

# ***Part I: Data Collection***

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# 1 *Scope*

- 113 This section of the Report is intended to provide the reader with an overview of:
- the VAT legislation in respect of the supply of goods or services, including restaurant and catering services, for consumption on board ships, aircraft, trains and other means of transport (e.g. coaches) on 31 January 2011;
  - the practical issues related to the VAT treatment on the basis of input received from relevant stakeholders in the travel sector, including an assessment of their importance and impact for those stakeholders;
  - market data in respect of the supply of goods and services on board means of transport in the 27 EU Member States.
- 114 This Report is not intended to assess the potential budgetary impact of ending the option to exempt supplies of goods for consumption by passengers on board means of transport as set down in article 37(3) of the VAT Directive.
- 115 In the mapping of the VAT legislation, different VAT specialists of the member firms of the PwC network in the 27 Member States were involved. The market data has been collected with the assistance of PwC<sup>3</sup> in Italy.
- 116 It should be noted that the data collected is based on our interpretation of the VAT legislation (primary and secondary legislation) and administrative practice. This data collection and analysis should be read bearing in mind that interpretations may differ and that practical applications in individual cases may differ from the information collected.



## 2 *Methodology and approach*

- 117 PwC commenced surveying the place of taxation of supplies of goods for consumption and supplies of services, including restaurant and catering services, to passengers on board means of transport within the EU in January 2011.
- 118 In the period up to 14 January 2011, PwC designed two templates (in Excel format – please see Appendix 1) designed to collect a standard set of data on the 27 Member States regarding their VAT legislation and economic data relative to the passenger transport market.
- 119 Before completion of the two templates, the drafts were presented to and agreed with the Commission Steering Group at a kick-off meeting held on 14 January 2011, at which agreement was also reached on the final format of the templates for collecting the VAT legislation and economic data, the project milestones, a list of relevant stakeholders and the approach in consulting the stakeholders.
- 120 The VAT and economic data was gathered in the period between 14 January 2011 and 4 February 2011. This report therefore does not reflect the potential impact of the recent judgment of the European Court of Justice of 10 March 2011 regarding the definition of restaurant and catering services<sup>1</sup>.
- 121 Subsequently, PwC prepared a list of selected stakeholders and developed a questionnaire to identify the practical issues related to the VAT treatment of supplies of goods for consumption and supplies of services, including restaurant services, to passengers on board ships, aircraft, trains and other means of transport (e.g. coaches). The list and questionnaire were approved by the European Commission on 16 February 2011.
- 122 In the period between 17 February 2011 and 11 March 2011, selected stakeholders were consulted by PwC by means of face-to-face interviews, conference calls and e-mail correspondence. In addition, the questionnaire was discussed with stakeholders at the second PwC Tourism Tax Conference in Majorca on 23 and 24 February 2011.
- 123 Subsequently, PwC processed the information to identify trends from the data collected. This report is the result of that process.
- 124 In the table below, we provide an overview of the 48 stakeholders invited to contribute of whom 24 provided input, split up by sector and the country of establishment.

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<sup>1</sup> Judgment of the ECJ of 10 March 2011, joined cases C-497/09, C-499/09, C-501/09 and C-502/09



**Table 1 - Overview of stakeholders**

Total number of consulted stakeholders	Aircraft		Ships (Cruise)		Ships (Ferry)		Trains		Other (e.g. buses)		Umbrella (Travel Association)	Grand Total
	Input provided	No input provided	Input provided	No input provided	Input provided	No input provided	Input provided	No input provided	Input provided	No input provided	No input provided	
Austria							1					1
Belgium		2	1		1		1	1	1	2	1	10
Cyprus				1								1
Czech Republic										1		1
Denmark					1							1
Finland						1	1					2
France					2	1	1	1				4
Germany	2	1	2		1	1	1				2	10
Greece				2								2
Hungary								1				1
Ireland		1										1
Italy			1									1
Latvia	1											1
Lithuania							1					1
Malta					1							1
Poland								1		1		2
Portugal								1				1
Sweden		1										1
Switzerland	1		1									2
UK			1		1						1	3



## 3 Background

### 3.1 Definition of “buy-on-board” transactions in scope

125 This Report describes the VAT treatment of, and practical issues related to, “buy-on-board transactions”.

- “Buy-on-board” transactions are not defined in the VAT Directive. For the purposes of this report, a “buy-on-board” transaction is a transaction that is not included in the price of the transport operation and that consists of one of the following supplies to passengers on board a means of transport:
- Supply of goods for consumption on board
- Supply of goods to take away (no consumption on board)
- Supply of restaurant and catering services
- Supply of other services

### 3.2 Supply of goods for consumption on board means of transport

#### 3.2.1 Ships, aircraft or trains

##### 3.2.1.1 Transport section within the Community

126 Article 37(1) of the VAT Directive lays down the place-of-supply rules for supplies of goods for consumption on board ships, aircraft and trains.

127 The supply of goods on board ships, aircraft and trains during a section of a passenger transport operation effected within the Community is to be taxed at the point of departure of the passenger transport operation.

128 Furthermore, article 37(2) of the VAT Directive uniformly defines the terms “section of a passenger transport operation within the Community”, “point of departure” and “point of arrival”.

129 The “section of a passenger transport operation **effected within the Community**” means the section of the operation effected, without a stopover outside the Community, between the point of departure of the passenger transport operation (the first scheduled point of passenger embarkation within the Community, where applicable after a stopover outside the Community) and its point of arrival (the last scheduled point of disembarkation within the Community of passengers who embarked in the Community, where applicable before a stopover outside the Community).

130 In the case of a return trip, the return leg is regarded as a separate transport operation.

### 3.2.1.2 Transport section outside the Community

- 131 The place of supply of goods for consumption on board ships, aircraft or trains should be where the goods are located at the time when the supply takes place (article 31 VAT Directive).

### 3.2.1.3 Optional exemption for the supply of goods for consumption

- 132 Member States may, according to article 37(3) of the VAT Directive, exempt (with a right to deduct the VAT paid at the preceding stage) supplies of goods for consumption on board ships, aircraft or trains during the section of a passenger transport operation effected within the Community.
- 133 The option to exempt with a right to deduct VAT paid at the preceding stage, only applies to supplies of goods on board ships, aircraft or trains that are taxable at the point of departure of the passenger transport operation as defined in article 37(1) of the VAT Directive.

### 3.2.2 Other means of transport (e.g. coaches)

- 134 The place of supply of goods for consumption on board other means of transport (e.g. coaches) during a transport operation within the Community should be where the goods are located at the time when the supply takes place, according to article 31 of the VAT Directive.
- 135 There is no optional exemption for the supply of goods for consumption on board other means of transport (e.g. coaches).

## 3.3 Supply of goods to take away

### 3.3.1 Ships, aircraft or trains

#### 3.3.1.1 Transport section within the Community

- 136 We refer to paragraphs 126 and 128 above for the applicable place of taxation. These place-of-supply rules apply to both supplies of goods for consumption and supplies of goods to take away.

#### 3.3.1.2 Transport section outside the Community

- 137 We refer to paragraph 131 above for the applicable place of taxation, which applies to both goods for consumption and goods to take away.

#### 3.3.1.3 No optional exemption for the supply of goods for take-away

- 138 There is no optional exemption for supplies of goods to take away. Article 37(3) of the VAT Directive says that the exemption may be applied to “the supply of goods for consumption on board”. The exemption cannot therefore be applied for supplies of goods to take away.





### **3.3.2 Other means of transport**

- 139 We refer to paragraph 134 above for the applicable place of taxation. These place-of-supply rules apply to both supplies of goods for consumption and supplies of goods to take away.

## **3.4 Supply of restaurant and catering services for consumption on board means of transport**

### **3.4.1 Ships, aircraft or train**

#### **3.4.1.1 Transport section within the Community**

- 140 On 1 January 2010, article 57(1) of the VAT Directive has introduced the place-of-supply rules for restaurant and catering services on board ships, aircraft or trains: they are the same as the place-of-supply rules for supplies of goods on board ships, aircraft and trains (article 37(1) of the VAT Directive).
- 141 Furthermore, article 57(2) of the VAT Directive sets the definitions of the terms “section of a passenger transport operation within the Community”, “point of departure” and “point of arrival”.
- 142 We refer to paragraph 129 above for an explanation of the definitions.
- 143 Moreover, in the Council Implementing Regulation, a section of a passenger transport operation effected within the Community as referred to in article 57 of Directive 2006/112/EC should be determined by reference to the journey taken by the means of transport and not that of each of the passengers<sup>2</sup>.

#### **3.4.1.2 Transport section outside the Community**

- 144 The place of supply of restaurant and catering services for consumption on board ships, aircraft or trains should be where the services are physically carried out (article 55 of the VAT Directive).

#### **3.4.1.3 No optional exemption for the supply of restaurant and catering services**

- 145 Under article 57 of the VAT Directive, no optional exemption for the supply of restaurant and catering services on board ships, aircraft or trains is provided for. However, such an exemption can be provided for as part of derogation measures granted to particular Member States which apply until the adoption of definitive arrangements, notably based on Annex X, Part B, point 10 of the VAT Directive.

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<sup>2</sup> See also article 35 Council Implementing Regulation laying down implementing measures for Directive 2006/112/EC on the common system of value added tax.

### **3.4.2 Other means of transport (e.g. coaches)**

- 146 The place of supply of restaurant and catering services on board other means of transport (e.g. coaches) during a transport operation within the Community should be where the restaurant and catering services are physically carried out according to article 55 of the VAT Directive.
- 147 Under article 57 of the VAT Directive, no optional exemption for the supply of restaurant and catering services on board ships, aircraft or trains is provided for. However, such an exemption can be provided for as part of derogation measures granted to particular Member States which apply until the adoption of definitive arrangements, notably based on Annex X, Part B, point 10 of the VAT Directive.

