Norwegian Parliament decides to introduce a new passenger tax

1. TUI Fly Nordic AB is a charter airline who each year provides holiday travels for approx. 100,000 Norwegian customers on yearly basis, Star Tour A/S a sister company additional 235,000 cutomers on yearly basis.

2. TUI Fly Nordic AB would like to draw your attention to the Norwegian Parliament's decision to introduce an aviation tax on air passengers departing from Norwegian airports. This decision was taken by Parliament as part of the state budget resolution for 2016. Both domestic and foreign airlines will be subject to the tax. The tax will be 88 NOK for each departing passengers on domestic flights (included 10 percent VAT) and 802 NOK per departing passengers on international flights (excluding VAT). It is planned that the tax should enter into effect 1. April 2016. It is estimated that the new aviation tax will generate 2 billion NOK in additional state revenues per year (1.2 billion in 2016, starting April 1), including the effect of VAT.

   According to the Norwegian Parliament, the tax should be implemented in order to address the environmental impact of aviation. We would however like to emphasize that the Norwegian authorities has not made any evaluation of the impact this kind of taxation will have on the aviation industry in Norway, including if such a tax will in fact have an environmental effect, nor consulted the industry in this matter. The proposed tax is, in our opinion, clearly an unsuitable "tool" to achieve the expressed environmental objective.

3. TUI Fly Nordic AB strongly opposes the introduction of the proposed tax. Being that the demand for domestic and international air travel is highly sensitive for changes in price (i.e. highly price elastic); we estimate a considerable drop in passenger numbers. Thus, we believe that the imposition of this aviation tax will have a clear negative impact on the aviation sector and connectivity as such - reducing the overall demand for air travel and consequently loss of airline services. By introducing this tax airlines' already thin margins will be squeezed in what is an intensely competitive environment and slow the momentum of the air transport market in Norway. We fear that the tax will have a negative impact on employment and that welfare losses possibly will outweigh the benefits of higher tax revenues for the state.

   Lastly, we fear that the introduction of such a tax in Norway may provide precedence for other countries in Europe contemplating introducing similar taxes on the industry, i.e Sweden, Denmark and Finland, where TUI Fly Nordic AB has the rest of their operation.

4. CO2-emissions from civil aviation in Europe is already addressed through other measures, including the EU ETS and in Norway, there is also an additional a CO2-tax on domestic flights. Hence, NHO Luftfart questions the actual effect the proposed tax will have on emissions. Within the EU ETS, it is the overall allocation of emission quotas that regulates the level of emissions "allowed" in Europe.

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1 The tax will, for a domestic return flight the tax will amount to 176 NOK.
2 Equals approx. 10 USD.
Regarding the legality of introducing this emission measure in Norway, A4A states that "any attempt by Norway to tax international flights would have the same jurisdicctional and policy infirmities that caused such widespread international opposition to the extraterritorial application of the EU ETS and were the basis for the ICAO Assembly provision against the imposition of unilateral GHG emissions measures on international aviation". We agree with this conclusion and we believe that any future emission measures for the aviation industry should come in the form of an ICAO decision on a global solution on marked based measures (MBMs).

Aviation is important in Norway due to our geography, for continued regional growth and accessibility to other markets and countries. Connectivity is vital to tourism and trade. Based on the above, we therefore TUI Fly Nordic AB strongly opposes the introduction of the proposed tax.

Stockholm January 19, 2016

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Joachim Gaugermann
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