITICAL DEMANDS: 10 POLICY BULLET POINTS

- 1. STRENGTHEN TOURISM AS A DRIVER FOR GROWTH**
 - Greater recognition and support for tourism to drive growth and jobs
- 2. TAX POLICY**
 - No excessive taxation by imposing additional business taxes on tour operators (disproportionate interpretation of section 8 (1e) German Trade Tax Act)
 - Scrap air passenger tax, which does not serve its original purpose of reducing CO₂ emissions but instead skews competition with other EU countries
 - Keep the lower VAT rate on overnight accommodation to permit continued investment in modernising and expanding hotels
 - Abolish uncoordinated local bed taxes
- 3. AVIATION POLICY**
 - Active support for the Single European Sky (SES) to reduce CO₂ emissions and coordinate aviation regulations across Europe
 - Suspend EU emissions trading (ETS) until an international system is in place to ensure a level playing field
 - No tighter bans on night flying and greater recognition for new, quieter aircraft when allocating slots
- 4. INFRASTRUCTURE POLICY**
 - Development of port infrastructures for ship fuelling based on environmentally friendly liquefied natural gas (LNG) technology
 - More investment in tourism infrastructure following the withdrawal of EU funds
 - Federal responsibility for airport planning in Germany to stem the uncontrolled proliferation of small airports
- 5. SUSTAINABILITY AND THE ENVIRONMENT**
 - Greater recognition for the tourism industry's commitment to sustainability
 - Provision of an adequate time frame for implementing new environmental standards (e.g., reducing CO₂ emissions)
 - More effective integration of Germany's National Biodiversity Strategy into international contexts
- 6. CONSUMER POLICY**
 - Simpler visa regulations, especially for tourists from China and Russia
 - Revision of the EU Package Travel Directive, especially the duty to compensate travellers in cases of force majeure
- 7. BROCHURE PRICES**
 - Abolition of the duty to maintain brochure prices so as to establish a level playing field with web-based operators
- 8. LABOUR MARKET**
 - Recognition in labour legislation of the specific working hours in tourism and seasonal nature of business
- 9. EDUCATION AND TRAINING**
 - More training for the skilled workers tourism needs
 - Promotion of tourism research at universities and universities of applied sciences
- 10. LONGER CYCLE FOR SUMMER HOLIDAYS**
 - Participation of all federal states in the rolling schedule of summer holidays to spread seasonal tourism more efficiently

ONE GROUP – THREE STRONG SECTORS



Tourism												
Tour operators	Hotels & Resorts	Cruises										
6 airlines with 140 aircraft 30 million customers from over 30 markets 180 destinations 1,800 travel agencies in Europe	over 230 hotels Riu Robinson Iberotel Grupotel Grecotel Dorfhotel											
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Mein Schiff 4**	MS Bremen											
	MS Columbus 2											

* commissioned 2014

** commissioned 2015

From the 2011/2012 Annual Report			
Turnover		Total assets	13,212.6 mill. euros
TUI Travel	17,681.5 mill. euros	Equity	2,067.1 mill. euros
TUI Hotels & Resorts	384.7 mill. euros	Headcount	73,812
Cruises	231.0 mill. euros	Staff costs	
Group	18,330.3 mill. euros	Wages and salaries	1,987.0 mill. euros
Underlying EBITA (operating result)		Social insurance	429.0 mill. euros
TUI Travel	637.4 mill. euros	Total	2,416.0 mill. euros
TUI Hotels & Resorts	178.6 mill. euros		
Cruises	3.0 mill. euros		
Group	745.7 mill. euros		