## **3.5 Supply of other services on board means of transport**

- 148 “Other services” is used to mean any services other than restaurant and catering services which can be provided on board a means of transport.
- 149 In practice, this mostly occurs on board of cruise or ferry ships. For that reason, the comments in this report are focused only on the supply of other services on board cruise and ferry ships.

### **3.5.1 B2C: place of supply to non-taxable private individuals**

- 150 On 1 January 2010, article 45 of the VAT Directive introduced general place-of-supply rules for services rendered to non-taxable persons (“general B2C services”).
- 151 Services are taxable where the supplier has established his business. However, if the services are provided from a fixed establishment of the supplier located in a place other than the place where he has established his business, they are taxable where that fixed establishment is located. In the absence of such a place of establishment or fixed establishment, the services are taxable where the supplier has his permanent address or usually resides.
- 152 In order to prevent double taxation, non-taxation or distortion of competition, Member States may, with regard to “general B2C services”, consider the place of supply as being situated outside the Community if effective use and enjoyment takes place outside the Community. Member States may also consider the place of supply as being situated within their territory, where the service is effectively used and enjoyed, if according to the rule for “general B2C services” the place of supply would be situated outside the Community (article 59a of the VAT Directive).
- 153 However, article 54(1) of the VAT Directive says that the place of supply of services and ancillary services relating to cultural, artistic, sporting, scientific, educational, entertainment or similar activities rendered to a non-taxable person is where those activities are physically carried out.

### **3.5.2 B2B: place of supply to taxable persons**

- 154 On 1 January 2010, article 44 of the VAT Directive introduced general place-of-supply rules for services rendered to taxable persons or non-taxable legal persons identified for VAT purposes who are acting as such (“general B2B services”).



- 155 Services are taxable where the customer has established his business. However, if those services are provided to a fixed establishment of the customer located in a place other than the place where he has established his business, they are taxable where that fixed establishment is located. In the absence of such a place of establishment or fixed establishment, the services are taxable where the customer has his permanent address or usually resides.
- 156 In order to prevent double taxation, non-taxation or distortion of competition, Member States may, with regard to “general B2B services” consider the place of supply as being situated outside the Community if they are effectively used and enjoyed outside the Community. Member States may also consider the place of supply as being situated within their territory, where the services are effectively used and enjoyed if, according to the rule for “general B2B services”, the place of supply would be situated outside the Community (article 59a of the VAT Directive).
- 157 However, article 53 of the VAT Directive has laid down that the place of supply of services relating to admission to cultural, artistic, sporting, scientific, educational, entertainment or similar events, such as fairs and exhibitions rendered to a taxable person is where those events actually take place.

### **3.5.3** *No optional exemption for the supply of other services*

- 158 Under article 57 of the VAT Directive, no optional exemption for the supply of restaurant and catering services on board ships, aircraft or trains is provided for. However, such an exemption can be provided for as part of derogation measures granted to particular Member States which apply until the adoption of definitive arrangements, notably based on Annex X, Part B, point 10 of the VAT Directive.

## 3.6 Illustrative examples

- 159 How the place-of-supply rules according to the provisions of the VAT Directive are applied is illustrated with the following tables, in which we indicate the place of supply of goods, restaurant and catering services physically performed on board ships, aircraft or trains.
- 160 There is no illustrative example for the place of supply of goods, restaurant and catering services physically performed on board other means of transport (e.g. coaches), as in practice these “buy-on-board” transactions do not occur very often (see paragraph 111).

### 3.6.1 Transport section within the Community

- 161 In the table below, the point of departure (first scheduled point of passenger embarkation) is in Belgium and the point of arrival (the last scheduled point of passenger disembarkation) is in Greece. The passengers would make a stopover in Germany. The passengers could get off board in Germany but all passengers would get on board in Germany and travel on to Greece.

**Table 2 – Transport section within the Community**

Belgium		Germany		Greece
First scheduled point of passenger embarkation		Stopover		Last scheduled point of passenger disembarkation
First point of departure	Last point of arrival	Supply physically performed in	Place of supply	VAT Directive
Belgium	Greece	Belgium	Belgium	Article 37 or 57 <sup>3</sup>
Belgium	Greece	Germany	Belgium	Article 37 or 57
Belgium	Greece	Greece	Belgium	Article 37 or 57

<sup>3</sup> See also article 36, first indent, of the Council Implementing Regulation.



### 3.6.2 Transport section outside the Community

- 162 The supply of goods on board ships, aircraft or trains during a section of a passenger transport operation **not effected within the Community** is to be taxed at the place where the goods are located at the time when the supply takes place according to article 31 of the VAT Directive. Under article 55 of the VAT Directive, a similar provision applies to the supply of restaurant and catering services on board ships, aircraft or trains, which are to be taxed at the place where the services are physically carried out.
- 163 In the table below, we have indicated the place of supply of goods, restaurant and catering services physically performed in Italy, Spain, Morocco and France according to the provisions of the VAT Directive, where the point of departure (first scheduled point of passenger embarkation) is in Italy and the point of arrival (the last scheduled point of passenger disembarkation) is in France. The passengers make stopovers in Spain and Morocco. The passengers could get off board to make short excursions in Spain and Morocco but do not formally disembark in doing so.

**Table 3 – Transport section outside the Community (single transport section)**

Italy	Spain	Morocco	Spain	France
First scheduled point of passenger embarkation	Stopover	Stopover	Stopover	Last scheduled point of passenger disembarkation
Transport from	Transport to	Supply physically performed in	Place of supply	VAT Directive
Italy	Spain	Italy	Italy	Article 31 or 55
Italy	Spain	Spain	Spain	Article 31 or 55
Spain	Morocco	Morocco	No EU VAT	Article 31 or 55
Morocco	Spain	Morocco	No EU VAT	Article 31 or 55
Morocco	Spain	Spain	Spain	Article 31 or 55
Spain	France	Spain	Spain	Article 31 or 55
Spain	France	France	France	Article 31 or 55

- 164 In the table below, we have indicated the place of supply of goods, restaurant and catering services physically performed in Italy, Spain, Morocco and France according to the provisions of the VAT Directive, where passengers embark and disembark as scheduled during the journey.

**Table 4 – Transport section outside the Community (multiple transport sections)**

Italy	Spain	Morocco	Spain	France
First scheduled point of passenger embarkation	Last scheduled point of passenger disembarkation	Stopover	First scheduled point of passenger embarkation	Last scheduled point of passenger disembarkation
Transport from	Transport to	Supply physically performed in	Place of supply	VAT Directive
Italy	Spain	Italy	Italy	Article 37 or 57
Italy	Spain	Spain	Italy	Article 37 or 57
Spain	Morocco	Spain	Spain <sup>4</sup>	Article 31 or 55
Morocco	Spain	Morocco	No EU VAT <sup>5</sup>	Article 31 or 55
Morocco	Spain	Spain	Spain	Article 31 or 55
Spain	France	Spain	Spain	Article 37 or 57
Spain	France	France	Spain	Article 37 or 57

- 165 The supply of goods, restaurant and catering services on board other means of transport (e.g. coaches) is always taxed at the place defined by article 31 or 55 of the VAT Directive.

<sup>4</sup> See also article 37 of the Council Implementing Regulation.

<sup>5</sup> See also article 36, second indent, of the Council Implementing Regulation.



## ***4 Review of VAT treatment in the 27 Member States and practical issues identified by stakeholders***

### ***4.1 Review of place-of-supply rules in the 27 Member States***

#### ***4.1.1 Ships, aircraft or trains***

##### ***4.1.1.1 Supply of goods for consumption and for take-away during a transport section within the Community (Application of article 37(1) and (2) of the VAT Directive)<sup>6</sup>***

- 166 Sixteen Member States have correctly implemented the provisions of articles 37(1) and (2) of the VAT Directive into their national VAT legislation and apply them correctly. Six Member States, Bulgaria, Estonia, Greece, Ireland, Sweden and the UK, seem to apply these paragraphs slightly differently. Finally, in practice, Cyprus, France, Hungary, Luxembourg and the Netherlands interpret a stopover as a point of departure or a point of arrival, in certain circumstances.

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<sup>6</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Goods: Q1 – Q4 and Q21, Q22.



**Table 5 – Ships, aircraft or trains – Supply of goods for consumption and to take away during a transport section within the Community**

Implementation of article 37(1) and (2) of the VAT Directive is correct	Implementation of article 37(1) and (2) of the VAT Directive is not correct
Austria	Bulgaria
Belgium	Cyprus
Czech Republic	Estonia
Denmark	France
Finland	Greece
Germany	Hungary
Italy	Ireland
Latvia	Luxembourg
Lithuania	Netherlands
Malta	Sweden
Poland	UK
Portugal	
Romania	
Slovakia	
Slovenia	
Spain	

Source: Appendix 3 'VAT Summary Sheet, Supply of Goods': Q1 – Q4 and Q21, Q22

- 167 Bulgaria has not included the requirement that the point of departure or the point of arrival should be “scheduled” points of embarkation/disembarkation<sup>7</sup>.
- 168 For the place of on-board supplies of goods, Estonia refers only to the place of departure of ships and aircraft, but not of trains.<sup>8</sup> The scope of the place of supply of restaurant and catering services, on the other hand, extends to ships, aircraft and trains (see also below). Furthermore, there is no definition of “point of departure” or “section of passenger transport operation effected within the Community” in the Estonian VAT legislation.

