

Duty free shops in the E.U.

Resolution of the Economic and Social Commission (Brussels - 8 March 1999)
adopted by the Copenhagen Central Council (11 June 1999)

At its meeting on 18 December 1998, the ELEC Central Council drafted and adopted unanimously a position paper on duty free shops in the EU, which was then transmitted to the relevant national and European authorities. At the same time, in view of estimates on the impact on employment, it asked the Economic and Social Commission to conduct an in-depth study on the matter. The latter Commission, meeting on 8 March under the chairmanship of Mr. Olivier Giscard d'Estaing, examined the question and drafted the following resolution (adopted unanimously):

1. As regards the impact abolishing duty free shops would have on employment, a study of the information available, particularly the Communication by the European Commission to the Council of Ministers (adopted 17 February 1999), shows that figures provided both by national administrations and by the relevant sectors do not yield figures that are reliable overall because the sources are hard to verify and calculating methods vary from one country to the next.
2. The figures provided by country clearly show limited impact on employment depending on the country in question (varying from a negative result of 22000 in Spain to a positive result of 400 for Denmark). The impact would be primarily sectional (with sea transport being the most directly concerned) where an appropriate solution could be found in eliciting structural funds.
3. The evaluations seem to have underestimated the fact that some activities of the duty free shops will be nonetheless stimulated by at least three factors:
 - ◇ sales to people travelling to countries outside the EU
 - ◇ measures related to ordnancing of ships (exempt from VAT and excise taxes for merchandise consumed on board)
 - ◇ a so-called "captive" clientele, waiting to board in areas these shops are located (airports for example), who will continue to purchase products that are not duty free.
4. The additional taxes recovered by the Member States should lead to a more or less long term net creation of jobs.

For these reasons, **the Economic and Social Commission does not consider employment to be justification for any measure or decision to extend the present transition period beyond 30 June 1999.**

Furthermore the Commission recalls the basic arguments motivating its position:

- ◇ the need for Member States to apply equity among the different means of transport (air - sea - rail - road) and also towards all product retailers;
- ◇ the long delay already accorded operators for restructuring measures in view of the June 1999 deadline;
- ◇ the possibility for the Member States, especially those most concerned, to apply for assistance through the social funds or structural funds;

- ◇ the objective of consistency in tax harmonisation within the EU in the framework of the single market which precludes creating a precedent should the present situation be extended;
- ◇ protection of public health also justifies the Member States' adopting a coherent position towards national and European prevention programmes regarding the consumption of tobacco and alcohol.

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