CONTENTS

04	I.	TOURISM: A POWERFUL ECONOMIC FORCE
04	II.	TOURISM, SUSTAINABILITY AND INTERNATIONAL COOPERATION
05	III.	THE TUI GROUP – EMPLOYER, INVESTOR
06	IV.	TUI AS A SOCIAL PLAYER: OUR VISION FOR SUSTAINABLE TOURISM
06	1.	Value creation and training in destinations
07	2.	International cooperation
07	3.	Climate protection
08	4.	Sustainability and the environment
09	5.	Preserving biodiversity
10	V.	THE ECONOMIC FRAMEWORK FOR TOURISM 2013–2017
10	1.	Strengthen tourism as a driver for growth
10	2.	Tax policy
12	3.	Aviation policy
12	4.	Infrastructure policy
13	5.	Sustainability and the environment
13	6.	Consumer policy
13	7.	Brochure prices
14	8.	Labour market
14	9.	Education and training
14	10.	Longer cycle for summer holidays
15		YOUR CONTACTS AT TUI AG

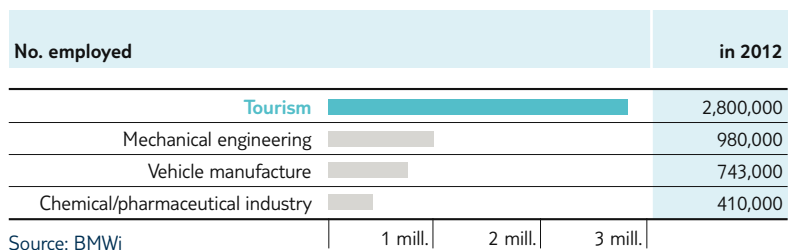
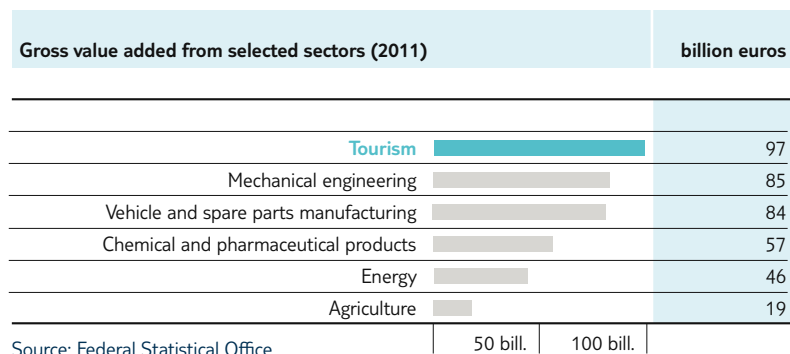
I. TOURISM: A POWERFUL ECONOMIC FORCE

Tourism is one of the largest drivers of our economy. German tourism companies generate 97 billion euros a year of gross value added, 4.4 percent of total value added in Germany.

Net turnover of the 230,000 hotels and restaurants in Germany amounts to 67 billion euros. 2.8 million people – 7 percent of the employed population – work in tourism. For comparison, in 2012, there were 980,000 people working in mechanical engineering, 743,000 in vehicle manufacturing and 410,000 in the chemical and pharmaceutical industry (2012; source: BMWi).

There were over 400 million bednights in Germany in 2012.

Germans invest 70 billion euros a year in travel abroad.



II. TOURISM, SUSTAINABILITY AND INTERNATIONAL COOPERATION

International travel brings prosperity and jobs to destinations around the globe. Investment by the tourism industry generates new and sustainable employment in many countries. Tourism helps to develop regions and promote growth.

However, the positive impact of tourism is not only economic. Travel contributes to mutual understanding and respect among different peoples and societies. Tourism companies bring a commitment to sustainable development and careful use of

resources (such as water) to destinations around the globe. Tourism also plays an important role in **cutting CO₂ emissions**.

Tourism can help to overcome social imbalances and injustices in destination countries. These injustices include poor social standards as well as child labour and trafficking in children. Tourism companies are committed campaigners for eradicating the sexual exploitation of children, e.g., in Southeast Asia and the Caribbean. Holiday representatives,

guests and hoteliers are taught ways to prevent the abuse of children.