<sup>7</sup> See article 18, paragraph 1 and 2 of the Bulgarian VAT Act.

<sup>8</sup> See section §9 (1) (4) of the Estonian VAT Code.





- 169 Under Greek VAT legislation, the supply of goods on board ships, aircraft or trains that are intended for on-board consumption is deemed to be "a provision of (restaurant/catering) services".<sup>9</sup>
- 170 Ireland has not correctly implemented the definition of "section of a passenger transport operation effected within the Community". The Irish VAT legislation does not include the condition "without a stopover outside the Community" in its definition. If the first scheduled point of passenger embarkation and the last scheduled point of disembarkation are in a Member State, the supply of goods for on-board consumption is taxed according to article 37(1) of the VAT Directive.<sup>10</sup>
- 171 Sweden has implemented article 37(2) of the VAT Directive only as regards the place of supply of goods on board trains. Supplies of goods on board ships and aircraft are taxable outside Sweden.<sup>11</sup>
- 172 The UK does not apply article 37(1) and (2) of the VAT Directive. The supply of goods for on-board consumption is treated as taxable outside the UK.<sup>12</sup>
- 173 Although Cyprus<sup>13</sup>, France<sup>14</sup>, Hungary<sup>15</sup>, Luxembourg<sup>16</sup> and the Netherlands have implemented articles 37(1) and (2) of the VAT Directive, in certain cases, they interpret a stopover on their national territory or in their national waters of a transport operation starting and ending in the EU as a point of departure or point of arrival even if it is not the first scheduled point of embarkation or the last scheduled point of disembarkation within the Community.

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<sup>9</sup> See article 13, par. 1 (b) of the Greek VAT Code.

<sup>10</sup> See section 29 (1)(d) of the Irish VAT Consolidation Act 2010.

<sup>11</sup> See chapter 5, § 2b and chapter 5, § 3a p.5 of the Swedish VAT Act.

<sup>12</sup> See guidelines from the UK VAT authorities: article 6 of the VAT (Place of Supply of Goods) Order 2004 (SI 2004/3148) – HMRC Business Brief 35/04 (31 December 2004).

<sup>13</sup> See article 10 of the Cypriot VAT Code.

<sup>14</sup> See article 258, I, d of the French VAT Code.

<sup>15</sup> See section 33 (1) and (2) of the Act CXXVII 2007.

<sup>16</sup> See article 14.1.d of the Luxembourg VAT Act.



#### 4.1.1.2 Supply of restaurant and catering services during a transport section within the Community (Application of article 57(1) and (2) of the VAT Directive)<sup>17</sup>

- 174 Twenty-four Member States have correctly implemented the provisions of articles 57(1) and (2) of the VAT Directive into their national VAT legislation. The other three, Bulgaria, Ireland and Sweden seem to apply these paragraphs slightly differently. Furthermore, in practice, five Member States interpret a stopover as a point of departure or a point of arrival in certain circumstances (Cyprus, France, Hungary, Luxembourg and the Netherlands).

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<sup>17</sup> For more information, please see Appendix 4: VAT Summary Sheet Supply of Restaurant or Catering services: Q9 - Q11 and Q26.



**Table 6 – Ships, aircraft or trains – Supply of restaurant and catering services during a transport section within the Community**

Implementation of article 57(1) and (2) of the VAT Directive is correct	Implementation of article 57(1) and (2) of the VAT Directive is not correct
Austria	Bulgaria
Belgium	Cyprus
Czech Republic	Estonia
Denmark	France
Finland	Hungary
Germany	Ireland
Greece	Luxembourg
Italy	Netherlands
Latvia	Sweden
Lithuania	UK
Malta	
Poland	
Portugal	
Romania	
Slovakia	
Slovenia	
Spain	

Source: Appendix 4 ‘VAT Summary Sheet Supply of Restaurant or Catering services’: Q9 - Q11 and Q26

- 175 Bulgaria has not included the requirement that the point of departure or the point of arrival should be “scheduled” points of embarkation/disembarkation.<sup>18</sup>
- 176 There is no definition of “point of departure” or “section of passenger transport operation effected within the Community” in the Estonian VAT legislation.<sup>19</sup>

<sup>18</sup> See article 18 of the Bulgarian VAT Act.

<sup>19</sup> See section § 10 (2) and (5) of the Estonian VAT Code.



- 177 Ireland has not correctly implemented the definition of “section of a passenger transport operation effected within the Community”. The Irish VAT legislation does not include the condition “without a stopover outside the Community” in its definition. If the first scheduled point of passenger embarkation and the last scheduled point of disembarkation are in a Member State, the supply of restaurant and catering services on board is taxed according to article 57(1) of the VAT Directive.<sup>20</sup>
- 178 Sweden has implemented article 57(2) of the VAT Directive only as regards the place of supply of restaurant and catering services on board trains. Supplies of restaurant and catering services on board ships and aircraft are taxable outside Sweden.<sup>21</sup>
- 179 The UK has transposed article 57(1) and (2) of the VAT Directive into its national VAT legislation.<sup>22</sup> However, catering is treated as a supply of goods, and is outside the scope of UK VAT when supplied for consumption on board ships, aircraft and trains during a transport section within the Community under article 6 of the VAT (Place of Supply of Goods) Order 2004.<sup>23</sup>
- 180 Although Cyprus<sup>24</sup>, France<sup>25</sup>, Hungary<sup>26</sup>, Luxembourg<sup>27</sup> and the Netherlands<sup>28</sup> have implemented articles 57(1) and (2) of the VAT Directive, in certain cases, they interpret a stopover on their national territory or in their national waters of a transport operation starting and ending in the EU as a point of departure or point of arrival even if it is not the first scheduled point of embarkation or the last scheduled point of disembarkation within the Community.

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<sup>20</sup> See section 34(j) of the Irish VAT Consolidation Act.

<sup>21</sup> See chapter 5, §14, chapter 5, §1 section 3 and chapter 5 §2 b of the Swedish VAT Act.

<sup>22</sup> See Schedule 4A, par. 6 British VAT Act 1994.

<sup>23</sup> We refer to footnote 12 above. See also, Customs & Excise Guidance Manuals VATPOSTR2300 - Services supplied in the course of passenger transport.

<sup>24</sup> See appendix 13, part I, par. 6, subpar. 1 and 2 of the Cypriot VAT legislation.

<sup>25</sup> See article 259 A, 5°-c of the French Tax Code.

<sup>26</sup> See Section 45 (2) of the Hungarian Act CXXVII of 2007.

<sup>27</sup> See article 17, 2, 6°, b) of the Luxembourg VAT Law and Administrative Circular no. 745bis dated 17 December 2009.

<sup>28</sup> See article 6f of the Dutch Tax Code.



#### 4.1.1.3 Supply of goods for consumption and for take-away or the supply of restaurant and catering services during a transport section outside the Community (Application of articles 31 and 55 of the VAT Directive)

- 181 For examples of the application of these provisions, we refer to Table 2 and Table 3.
- 182 Not all Member States deem the place of supply of goods or restaurant or catering services to be in their Member State in the case of transport from the Community to a non-EU country where the supply physically takes place on or over their national territory or waters further to articles 31 and 55 of the VAT Directive. Bulgaria, the Czech Republic, Estonia, France, Malta, Spain, Sweden and the UK do not deem the place of supply of such a transaction to be in their Member State.<sup>29</sup>

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<sup>29</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Goods: Q19 and Appendix 4: VAT Summary Sheet, Supply of Restaurant or Catering services: Q23.



**Table 7 – Ships, aircraft or trains – Supply of goods for consumption and to take away or the supply of restaurant and catering services during a transport section outside the Community**

Application of article 31 and 55 of the VAT Directive	Partial application of article 31 and 55 of the VAT Directive
Austria	Bulgaria
Belgium	Czech Republic
Cyprus	Estonia
Denmark	France
Finland	Malta
Germany	Spain
Greece	Sweden
Hungary	UK
Ireland	
Italy	
Latvia	
Lithuania	
Luxembourg	
Poland	
Netherlands	
Portugal	
Romania	
Slovakia	
Slovenia	

Source: Appendix 3 'VAT Summary Sheet, Supply of Goods': Q19 and Appendix 4 'VAT Summary Sheet, Supply of Restaurant or Catering services': Q23

- 183 Under section 18(3) of the Bulgarian VAT Act, the place of supply of goods and restaurant and catering services effected on board ships, aircraft or trains during a transport section outside the Community is outside scope of Bulgarian VAT.



- 184 The supply of goods and restaurant and catering services during a transport section outside the Community is taxable in the Czech Republic if that is the place of departure of the passenger transport operation.<sup>30</sup>
- 185 In Estonia, the supply of goods and restaurant and catering services on board ships and aircraft is in Estonia where the supply physically takes place on or over its national territory or waters in the case of transport from the Community to a non-EU country. The physical place-of-supply rule is not applied in practice for trains.<sup>31</sup>
- 186 According to France's guidelines, the supply of restaurant or catering services is taxable in France if physically carried out in France. Supplies of goods are taxable outside France.<sup>32</sup>
- 187 The supply of goods or restaurant and catering services during a transport section outside the Community is taxable in Malta if that is the place of departure of the passenger transport operation.<sup>33</sup>
- 188 The supply of goods or restaurant or catering services to passengers on board aircraft, ships or trains where the point of departure is Spain and the point of arrival is outside the Community is not subject to Spanish VAT, even if the supply takes place inside the borders of the EU.<sup>34</sup>
- 189 Under the Swedish VAT legislation, the supply of goods or restaurant or catering services is taxable outside Sweden even if the services are physically carried out in Sweden (ships and aircraft on international routes). In all other cases, the supply of goods and of restaurant and catering services is deemed to take place in Sweden.<sup>35</sup>
- 190 All supplies of goods or restaurant and catering services during a transport section outside the Community ("international journeys") are treated as supplied outside the UK.<sup>36</sup>

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30 See § 7(4) and (5) of the Czech VAT Act for the supply of goods and §10c (2) and (3) of the Czech VAT Act for the supply of restaurant and catering services.

31 See sections §9 (1)(1), §10(1) and §15(4)(2) of the Estonian VAT Code.

32 See article 259 A, 5°-c of the France Tax Code for the restaurant and catering services.

33 See item 3 of the Third Schedule to the Maltese VAT Act and item 9 of Part 2 of the Third Schedule of the Maltese VAT Act.

34 See article 68.Dos.4° of Law 37/1992 of VAT and article 70.Uno 5°B of Spanish VAT Law.

35 See Chapter 5 §3a, p.5, and chapter 5 § 1, section 3 of the Swedish VAT Act for sea vessels and air craft, chapter 5 § 2b and chapter 5 § 14 of the Swedish VAT Act for trains, chapter 5 § 1 of the Swedish VAT Act when the point of arrival is outside the EU.

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#### 4.1.1.4 Supply of other services on board cruises (application of articles 44, 45, 53 and 54(1) of the VAT Directive)

- 191 In general there are no specific derogations laid down in the national VAT legislations of the Member States in respect of the place of supply of “other services” on board means of transport. Therefore Member States apply the general place-of-supply rules for these services. However, we have identified some practical issues when applying the place-of-supply rules for the “other services”.
- 192 A first issue is that it is not always clear from the guidelines of national VAT authorities how services usually supplied on board means of transport should be defined.
- 193 For instance, in France, Malta and Poland, beauty parlour services clearly do not qualify as an entertainment or cultural activity and therefore fall within the scope of article 45 of the VAT Directive, whereas other Member States may claim that this type of service falls within the scope of article 54(1) of the VAT Directive.
- 194 In general, all Member States apply article 54(1) of the VAT Directive where, according to the national guidelines, activities qualify as a supply of cultural, artistic, sporting, scientific, educational, entertainment or similar activities where they are supplied on board ships, aircraft or trains to non-taxable persons during the section of a passenger transport operation effected within the Community.
- 195 However, in Sweden, supplies of cultural, artistic, sporting, scientific, educational, entertainment or similar activities on board ships and aircraft on international routes are taxable outside Sweden. Article 45 and article 54(1) of the VAT Directive apply only in respect of trains and other means of transport.
- 196 In the UK, gaming machines are treated as operating outside the scope of UK VAT if the services are rendered during or outside the section of a passenger transport operation effected within the Community.
- 197 A second issue is that tax authorities may view the “other services” as ancillary or incidental to the transport services. In that case, the place of supply of these services is the same as the place of supply of the transport service (i.e. proportionate to the distances covered).
- 198 For example, in Spain, this view could be taken under the tax authorities’ binding resolution no. VO401-07,<sup>37</sup> which indicates that, until the VAT Package was implemented in Spain, catering services on board means of transport were considered as services incidental to the transport service and followed their tax treatment (exemptions, rates, etc.). The Spanish tax authorities refer in this respect to the ruling of the European Court of Justice in *Madgett & Baldwin*<sup>38</sup> but also other ECJ case law with respect to single, multiple and ancillary services.<sup>39</sup>

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<sup>37</sup> See guidelines from the Spanish VAT authorities: Dirección Xeral de Tributos - Consultas Vinculantes - VO401-07 - 27/02/2007.

<sup>38</sup> Joined cases C-308/96 and C-94/97, *Madgett & Baldwin/The Howden Court Hotel*, 22 October 1998, para 24;

<sup>39</sup> C-231/94, *Faaborg-Gelting Linien A/S*, 2 May 1996, para 12 - 14; C-349/96, *Card Protection Plan*, 25 February 1999, para 28-30; C-34/99, *Primback*, 15 May 2001, para 45; C-41/04, *Levob Verzekeringen BV*, 27 October 2005, para. 19-22;



- 199 A third issue is that the provision of certain services on board means of transport may create a fixed establishment on board of the means of transport.
- 200 In Germany, a ship, aircraft or train can potentially be considered as a fixed establishment of the supplier.<sup>40</sup>

#### 4.1.1.5 Stopover outside the Community or identification of a transport section within or outside the Community: interaction between article 31 or 55 of the VAT Directive and article 37 or 57 of the VAT Directive

- 201 A further issue concerns the taxation of a supply of goods, restaurant and catering services during a transport operation where the first and last scheduled points of passenger embarkation and disembarkation are in non-EU countries but a stopover (at which no passengers formally embark or disembark) is made in a Member State. This is a variation on Table 3 above, but with the first scheduled point of passenger embarkation and the last scheduled point of disembarkation in Morocco.
- 202 In light of the decision of the European Court of Justice in the Kohler case,<sup>41</sup> this should be considered a “stopover” but not a “point of departure” or “point of arrival”. Consequently, articles 31 and 55 of the VAT Directive should be applied to supplies of goods or of restaurant and catering services performed on the territory of the Member State.
- 203 That said, the opinions of the individual Member States vary on this particular matter. How article 31 or 55 of the VAT Directive should be applied is not clear in this case<sup>42</sup>. The reason for the varying interpretations is that the terms “embarkation” and “disembarkation” are not defined.
- 204 Due to the lack of clarity in the VAT Directive, Member States may see a stopover where passengers can get off the means of transport for an excursion and have to get on board again to continue their journey as a “point of departure” or “point of arrival”. The reason is that passengers may disembark and embark (though not formally).
- 205 The table below gives an overview of the different positions taken by Member States in the case of a stopover in the EU for a passenger transport operation that starts and ends outside the EU (i.e. the point of departure and the point of arrival are outside the EU).

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<sup>40</sup> Section 3a, para 3, sentence 6,7 of Umsatzsteueranwendungserlass (UStAE) = VAT Application Decree (applicable since 01.11.2010).

<sup>41</sup> Judgment of the ECJ of 15 September 2005, Antje Köhler v. Finanzamt Düsseldorf-Nord, Case C-58/04, paras 26-27.

<sup>42</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Goods: Q22 and Appendix 4: VAT Summary Sheet, Supply of Restaurant or Catering services: Q27.



**Table 8 – Ships, aircraft or trains –Stopover outside the Community or identification of a transport section within or outside the Community**

Interpretation of the administrative guidelines such that the stopover is not a “point of departure” or “point of arrival” (article 37 (2) or 57 (2) of the VAT Directive)	Implementation of the notion of a stopover is not correct: stopover is considered as a “point of departure” or “point of arrival” (article 37 (2) or 57 (2) of the VAT Directive)	Interpretation of the administrative guidelines such that the stopover is a “point of departure” or “point of arrival” (article 37 (2) or 57 (2) of the VAT Directive)	No guidelines are available
Finland	Austria	Belgium	Czech Republic
Italy	France	Bulgaria	Estonia
Luxembourg	Germany	Cyprus	Hungary
Malta	Ireland	Denmark	Latvia
Poland	Netherlands	Greece	Lithuania
Romania			Portugal
Slovenia			Slovakia
Spain			
Sweden			
UK			

Source: Appendix 3 ‘VAT Summary Sheet, Supply of Goods’: Q22 and Appendix 4 ‘VAT Summary Sheet, Supply of Restaurant or Catering services’: Q27

- 206 In Austria, France, Germany, Ireland and the Netherlands, a stopover is considered as a “point of departure” or “point of arrival” according to article 37 or 57 of the VAT Directive even if the passengers only get off the means of transport and come back on board to have a short visit in these countries.
- 207 In Belgium, Bulgaria, Cyprus, Denmark and Greece, it is not clear from the VAT authorities’ guidelines whether a stopover is considered as a “point of departure” or “point of arrival” according to article 37 or 57 of the VAT Directive. However, most likely, a stopover is seen as a “point of departure” or “point of arrival”.
- 208 In the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Portugal and Slovakia, there are no guidelines available to assess the situation.
- 209 In Finland, Italy, Luxembourg, Malta, Poland, Romania, Slovenia, Spain, Sweden and the UK, the guidelines could be interpreted such that the stopover should not be considered as a “point of departure” or “point of arrival”, according to article 37 or 57 of the VAT Directive.
- 210 As a result, the place-of-supply rules for transport sections outside the EU apply so that the supply of goods, restaurant and catering services would only be taxable in these EU Member States where they physically take place in their national territory or in their national waters.



- 211 The different definitions necessary to determine which place-of-supply rules apply are very complex and lead to a lot of misinterpretation and differing interpretations, including amongst tax practitioners. As we have seen above, this is particularly the case with the terms “stopover”, “point of departure” and “point of arrival”. Given that five Member States already consider a “stopover” as a “point of departure” for passenger transport taking place only in the EU, the situation becomes even more blurred if the passenger transport takes place outside the EU with a “stopover” in the EU.

#### *4.1.2 Other means of transport (e.g. coaches)*

##### *4.1.2.1 Supply of goods for consumption and for take-away or the supply of restaurant and catering services during a transport section within or outside the Community (Application of articles 31 and 55 of the VAT Directive)*

- 212 The place of supply of goods, restaurant and catering services on board other means of transport (e.g. coaches) during a transport operation within the Community should be where the goods are located at the time when the supply takes place, according to articles 31 of the VAT Directive or where the restaurant and catering services are physically carried out according to article 55 of the VAT Directive.
- 213 This rule has been correctly implemented for supplies on other means of transport in all 27 Member States.<sup>43</sup>

##### *4.1.2.2 Supply of other services*

- 214 As explained in point 149, in practice, the supply of other services does not occur very often on board other means of transport (e.g. coaches).
- 215 No review has been done of the VAT treatment in the 27 Member States regarding the supply of other services.