Tourism can also contribute to **international cooperation** and induce change in society. In the 1970s and 80s, for example, tourism played an important part in Spain's transformation from dictatorship to democracy.

III. THE TUI GROUP – EMPLOYER, INVESTOR

TUI is Europe's leading tourism group. With over 73,000 employees worldwide, the TUI Group operates in about 180 countries, serving 30 million customers from over 30 markets every year. The parent company and strategic holding is TUI AG in Hanover. In fiscal year 2011/12, TUI recorded turnover worth 18.3 billion euros.

TUI Group operates in three sectors:

TUI Travel

TUI Travel PLC was created in 2007 from a merger among the distribution, tour operation, flight and destination activities of the TUI Group and those of the former British travel group First Choice Holidays PLC. It is listed on the London Stock Exchange in the FTSE 100. TUI AG is the majority shareholder with a stake of almost 55%. TUI Travel offers a broad range of products – from package tours to chartered yachts, expeditions and student travel. To support these services, TUI maintains its own fleet (TUIfly, Thomson Airways, TUIfly Nordic, Jetairfly, Corsair International, Arkefly) of 140 aircraft.

TUI Hotels & Resorts

TUI Hotels & Resorts is the largest holiday hotel provider in Europe. The Group owns 248 hotels with about 157,000 beds in 24 countries. The facilities run by the hotel brands – including Robinson, Riu, Grecotel, Grupotel and Iberotel – are found at favoured locations in holiday regions. They apply a diverse range of travel concepts, all offering high standards of performance, service quality and respect for the environment.

TUI Cruises

- For the expedition and luxury cruise markets, Hapag-Lloyd Kreuzfahrten is the leading operator in German-speaking countries. The fleet includes the cruise liners MS Europa 2, MS Europa, MS Hanseatic, MS Bremen and MS Columbus 2.
- The birth of TUI Cruises in fiscal year 2008 was the springboard for entry into the volume market for premium cruises. The joint venture between TUI AG and Royal Caribbean Cruises Ltd. was launched in spring 2009 with "Mein Schiff". TUI Cruises expanded the fleet in May 2011 with "Mein Schiff 2". Steady growth has now been evidenced in the addition of two further newbuilds. "Mein Schiff 3" will be delivered in May 2014, to be followed a year later by her sister ship "Mein Schiff 4". They are being constructed at the STX shipyard in Turku/Finland.

Hapag-Lloyd container shipping

TUI AG holds a financial stake (22%) in the container shipping line Hapag-Lloyd. TUI AG expects to exit this business in coming years.

Investment by TUI Cruises 2009–2015

Name of vessel	Committed	Cost of procurement
Mein Schiff 1	5/09	€ 282.2 mill.
Mein Schiff 2	5/11	€ 234.3 mill.
Mein Schiff 3	5/14	€ 462.0 mill.
Mein Schiff 4	5/15	€ 462.0 mill.
Total		€ 1.44 bill.

Investments

TUI invests sustainably in modern hotels, environmental and energy efficiency as well as in broadening its portfolio of products and services.

- In early 2013, TUI Travel ordered 60 new mid-range aircraft from manufacturer Boeing at a total cost of 6 billion dollars, with an option to acquire another 90 planes. The recently ordered aircraft are fitted with more efficient engines and will help to cut the consumption of jet fuel further. The first 60 aircraft will be delivered between 2018 and 2023.
- Hotels & Resorts invested 53.1 million euros in fiscal year 2011/12 to design a portfolio of sustainable, attractive products.
- TUI Cruises has placed orders for two new vessels worth 924 million euros – "Mein Schiff 3" and "Mein Schiff 4" – which will be equipped with the very latest environmental technology. Investment in the "Mein Schiff" fleet as a whole amounts to 1.44 billion euros.