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<sup>43</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Goods: Q23 and Appendix 4: VAT Summary Sheet, Supply of Restaurant or Catering services: Q28.



## 4.2 *Practical issues identified by stakeholders*

### 4.2.1 *Ships, aircraft or trains*

#### 4.2.1.1 *Supply of goods for consumption and for take-away or the supply of restaurant and catering services during a transport section within or outside the Community on board aircraft and trains*

- 216 A couple of stakeholders said that it is excessively difficult to apply the above rules in practice, particularly because they mainly ply between two Member States and have to tax “buy-on-board” transactions differently on the return trip. Therefore, some stakeholders simply charge the VAT of one Member State (including for the return trip). The reasons have more to do with current IT systems being unable to cope with the different VAT rates and the administrative burden of registering and bookkeeping for VAT than with the complexity of the place-of-supply rules.

#### 4.2.1.2 *Supply of goods for consumption and for take-away or the supply of restaurant and catering services during a transport section within or outside the Community on board ships (cruise and ferry)*

- 217 Another stakeholder raised the issue of unscheduled stopovers (e.g. if the captain decides to stop at another location than initially scheduled due to weather conditions, political unrest, etc.). In that case, it is unclear how the VAT treatment of on-board transactions is affected. This particular issue was not an element of the questionnaire sent out to the PwC network and consequently, we cannot assess how Member States deal with this particular issue in practice. However, it is clear that, if article 31 or 55 of the VAT Directive must be applied, it is impossible for a transport operator to charge the correct VAT if his IT systems do not cover the country in which the unscheduled stopover is made.
- 218 Some stakeholders also point to an issue of possible double taxation if a non-EU country were to tax all “buy-on-board” transactions on ships sailing under its flag. However, no practical examples of effective double taxation were given.
- 219 One stakeholder confirmed that he applies the Tour Operator Margin Scheme to all “buy-on-board” transactions. Although the European Court of Justice has recently decided that the Tour Operator Margin Scheme should not be applied for transactions that are delivered separately from a total travel package<sup>44</sup>, it is clear that some stakeholders still apply this practice.
- 220 Another stakeholder performing only intra-EU transport services, mentioned that he determines the place of supply of restaurant and catering services according to the distances covered in the Member State where the transport operation takes place.

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<sup>44</sup> Judgment of the ECJ of 9 December 2010, Case Minerva Kulturreisen GmbH, C-31/10 (no. 23).



- 221 Stakeholders active in the cruise business find it difficult to apply two different sets of rules (i.e. articles 37 and 57 of the VAT Directive on the one hand and articles 31 and 55 of the VAT Directive on the other hand), especially given that different Member States interpret the term “stopover” differently (see above).
- 222 Many stakeholders asked for uniform and practical solutions to apply the place-of-supply rules in order to avoid distortion of competition. One example raised to illustrate this issue, in respect of ships or aircraft, is the geographical location of the (air)port, which may have an impact on the place-of-supply rules. The “physical” place-of-supply rule of article 31 or 55 of the VAT Directive could procure an advantage for some stakeholders over others. The stakeholders take the view that such advantages could lead to market distortions. For example, in Germany, the port of Hamburg is 115 km<sup>45</sup> from the high seas, and therefore a long time elapses after setting sail before ships physically leave German territory: “buy-on-board” transactions could then only be out of scope of German VAT after the ship has sailed the 115 km distance. Ports which are closer to the international waters therefore would have a competitive advantage.
- 223 It should also be mentioned that the Spanish VAT authorities have concluded that it is very difficult to identify the part of supplies of goods or restaurant and catering services that are subject to Spanish VAT, and have therefore asked transport operators themselves to come up with a reasonable approach.
- 224 At the same time, stakeholders are aware that the “point of departure” principle, or even the “place of establishment/incorporation of the supplier” principle in the case of the supply of goods, restaurant and catering services during an international transport operation departing from a Member State to a non-EU country, could equally lead to market distortions. Indeed transport operators established in or departing from a Member State where there is a VAT exemption, or established outside the EU would have an economic advantage.

#### 4.2.1.3 Supply of other services on board ships (cruise and ferry)

- 225 Based on our consultation, only stakeholders operating cruises and ferries provided input with respect to other services supplied on board, as these are probably the only stakeholders who supply these services on a regular basis. It should be noted that a lot of these operators also grant concessions to third parties to provide other services on board of their ships.
- 226 One stakeholder raised the issue of the place of establishment of the supplier. A supplier could either be established on shore or on board if the supplier has sufficient human and technical resources on board to provide the services. This leads to complexities regarding the determination of the place of supply.
- 227 In respect of services rendered to non-taxable persons, one stakeholder indicated that he determines the place-of-supply rules for the supply of services other than restaurant and catering services or the admission to events depending on the nature of the cruise (all-EU or not all-EU) and the country of departure or port of call (intermediate stop for a ship on its sailing itinerary).

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<sup>45</sup> <http://www.hafen-hamburg.de/en/content/gateway-world-%E2%80%93-heart-europe>.

- 228 For example, when conducting an “all-EU cruise” out of Spain, the stakeholder collects Spanish VAT on beauty parlour services, e.g. Botox and acupuncture administered by a non-medical professional. However, no Spanish VAT is collected on tuxedo rentals or laundry services. Services provided on board cruise ships that stop outside the EU are not subjected to VAT.
- 229 In this respect, the fact that different place-of-supply rules apply depending on the itinerary of the cruise creates issues. The design of a variety of itineraries will mean the ship’s personnel have to deal with different rules from week to week.
- 230 This complexity causes a VAT burden on the crew and third-party providers and creates room for errors and incorrect application of the VAT rules.

#### 4.2.2 *Other means of transport (e.g. coaches)*

##### 4.2.2.1 Supply of goods for consumption and for take-away or the supply of restaurant and catering services during a transport section within or outside the Community

- 231 One stakeholder said that there are no supplies on board in the bus & coach travel market and no difficulties have been experienced in applying the VAT rules in the past.
- 232 Even if supplies of goods or restaurant and catering services are performed, they relate only to goods or services of minor value (e.g. soft drinks, snacks, etc.). Consequently, to charge the VAT of different Member States would entail a disproportionate cost. In practice, small stakeholders performing supplies of goods or restaurant and catering services charge the VAT of the country in which they are established (e.g. an international ski trip by coach from the Netherlands to Austria on a Dutch coach: Dutch VAT is charged).

##### 4.2.2.2 Supply of other services

- 233 As explained in paragraph 149, in practice, the supply of other services does not occur very often on board other means of transport (e.g. coaches).
- 234 There are no practical issues identified by stakeholders regarding the supply of other services.



## ***4.3 Exemption for the supply of goods or services for consumption by passengers on board means of transport***

### ***4.3.1 Review of VAT rules in the 27 Member States***

#### ***4.3.1.1 Supplies of goods on board ships, aircraft and trains***

- 235 Member States may claim an exemption (and deduct the VAT paid at the preceding stage) on supplies of goods for consumption on board ships, aircraft or trains during the section of a passenger transport operation effected within the Community, according to article 37(3) of the VAT Directive.
- 236 The option to exempt with a right to deduct VAT paid at the preceding stage, only applies in respect of supplies of goods on board ships, aircraft or trains that are taxable at the point of departure of the passenger transport operation.
- 237 The following twelve Member States exempt the supply of goods on board ships, aircraft or trains<sup>46</sup>. Below, we explain the applicable rules in more detail.

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<sup>46</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Goods: Q6.

**Table 9 – Exemption for supplies of goods on board ships, aircraft and trains**

Not subject to VAT	Subject to VAT
Denmark	Austria
Estonia	Belgium
Finland	Bulgaria
France	Cyprus
Hungary	Czech Republic
Ireland	Germany
Italy	Greece
Malta	Latvia
Netherlands	Lithuania
Slovakia	Luxembourg
Sweden	Poland
UK	Portugal
	Romania
	Slovenia
	Spain

Source: Appendix 3 'VAT Summary Sheet, Supply of Goods': Q6

- 238 Hungary exempts supplies of goods on board ships, aircraft and trains.<sup>47</sup>
- 239 In Denmark, the exemption applies to supplies of goods on board aircraft during and outside the section of passenger transport operations effected within the Community. As regards supplies of goods on board ships, the exemption only applies to supplies of goods outside the section of passenger transport operations effected within the Community.<sup>48</sup>
- 240 Estonia<sup>49</sup>, Finland<sup>50</sup>, France<sup>51</sup>, Ireland<sup>52</sup>, Italy<sup>53</sup>, the Netherlands<sup>54</sup> and Sweden<sup>55</sup> only exempt supplies of goods on board ships and aircraft.

<sup>47</sup> See section 106 of Act CXXVII 2007.

<sup>48</sup> See par. 34, section 1, 9 and par. 34, section 1, 12 of the Danish VAT Act.

<sup>49</sup> See section § 15(3)(3) and § 15 (3)(4) of the Estonian VAT Code.

<sup>50</sup> See section 70 (7) of the Finnish VAT Act.

<sup>51</sup> French Guidelines n° 3 A-7-93 dated 6 August 1993 [...] "SECTION 4 - CAS PARTICULIER DES VENTES A BORD D'UN BATEAU OU D'UN AERONEF



- 241 Malta only exempts supplies of goods on board ships.<sup>56</sup>
- 242 Slovakia only exempts supplies of goods on board aircraft. The exemption only applies to supplies of goods outside the section of passenger transport operations effected within the Community.<sup>57</sup>
- 243 We also want to refer to section 4.1.1.1 above, in which it is stated that Sweden and the UK define the place of supply of goods for consumption on board is taxable outside Sweden and the UK respectively.