IV. TUI AS A SOCIAL PLAYER: OUR VISION FOR SUSTAINABLE TOURISM

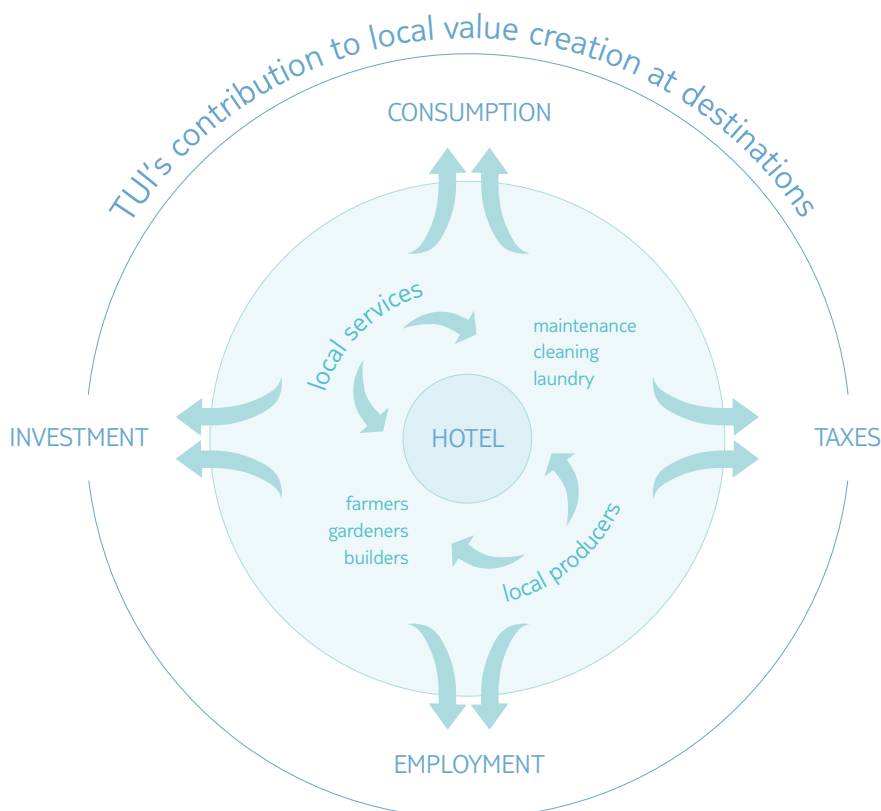
1. VALUE CREATION AND TRAINING IN DESTINATIONS

Tourism creates new value added in destination countries. Hotels have a positive impact on the local economy. Service companies such as laundries, cleaners and gardeners benefit from new, additional employment. Fruit and vegetable farmers in the region supply the hotels with their produce. This provides income and better consumer options for the local population.

55 % of the revenue generated at the 4-star all-inclusive hotel Holiday Village Turkey in Sarigerme remains in Turkey (study by the Overseas Development Institute and TUI Travel). According to a GIZ study, the Robinson Club Nobilis in Belek (Turkey) spends 77 % of its food budget within the country. Three quarters of the Club's demand for non-food products and services (e.g. maintenance, laundry, toiletries) are purchased in the local area. Altogether, about 80 % of hotel spending stays in Turkey, 27 % of which is for products and services in the immediate vicinity.

Training locally

Tourism contributes in concrete ways to upgrading the skills of local workers. Since 2008, for example, the Robinson Club Agadir has been operating a hotel school. Its partners are the **German cooperation agency (GIZ, formerly GTZ)** and the Moroccan education ministry. The Robinson Hotel School offers young Moroccans aged 18 to 30 hoping to work in kitchens, restaurants and hotels an opportunity to obtain a state-recognised qualification. The idea behind it is this: better training and higher skills lead to greater prosperity, more employment and brighter prospects in the country concerned.



2. INTERNATIONAL COOPERATION

For many years, the TUI Group has successfully engaged in **PPPs (public-private partnerships)** with the **Gesellschaft für Internationale Zusammenarbeit (GIZ)**, the international cooperation agency in Germany. They implement joint projects in destination countries for the benefit of local residents and their environment.

One example is the **Green Star Hotel Initiative**: working with the Egyptian tourism group Travco, TUI AG has been a key partner for the Green Star Hotel Initiative, helping to protect resources on the Red Sea. The project partners are GIZ, the Egyptian Ministry of Tourism and the German Ministry for Economic Cooperation and Development. In October 2013, responsibility for the initiative was successfully assumed by the Egyptians.

3. CLIMATE PROTECTION

Every sector of the TUI Group is committed to climate protection:

Fuel consumption	l/100 km per passenger
Lufthansa Passage	4.16
Airberlin	3.40
TUIfly	2.60

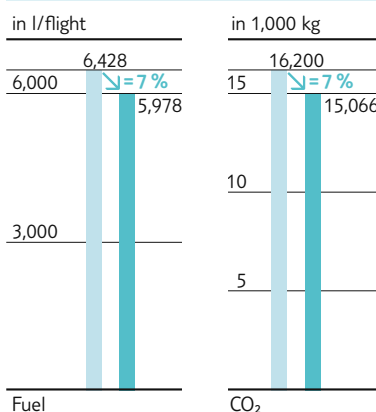
Source: Annual reports



Aviation

- In 2013, TUIfly reduced fuel consumption to 2.6 l/100 km per passenger. By comparison, Lufthansa Passage used 4.16 l/100 pkm and Airberlin 3.4 l/100 pkm of kerosene (latest 2012 figures from Lufthansa Passage and Airberlin). The sector average is 4 l/100 pkm. TUIfly is therefore the most fuel-efficient airline in Germany by far, with one of the lowest levels of specific jet fuel consumption in the global tourism route network.
- TUIfly's ranking in the airline index of the independent carbon offsetter atmosfair has been improving continually. In 2013, atmosfair designated **TUIfly the most climate-efficient airline in the world** in the category of airlines with over a million passengers a year.
- In fiscal year 2011/12, the airlines in the TUI Group emitted 73 grams of CO₂ per seat and kilometre sold. Compared with 2008 baseline, another nine percent is to be cut from this figure by 2015.
- The TUI Group airlines constantly implement **technical innovations**: the **latest design in winglets**, for example, can **reduce fuel consumption by up to 7 %**. Winglets are wingtip devices fitted to reduce drag. This results, for example, in **fuel savings of about 450 litres** on the route from Hanover to Boa Vista (Cape Verde Islands). This efficiency gain due to improved aerodynamics results in a **1,134 kilogram reduction in CO₂ emissions** on that route.

Reduction in fuel and CO₂ by using winglets on the flight from Hanover to Boa Vista (Cape Verde Islands)



Hotels & Resorts

- Carbon emissions in our Hotels & Resorts sector fell by 12.9 % in fiscal year 2011/12 to 9.6 kilograms of CO₂ per bednight.
- By 2014, TUI intends to reduce CO₂ emissions per bednight by another 3 %. All TUI AG hotel brands are playing their part.
- 23 % of TUI Hotels & Resorts are certified by the environmental standard ISO 14001.
- German Iberotel facilities have been carbon-neutral since 2012.
- Robinson Club Agadir operates the country's largest solar hotel generator with a surface area of 900 m².

Cruises

- Hapag-Lloyd Kreuzfahrten is using the world's first emission calculator in the cruising market. The company is working closely with carbon offsetter atmosfair.
- In 2012, CO₂ emissions per nautical mile were reduced by 3.7 % versus the previous year.
- The TUI Cruises newbuild "Mein Schiff 3" is equipped with state-of-the-art technology for achieving energy efficiency, reducing emissions and protecting resources.
 - > 30 % less energy consumption than comparable ships in its class
 - > combined waste gas treatment to reduce emissions
 - > desulphurisation to eliminate up to 99 % of harmful sulphur emissions
 - > 60 % reduction in particle emissions