#### 4.3.1.2 Supply of restaurant and catering services for consumption on board ships, aircraft or trains

- 244 There is no option to exempt the supply of restaurant and catering services for consumption on board ships, aircraft or trains.
- 245 However, the following ten Member States exempt the supply of restaurant and catering services for consumption on board ships or aircraft.<sup>58</sup> The rules are explained in more detail below.

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<sup>52</sup> See Schedule 2 – ‘Zero rated goods and services, part 1 – international supplies’, par. 7(6)(b) of the Irish VAT Consolidation Act 2010.

<sup>53</sup> Art. 8-bis of Presidential Decree n. 633/1972

<sup>54</sup> See article 9 and Table II of the Dutch VAT Code.

<sup>55</sup> See Chapter 5 §3a, p.5 and chapter 5 §2b of the Swedish VAT Act.

<sup>56</sup> See item 12 of the Fifth Schedule of the Maltese VAT Act.

<sup>57</sup> See article 47, par. 4 of VAT Act no 222/2004.

<sup>58</sup> For more information, please see Appendix 4: VAT Summary Sheet, Supply of Restaurant or Catering services: Q13. Germany only exempts the supply of restaurant and catering services on board of ships.

**Table 10 – Exemption for the supply of restaurant and catering services for consumption on board ships, aircraft or trains**

Not subject to VAT	Subject to VAT
Belgium	Austria
Denmark	Bulgaria
Estonia	Cyprus
Finland	Czech Republic
Germany	Greece
Ireland	France
Italy	Hungary
Netherlands	Latvia
Sweden	Lithuania
UK	Luxembourg
	Malta
	Poland
	Portugal
	Romania
	Slovakia
	Slovenia
	Spain

Source: Appendix 4 'VAT Summary Sheet, Supply of Restaurant or Catering services': Q13

- 246 In Belgium<sup>59</sup> and Denmark<sup>60</sup>, until further notice, the VAT authorities exempt with deductibility of the VAT paid at the preceding stage, the supply of restaurant and catering services on board ships or aircraft on international routes.
- 247 In Estonia<sup>61</sup>, Finland<sup>62</sup>, Ireland<sup>63</sup>, Italy<sup>64</sup> and the Netherlands<sup>65</sup>, the VAT exemption applies for the supply of restaurant and catering services on board ships and aircraft.

<sup>59</sup> See R.D. no. 6 of 27 December 1977, Circular letter 70/083 dated 15 December 1970.

<sup>60</sup> See SKM 2008.949 SKAT.

<sup>61</sup> See section § 15 (4)(2) of the Estonian VAT Code.

<sup>62</sup> See section 71(3) of the Finnish VAT Act.

- 248 In Germany, the VAT exemption only applies for the supply of restaurant and catering services on board ships.<sup>66</sup>
- 249 The supply of restaurant and catering services for consumption on board ships and aircraft is taxable outside Sweden (see also section 4.1.1.1 above).
- 250 There would also be no UK VAT due on the supply of restaurant and catering services because these transactions are treated as a supply of goods which is taxable outside the UK (see also paragraphs 243 and 272).<sup>67</sup>
- 251 No Member State exempts the supply of restaurant and catering services for consumption on board trains.

#### 4.3.1.3 Supply of goods on board other means of transport (e.g. coaches)

- 252 No Member State exempts the supply of goods and the supply of restaurant and catering services for consumption on board other means of transport (e.g. coaches).

#### 4.3.2 Practical issues identified by stakeholders

- 253 The below overview of the practical issues identified by stakeholders all comes from the cruise and ferry industry.
- 254 The stakeholders did not raise specific issues with the exemption as such. However, a lot of stakeholders have difficulties with complying with different sets of rules in different countries (see above) and identifying when certain rules apply.
- 255 Some stakeholders suggested exempting all “buy-on-board” transactions in order to simplify compliance.
- 256 One stakeholder said that no “buy-on-board” transactions take place in the bus and coach travel market and no difficulties have been experienced with applying the VAT rules in the past.
- 257 One stakeholder who is established outside the EU indicated that many of its customers are non-EU citizens. The stakeholder claimed that these customers would be entitled to get refund of input VAT charged on the supply of goods for consumption on board and for take-way and for restaurant and catering services. The VAT refund would be facilitated by means of Global Refund Cheques, but it imposes yet another compliance burden on the supplier (see also section 4.5.2).

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<sup>63</sup> See par. (ia) Schedule B ‘Goods and services chargeable at the zero-rate’, Revenue VAT Guide – July 2008.

<sup>64</sup> See Article 8-bis of the Presidential Decree no 633/1972.

<sup>65</sup> See article 9 and Table II of the Dutch VAT Code.

<sup>66</sup> See Sec. 4 no. 6 e) UStG.

<sup>67</sup> See VAT Order Act(SI 2004/3148).



## 4.4 *Specific issues identified for “on-board consumption” and “restaurant and catering services” from a VAT perspective*

258 In our analysis, we have identified two important distinctions:

- the definition of “consumption on board”;
- the definition of “restaurant and catering services”.

259 The differences in the interpretation of these two terms among the Member States can materially affect the VAT treatment of one and the same “buy-on-board” transaction. Certain Member States have adopted the option to exempt **supplies of goods** for consumption on board, with deductibility of the VAT paid at the preceding stage.<sup>68</sup> The VAT Directive does not allow for such an exemption for supplies of goods for take-away or for restaurant and catering services on board ships, aircraft or trains.

### 4.4.1 *Review of VAT rules in the 27 Member States*

#### 4.4.1.1 *Interpretation of consumption on board means of transport<sup>69</sup>*

260 Only Cyprus, Denmark, Ireland, Italy and the UK provide official guidance on how the term “consumption on board” should be interpreted.

261 In Cyprus, Circular 84 issued by the VAT authorities defines supplies as those that are not accompanied by support services for the purposes of consumption of the relevant goods.<sup>70</sup>

262 Denmark has issued Ministerial Order on Customs Clearance no. 361 of 22 March 2010, and the VAT authorities have issued administrative guidelines and special authorisations on the zero-rating of supplies on board aircraft and ships.

263 In Ireland, the goods must be in a suitable form and of a suitable quality to be consumed on board a means of transport. The Irish VAT rules do not, however, provide any further specific guidance. It might also be noted that the Irish VAT Consolidation Act gives guidance on the supply of food and beverages by means of vending machines.<sup>71</sup>

264 A similar principle is applied by the UK tax authorities. However, the UK guidance gives precise examples of goods that are “consumed on board” and goods that are not considered to be “consumed on board” (e.g. depending on the size of a soft drink bottle or how goods are wrapped).

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<sup>68</sup> Article 37(3) of the VAT Directive.

<sup>69</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Goods: Q15.

<sup>70</sup> VAT Circular 84A, point A, first paragraph, issued by the VAT authorities on 2 July 2004.

<sup>71</sup> Section 25(2) VAT Consolidation Act 2010.



- 265 In Italy, the Customs Act states that a supply of goods for on-board consumption is deemed to include any kind of consumer goods that might satisfy the normal needs of the passengers and the crew.

#### 4.4.1.2 Interpretation of restaurant and catering services<sup>72</sup>

- 266 Restaurant and catering services consist of the supply of prepared or unprepared food or beverages or both, for human consumption, accompanied by sufficient support services allowing their immediate consumption. These services are characterised by a cluster of features and acts of which the provision of food or beverages is only one component and in which services have to predominate.
- 267 This definition of restaurant and catering services is based on the wording of the European Court of Justice ruling in the case of Faaborg-Gelting Linien<sup>73</sup> and has now been built into the Council Implementing Regulation laying down implementing measures for Directive 2006/112/EC on the common system of value added tax (recast).<sup>74</sup> It is now also further defined by the European Court of Justice in the joined cases C-497/09, C-499/09, C-501/09 and C-502/09<sup>75</sup> (see also paragraph 274, below).
- 268 23 Member States currently adhere to the definition of Faaborg-Gelting Linien. The Czech Republic, Greece, Poland and the UK do not adhere to this definition.
- 269 It is to be noted that 12 Member States have issued official guidelines defining restaurant services. This is the case for Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, France, Germany, Greece, Portugal, Romania, Spain and Sweden.
- 270 In the Czech Republic, the fact that the services need to predominate is not mentioned.
- 271 Greece takes the view that, once goods can be consumed on board, the “buy-on-board” transaction is considered a restaurant and catering service and not a supply of goods.<sup>76</sup>
- 272 By contrast, in the UK, restaurant and catering services in line with the above definitions are treated as a supply of goods, and are outside the scope of UK VAT if supplied for consumption on board means of transport plying intra-Community or international passenger routes (see also section 4.1.1.1).<sup>77</sup>
- 273 In Poland, restaurant services are defined on the basis of the Polish classification of goods and services.

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<sup>72</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Restaurant or Catering services: Q1 - Q3.

<sup>73</sup> Judgment of the ECJ of 2 May 1996, Faaborg-Gelting Linien A/S v. Finanzamt Flensburg, Case C-231/94, paras 12.

<sup>74</sup> Article 6 Council Implementing Regulation.

<sup>75</sup> See footnote 1.

<sup>76</sup> Section 8(2)(b) Greek VAT Code and Ministerial Circular POL 10/1987, article 8.

<sup>77</sup> Customs & Excise Guidance Manuals VATPOSTR2300.  
[www.hmrc.gov.uk/manuals/vatpostrmanual/vatpostr2300.htm](http://www.hmrc.gov.uk/manuals/vatpostrmanual/vatpostr2300.htm).