4. SUSTAINABILITY AND THE ENVIRONMENT

At its destinations around the world, TUI is committed to sustainable development and effective protection of resources. TUI is committed to environmentally friendly building materials, renewable energy sources and fully biological sewage processing. Here are some details of our engagement:

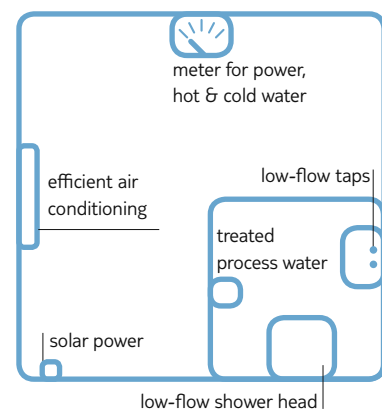
Sea water purification

The soda plant at the Robinson Club Maldives, which opened in 2013, desalinates and purifies sea water. The drinking water that results is transformed into soda water and filled into glass bottles. The bottles are cleaned locally by means of state-of-the-art technology in order to be reused. This eliminates the transport and disposal of 400,000 plastic bottles annually.

Resource efficiency in hotel rooms

Environment protection starts in the hotel room. Pro-environment rooms are gradually being installed in the facilities of all the hotel brands operated by TUI Hotels & Resorts, just as in the Robinson Club Daidalos/Kos. Meters show guests how much electricity and cold and hot water they use each day. Low-flow shower heads and taps and efficient recovery of treated process water help to achieve these green goals.

TUI's pro-environment room





Solar roof on Robinson Club
Agadir/Morocco

Resource-efficient heating

Since November 2012, **thermal output at the Robinson Club Cala Serena on Mallorca has been completely carbon-neutral**. Three newly installed 200-kW biomass boilers are the environmentally friendly solution to providing hot water, heating and warm swimming pools. Installing the wood pellet system has saved **about 220,000 litres of conventional heating oil a year**.

Solar energy

When the Robinson Club Agadir opened in Morocco in April 2008, what was then **Morocco's largest solar generator** powered up at the same time. The array heats **water for over 700 guests and 350 employees** in all the rooms and several pools. Environmentally friendly and carbon-free, this system is largely self-sufficient.

Waste management

All TUI Hotels & Resorts facilities take great care to think through **resource recovery** and dispose of any waste in an environmentally acceptable manner. By dispensing with individual wrappings and making use of recyclable materials (e.g. bottles, rechargeable batteries), waste is steadily falling.

Across the TUI Group, environment experts are working together in an international **network**. There are working groups to design and implement new strategies and concepts for protecting the climate, raising customer awareness and ensuring even greater collaboration among sites.

5. PRESERVING BIODIVERSITY

Protecting species

- **Spawning coral:** TUI is engaged in over 50 projects around the globe to preserve biodiversity. The cooperation between TUI Cruises and SECORE (www.secore.org) is an outstanding example. The aim is to combat the huge decline in coral reefs. TUI and SECORE launched a pilot scheme on the island of Curaçao in 2013.
- **Partnership with the German Agency for Nature Conservation:** eight BfN clips on species protection have been included in the **in-flight viewing programme of the TUIfly fleet** as part of a partnership with the German Agency for Nature Conservation (BfN). As a result, passengers are even better informed about export and import controls under the Washington Convention on International Trade in Endangered Species (CITES).

V. AN ECONOMIC FRAMEWORK FOR TOURISM 2013–2017

Tourism needs conditions that encourage growth in order to realise its full potential.



1. STRENGTHEN TOURISM AS A DRIVER FOR GROWTH

All regulation that weakens German companies against European competition must be relaxed. Anything else will benefit the web-based cross-border providers who run their business from abroad, **neither investing nor creating jobs in Germany.**

2. TAX POLICY

Companies operating in the tourism industry need simple, reliable tax laws that do not distort competition and ensure that companies are taxed in line with performance.

Trade tax

- The public revenue agency is contemplating treating expenses incurred by tour operators when contracting hotel services as profit for the purpose of trade tax. This would result in **excessive taxation and may entail a real tax on assets**. Travel agents and providers abroad who are not subject to this tax would derive a tremendous advantage, so this proposal must be rejected.

VAT margin scheme

- Tour operators use a margin scheme to pay VAT on their sales. This means that tour operators are not allowed to reclaim input VAT on contracted travel services; in return for this, VAT is only levied on their margin (revenues minus expenses).

Under the current legislation, this margin can be calculated cumulatively for all tours organised by a domestic tour operator. Calculating the margin separately for each tour would create an excessive administrative burden for the tour operator, so it should therefore be prevented.

Air passenger tax

- The air passenger tax should be scrapped in the near future. Other countries do not levy it. This creates an enormous distortion when drawing comparisons to the competition. Passengers opt to travel from airports on the other side of the border. Since the air passenger tax was introduced, German airports near borders have seen their passenger volume fall by 0.3%. Meanwhile, nearby airports in neighbouring countries have witnessed an increase of 22.7%.*
- The burden has fallen one-sidedly on passenger travel – air freight has not been subject to air passenger tax. This contradicts the aim of promoting environmentally friendly behaviour throughout the aviation sector.
- All airlines, including TUIfly, are facing a considerable increase in their administrative workload as a result, damaging their competitive position.
- The air passenger tax is not achieving any recognisable environmental impact.

Maintain the lower rate of VAT on overnight accommodation

- Applying the lower VAT rate to overnight accommodation enables hotels to invest in modernisation and expansion. The regional construction industry benefits from this. Thanks to the lower rate, TUI AG's cooperation partners are able to invest more in sustainability projects.

Bed tax

- More and more local councils are imposing a "bed tax" on overnight accommodation. Levies like this damage Germany's appeal as a tourist destination and are having a negative impact on travel. The Supreme Administrative Court (BVerwG) has ruled that taxing business travellers for staying overnight is inadmissible, but establishing the purpose of travel means more bureaucracy for hoteliers and business travellers alike. Data protection issues also arise. The Federal government should seek dialogue with local councils to contain the spread of taxes like this.



* Source: ADV, anna.aero

3. AVIATION POLICY

- *Single European Sky (SES)*: European air space is fragmented due to national borders and interests. For the TUI Group, with its 140 aircraft, this represents a considerable cost and environmental factor. Because of these national rules, a flight from Berlin to Madrid takes an hour longer than necessary. **A Single European Sky is indispensable.** It is crucial to achieving a significant reduction in airborne fuel consumption.
- *Standards*: Progress must be made towards **harmonising national aviation rules** to reflect defined **European standards**. The purely German flight ban after the eruption of the Icelandic volcano Eyjafjallajökull in 2010 massively distorted competition. This must not happen in the future.
- *Emissions trading*: The **Emissions Trading Scheme (ETS)** introduced by the European Commission in January of 2012 is **ill-conceived**. Limiting the scheme to Europe **places European airlines at a disadvantage compared to their international competitors**. From TUI's perspective, it is essential that the same binding rules apply worldwide.
- *Flight schedules*: Tourism companies need flexibility when designing travel timetables and flight schedules. **Excessive restrictions on night flying** impede this flexibility and should therefore be avoided. **Exceptions must be made for new, quieter aircraft** like those used by TUIfly.

4. INFRASTRUCTURE POLICY

Shipping

- Port infrastructures should be further developed to accommodate low-impact operation when ships are at berth (cold ironing/ LNG supply). LNG (liquefied natural gas) has very low fine particle emissions, making it an excellent fuel for ships in harbour. This requires ports to provide enough bunker stations.