- 274 The recent judgment of the European Court of Justice should be held against the light of the above-mentioned definition of restaurant or catering services.<sup>78</sup> The judgment adds a layer to the definition of restaurant and catering services by excluding the supply of food or meals ready for “*immediate consumption*” whereby the support services only consists of (i) summary and standardised preparation being intrinsic to the supply of the meal and (ii) the provision of rudimentary facilities to enable a limited number of customers to consume the food on the spot (e.g. mobile snack bars at weekly markets). The sole supply of these two support services would then be of a merely ancillary and subordinate nature to the supply of goods.
- 275 In such case, the support services are only services which necessarily accompany the marketing of the goods. The services are not tailored to the order of the individual customer. As this case was only decided on 10 March 2011, we could not take this into account when reviewing the positions taken by the different Member States.

#### 4.4.2 *Practical issues identified by stakeholders*

- 276 Two stakeholders raised the particular issue of the differing interpretations by Member States of supplies of goods for consumption on board (especially foodstuff), on the one hand, and supplies of restaurant and catering services, on the other hand, because the two forms of supply are subject to different VAT rates. The difference leads to difficulties in programming the cash registers used to register “buy-on-board” transactions (see also section 4.5.2 ).

#### 4.4.3 *Other comments*

- 277 Except for the Czech Republic, Greece, Poland and the UK, it is clear that most Member States have formally adopted the interpretation of restaurant and catering services. Consequently, we do not see a significant impact on local VAT legislation by the new Council Regulation laying down implementing measures for Directive 2006/112/EC on the common system of value added tax.
- 278 Also the impact of the judgment of the European Court of Justice in joined cases C-497/09, C-499/09, C-501/09 and C-502/09 needs to be reviewed as a number of the supplies on board will, in our opinion, qualify for supplies of goods due to the lack of “sufficient support services”. Further guidance will however be required to create a common interpretation and define when support services are sufficient.

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<sup>78</sup> See footnote 1.



## **4.5      *Administrative formalities in the hands of the supplier (e.g. VAT registration and VAT compliance)***

### **4.5.1    *Review of VAT rules in the 27 Member States***

- 279      In all Member States,<sup>79</sup> non-established suppliers are liable to register for VAT purposes for supplies of goods and restaurant and catering services on board ships, aircraft and trains, if they are liable for the VAT. There are no special simplifications or schemes provided in this respect. It should be noted that a lot of Member States apply a general reverse charge mechanism for non-established suppliers and have a VAT registration threshold. However, this is not a special scheme applicable for “buy on-board” transactions.
- 280      Twenty-four Member States require invoices to be issued to taxable persons or non-taxable legal persons for supplies of goods, restaurant and catering services for consumption on board means of transport.<sup>80</sup>

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<sup>79</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Goods: Q8 and Appendix 4: VAT Summary Sheet, Supply of Restaurant or Catering services: Q16.

<sup>80</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Goods: Q11 and Appendix 4: VAT Summary Sheet, Supply of Restaurant or Catering services: Q18.

**Table 11 – Requirement to issue invoices**

Requirement to issue invoices	Requirement to issue invoices (cont'd)
Austria	Lithuania
Belgium	Luxembourg
Bulgaria	Malta
Cyprus	Romania
Czech Republic	Slovakia
Denmark	Slovenia
Finland	Spain
France	Sweden
Germany	Netherlands
Greece	UK
Hungary	
Ireland	
Italy	
Latvia	

Source: Appendix 3 'VAT Summary Sheet, Supply of Goods': Q11 and Appendix 4 'VAT Summary Sheet, Supply of Restaurant or Catering services': Q18

- 281 In Estonia, the supplier should not issue invoices if he is not registered for VAT purposes because he can claim the VAT exemption for supplies of "buy-on-board" transactions for ships and aircraft.
- 282 In Poland and Portugal, the invoice may be replaced by a cash receipt from a cash register provided it includes all the necessary invoice requirements according to national VAT law.
- 283 Some Member States require, in certain situations, cash receipts to be issued to non-taxable persons for the supply of goods and restaurant and catering services for consumption on board means of transport.<sup>81</sup>

<sup>81</sup> For more information, please see Appendix 3: VAT Summary Sheet, Supply of Goods: Q12 and Appendix 4: VAT Summary Sheet, Supply of Restaurant or Catering services: Q19.



**Table 12 – Requirement to issue cash receipts**

Requirement to issue cash receipts	No requirement to issue cash receipts
Belgium	Austria
Bulgaria	Czech Republic
Cyprus	Estonia
Denmark	Finland
France	Ireland
Germany	Luxembourg
Greece	Slovakia
Hungary	UK
Italy	
Latvia	
Lithuania	
Malta	
Poland	
Portugal	
Romania	
Slovakia	
Sweden	
Spain	
Netherlands	

Source: Appendix 3 'VAT Summary Sheet, Supply of Goods': Q12 and Appendix 4 'VAT Summary Sheet, Supply of Restaurant or Catering services': Q19

- 284 In Estonia, the supplier should not issue a specific document if he is not registered for VAT purposes because he can claim the VAT exemption for supplies of “buy-on-board” transactions for ships and aircraft.
- 285 In Austria, the Czech Republic, Finland, Ireland, Luxembourg, Slovenia or the UK, suppliers should not issue a specific document either if the goods or services are supplied to non-taxable private individuals.
- 286 In Belgium, a cash receipt is required for restaurant services.
- 287 In Malta, the supplier should issue cash receipts for supplies of goods and restaurant and catering services for consumption on board ships.



## 4.5.2 *Practical issues identified by stakeholders*

### 4.5.2.1 *Aircraft and trains*

- 288 Some stakeholders informed us that they are registered for VAT purposes in their Member State of establishment plus in one or more other Member States.
- 289 One stakeholder from the aircraft industry took the view that the current place-of-supply rules lead to too much compliance costs and do not meet the test of proportionality.

### 4.5.2.2 *Ships (Cruise and Ferry)*

- 290 Some stakeholders informed us that they are registered for VAT purposes in their Member State of establishment plus in one or more other states.
- 291 The obligation to register for VAT purposes and the VAT compliance obligations resulting from such registration constitute a heavy burden on them.
- 292 For example, each Member State imposes its own regulations regarding the technical requirements for the cash register to be used for sales to non-taxable private individuals before it can be used in that Member State.
- 293 If we assume that the same cash register can be used in more than one Member State, there is still the issue of VAT rates. Stakeholders pointed to the practical issue that most cash registers do not allow the use of more than two or three different VAT rates.
- 294 In addition, having to apply different VAT rates of different Member States and to collect VAT in the relevant currency makes it very difficult for certain stakeholders to set prices properly.
- 295 Another stakeholder whose business is established outside the EU faces VAT compliance issues as he has to engage local advisors to prepare the VAT returns and assist with compliance because of the unique rules of each country, the language barriers, etc. He also encountered difficulties to set up bank accounts in certain countries (Spain) because there is no possibility to pay the VAT due from a non-Spanish bank account.
- 296 Some stakeholders also point out that it is difficult to grasp the different places of taxation for excise duty and VAT purposes in respect of the supply of alcoholic drinks.
- 297 Two stakeholders took the view that the current place-of-supply rules lead to too much compliance costs and do not meet the test of proportionality.

### 4.5.3 *Other comments*

- 298 Based on the interviews held and feedback received from stakeholders, the legal requirements in terms of VAT compliance and IT are a major source of concern.
- 299 However, only one stakeholder was able to give a rudimentary quantification of the related compliance costs. The one stakeholder is a large cruise passenger transport operator that is registered for VAT purposes in 17 Member States. The compliance cost to file the VAT returns correctly in one country is estimated at EUR 50,000 per year. The compliance cost is estimated amongst others as the cost of a VAT consultant to prepare or to review the VAT return. According to their estimate, it is a “fixed” cost, regardless of the actual VAT amount due.



- 300 The compliance costs are further increased if one also calculates the cost of investment in hardware, such as cash registers (EUR 500,000 per vessel), or software (EUR 3,000,000 in total).
- 301 The indirect compliance costs would amount to EUR 200,000 a year (e.g. training personnel to learn the relevant changes in national VAT legislation).



## 4.6 Conclusion

### 4.6.1 Review of VAT treatment in the 27 Member States

- 302 During our review of the VAT treatment in the 27 Member States of the supply of goods and services, including restaurant and catering services on board ships, aircraft, trains and other means of transport (e.g. coaches), we have identified three main issues.

#### 4.6.1.1 High complexity and differing interpretations of the place-of-supply rules for different means of transport

- 303 The place-of-supply rules differ according to the means of transport used, the itinerary taken and the nature of the transaction. Because of the lack of clarity or harmonisation in the definition of terms related to a travel itinerary (“stopover”, “point of departure”, “point of arrival”, “scheduled”, “embarkation”, “disembarkation”) and the different rules applicable to sections in the Community and sections outside the Community, it is very difficult for transport operators to implement suitable criteria in their systems and thus correctly identify the place of supply. This is especially true for transport operators in the maritime travel market, which are flexible as regards their itinerary. The nature of the transaction (supply of goods or supply of services) is seen less as involving an issue as to the determination of the place of supply and more one of the rate of VAT to be charged (point 4.6.1.2, below).

#### 4.6.1.2 High complexity and different interpretation on the level of taxation of “buy-on-board” transactions

- 304 Several Member States apply an exemption with a right to deduct VAT, but not in a harmonised way. This is due to the optional nature of the exemption and the lack of clear definitions for terms relative to “buy-on-board” transactions. Where no exemption applies, there is a large discrepancy between standard and reduced VAT rates within the 27 Member States. The input from the stakeholders shows that this is a major issue.