Tourism infrastructure

- There is an urgent need to develop infrastructure for tourism, especially road and rail. Intermodal networking between trains, cars and planes must become smarter and more effective.
- The European Regional Development Fund (ERDF) has deleted funding for tourism infrastructure projects from the programme for 2014–2020. The new government of Germany should help to ensure that the ERDF resumes funding for tourism infrastructure.

Airport planning

- **Airport planning** in Germany should become a federal responsibility. Otherwise the **uncontrolled proliferation of small airports** is unlikely to stop. The consequences are disastrous, and it is unreasonable for taxpayers to foot the bill. The **tiny airport in Kassel-Calden**, for example, receives no more than two commercial passenger flights a day. The enormous **construction costs of € 271 million could have been better spent on investment in infrastructure**.

5. SUSTAINABILITY AND THE ENVIRONMENT

- The commitment to sustainability of the tourism industry deserves more recognition. There are currently no noticeable incentives – e.g., for ISO 14001 certification.
- Shipping, including the **cruise business, is investing enormous sums in cutting CO₂ emissions**. The environmental standards prescribed by law should be ambitious but realistic. Companies need an adequate time frame to take essential technical measures,
- The German government's National Biodiversity Strategy needs to be integrated more effectively into international contexts. This is the only way to prevent German companies from suffering a competitive handicap. Standards must be uniform throughout the EU.

6. CONSUMER POLICY

EU Package Travel Directive

- The most problematic issue here is **the duty of tour operators to compensate travellers in cases of force majeure**. The tour operator is thus held accountable for risks of a general nature over which he has no influence (e.g., weather events, war, epidemics). TUI calls upon the new German government to participate in future EU negotiations with a view to redrafting excessive provisions.

Simpler visa regulations

- The current **visa procedures** are too complex and take too long to complete. They should be simplified. Long periods of waiting and processing harm the tourism industry and delay business contacts. Many customers tend to book their holidays at short notice. In Russia, 59% of travellers do not book their tickets until four weeks or less before departure [Brand Performance & Segmentation Survey (BPSS), 2012]. In China, a quarter of those surveyed only book two weeks or less beforehand (BPSS 2011). A country's visa policy reflects its openness to foreign tourists and business travellers and its willingness to receive them. **Fewer documents and IT-based applications would cut the workload. The EU Commission predicts that visa facilitation would bring 60 billion euros of additional revenue into the European Union and create 500,000 more jobs by 2015.**

7. BROCHURE PRICES

- **The duty to apply prices as printed in the brochure is out of date** and should be scrapped as soon as possible. Tour operators are obliged by law to maintain rigid prices for the entire season, and yet prices for individual services such as flights and hotels change daily and are offered to end users online. **Maintaining the brochure price places German tour operators and their hotel partners at a major disadvantage, especially compared to competitors who only operate online.**

8. LABOUR MARKET

- The tourism business is highly seasonal. Companies in this sector therefore require broad flexibility when drafting employment contracts. **Annualised hours** help to cushion against fluctuating demand. **Labour legislation** should continue to **allow companies enough discretion** to achieve this.

9. EDUCATION AND TRAINING

- Strong tourism needs workers with strong skills. There is a need to expand the provision of initial and continuing training not only for skilled workers in hotels and restaurants, but also for physiotherapists for spa and wellness facilities or for mariners with technical and nautical qualifications. It is also essential for universities to encourage education and research that meet the needs of the tourism sector.

10. LONGER CYCLE FOR SUMMER HOLIDAYS

- The short **summer holiday cycle** is bad for the hotel trade – not only in Germany, but in other holiday regions too. It would be more helpful to make the broadest possible use of the **full academic holiday period**, with all federal states taking part in the rolling schedule.

During the new legislative session of the Bundestag, TUI AG will be contributing these views to the political debate and exchange of opinion. We look forward to dialogue with all decision-makers in parliament, ministries and the executive.



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In Spring of 2014, TUI AG will open a Berlin office to represent the TUI Group companies in dialogue with parliament and the government.

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