#### 4.6.1.3 Different compliance obligations in different Member States

- 305 Because international transport operators are very often liable to pay VAT in a number of Member States (at least two if they perform international return trips within the EU only), they are faced with multiple VAT registrations and, consequently, issues in complying with the divergent VAT obligations in the 27 Member States (e.g. cash registers, VAT payment via a local bank account).

## 4.6.2 Summary overview

### 4.6.2.1 Ships, aircraft and trains

- 306 In respect of the supply of goods for consumption on board, the supply of goods to take away, the supply of restaurant and catering services and the supply of other services on board ships, aircraft and trains, we have placed the 27 Member States in the following five categories.
1. Member States correctly applying the place-of-supply rules and the exemption rule:  
Austria, Cyprus, Hungary, Latvia, Lithuania, Luxembourg, Poland, Portugal, Romania, Slovakia and Slovenia.
  2. Member States correctly applying the place-of-supply rules, but incorrectly applying the exemption rule:  
Finland, Germany, Italy and the Netherlands.
  3. Member States incorrectly applying the place-of-supply rules and the exemption rule:  
No Member States fall into this category.
  4. Member States not having an exemption rule but incorrectly applying the place-of-supply rules: as a result, certain supplies are out of scope (although the place of supply should be within that Member State):  
Bulgaria, the Czech Republic, Estonia, France, Greece, Ireland, Malta, Spain, Sweden and the UK.
  5. Member States correctly applying the place-of-supply rules and with legal exemption provisions in line with the VAT Directive, but where the Member State's interpretation leads to the rules being applied incorrectly, or potentially incorrectly in practice:  
Belgium and Denmark.

### 4.6.2.2 Other means of transport (e.g. coaches)

- 307 In respect of the supply of goods for consumption on board, the supply of goods to take away, the supply of restaurant and catering services and the supply of other services on board other means of transport (e.g. buses or coaches), all 27 Member States correctly apply the place-of-supply rules.
- 308 There is no Member State that exempts these supplies on board other means of transport (e.g. buses or coaches).



## 5 *Overview of the economic data in the 27 Member States*

### 5.1 *Introduction*

- 309 This chapter aims to present economic data regarding supplies of goods and services on board means of transport: it covers four passenger transport modes (Air, Maritime, Railway and Long-distance bus and coach).
- 310 This chapter does not deal with the passenger transport sector in general.
- 311 It is pointed out that there is no economic data available for hospitality businesses providing goods and/or services on board means of transport (including data on number of operators, turnover or employment).

#### 5.1.1 *Approach & Methodology*

- 312 In order to ensure data comparability, quantitative information has been collected from Eurostat databases for the year 2008. In particular, the following databases have been used:
- Eurostat National accounts;
  - Eurostat Structural business statistics (SBS);
  - Eurostat Transport.
- 313 Where specific data has not been available in Eurostat databases, other statistics sources have been checked in order to fill data gaps. In that case, extensive explanations as to data comparability are provided later in the Report.
- 314 Other statistics sources include:
- European Cruise Council, *The Cruise Industry*, (both 2009 and 2010) provides the number of employees working for cruise operators for a number of Member States and additional qualitative information on the cruise transport sector;
  - EC DG-TREN, in cooperation with Eurostat, *Energy and Transport in Figures 2010* (2010), provides general transport statistics;
  - NEA, PricewaterhouseCoopers, University of Leeds, Significance, *Situation and Perspectives of the Rail Market* (2008), provides specific data on the number of rail passenger transport companies operating international routes, by reporting country;
  - ShipPax, both *Market:09* and *Market:10* (2009 and 2010, respectively), provides data on the number of main ferry companies operating international routes;



- Steer Davies Gleave for the EC, *Study of passenger transport by coach* (2009), provides data on numbers of bus and coach passengers departing intra- and extra-EU.

315 Data presented in some of the charts in this section has been reworked by PwC. This has been done in order to present all relevant content more exhaustively and comprehensively and in order to gain additional information not available from public statistics sources. In this respect, four types of data processing have been done:

- quota or market-share: percentage of one element of a whole (e.g. number of maritime passenger transport operators as a percentage of the total number of passenger transport operators). This approach has been used for reworking the data presented in Figure 2, Figure 27, Figure 29, Figure 32 and Figure 35;
- ratio: proportion of one element to another (e.g. turnover/GDP). This approach has been used for reworking the data presented in Figure 4, Figure 10, Figure 19, Figure 25 and Figure 31;
- trend calculation by index number: an index number is an indicator of percentage average that changes in a series, starting from a base value of 100, arbitrarily assigned, and then changing in proportion to that base. This approach has been used for reworking the data presented in Figure 28, Figure 30, Figure 33 and Figure 34;
- other data processing concerns the estimation of missing information (see Figure 13, Figure 14, Figure 21 and Figure 22).

316 In all events, where data is processed, this is specified in the text or in the note to the chart and in the data description in the tables in the Appendix.

317 Eurostat SBS (2008), Eurostat Transport (2008), ShipPax (2009 and 2010), Steer Davies Gleave for the EC (2009) and other statistical sources consulted do not provide information on numbers of hospitality businesses providing goods and/or services on board means of transport within the EU. It is worth noting that PwC has surveyed associations of passenger transport industries and other stakeholders. However, the outcome of the survey did not reveal any reliable statistical data. In particular, we observed that the rate of response from the sector was low because of confidentiality restrictions.

318 Indicators relevant to the transport sector (i.e. numbers of operators, turnover and numbers of employees by mode of transport) have been extracted from statistics recently published by Eurostat for 2008, according to the new NACE Rev 2.0 classification. These figures are highly comparable and reliable because they are extracted from the same source and relate specifically to passenger transport industries, thus do not include freight transport industries. Exceptions are the indicator of the number of ferry international routes [ShipPax (2010)] and the indicator of the number of international railway passenger transport [NEA et al. (2008)].

319 Data on the number of passengers by mode of transport has been extracted from the Eurostat Transport Database. The only exception is the number of departing long-distance bus and coach passengers, which was collected from Steer Davies Gleave for the EC (2009).

320 To the maximum extent possible, we draw a distinction between intra- and extra-EU passenger transport traffic. However, if available data does not allow such a distinction to be drawn, this is specified clearly in the Report.



### 5.1.2 *Scope*

321 The analysis considers businesses supplying goods and services on board means of transport: it covers four transport modes, in the following order:

- air passenger transport;
- maritime passenger transport (which includes: 1. aggregate maritime passenger transport sector; 2. the ferry transport sub-sector; 3. the cruise sub-sector);
- railway passenger transport;
- long-distance bus and coach transport.

322 The table below sets out a detailed definition of each passenger transport sector.



**Table 13 - Detailed definition of each passenger transport sector**

Transport Sector	Definition according to Eurostat NACE Rev 2.0
Air passenger transport	<ul style="list-style-type: none"> <li>- transport of passengers by air over regular routes and on regular schedules;</li> <li>- charter flights for passengers;</li> <li>- scenic and sightseeing flights;</li> <li>- renting of air transport equipment with operator for the purpose of passenger transportation;</li> <li>- general aviation activities.</li> </ul>
Maritime passenger transport	<ul style="list-style-type: none"> <li>- transport of passengers overseas and coastal waters (i.e. both national waters and international waters), whether scheduled or not;</li> <li>- operation of excursion, cruise or sightseeing boats;</li> <li>- operation of ferries, water taxis etc.;</li> <li>- renting of pleasure boats with crew for sea and coastal water transport (e.g. for fishing cruises).</li> </ul>
Railway passenger transport	<ul style="list-style-type: none"> <li>- rail transportation of passengers using railway rolling stock on mainline networks, spread over an extensive geographic area;</li> <li>- passenger transport by interurban railways;</li> <li>- operation of sleeping cars or dining cars as an integrated service operated by railway companies.</li> </ul>
Long-distance bus and coach transport	<ul style="list-style-type: none"> <li>- scheduled long-distance bus services;</li> <li>- charters, excursions and other occasional coach services;</li> <li>- airport shuttles;</li> <li>- operation of cable cars, funiculars, ski and cable lifts if not part of urban or suburban transit systems;</li> <li>- operation of school buses and buses for transporting employees;</li> <li>- passenger transport by man- or animal-powered vehicles.</li> </ul>



### 5.1.3 *Indicators*

- 323 Where available, for each transport mode, the report presents the following information at country level:
- the number of operators;
  - the total operating turnover;
  - operating turnover as a percentage of GDP;
  - the number of employees working for operators providing transport services;
  - the number of outward passengers, including:
    - intra-EU outward cross-border passengers, which refers to passengers departing from a Member State and going to another Member State;
    - extra-EU outward cross-border passengers, which refers to passengers departing from a Member State and going outside the EU.
- 324 Depending on the specific features of each transport sector, additional indicators have been used to present information that is relevant.



### Operators

- 325 Statistics on the numbers of operators providing transport services per country are available from Eurostat SBS – with the sole exception of the ferry and cruise sub-sectors.
- 326 In addition, the Report provides figures on the number of international ferry operators according to ShipPax (2010) and the number of international operators according to NEA et al. (2008). However, it is important to note that, in these two specific cases, the indicator assumes a different dimension, thus it is not comparable with indicators extracted from Eurostat SBS.
- 327 On the one hand, the number of operators gathered from Eurostat SBS covers any public or private transport operator providing passenger transport services and established in one Member State.
- 328 On the other hand, the indicator extracted from ShipPax (2010) or NEA et al. (2008) refers to the number of international companies operating an international service in a certain Member State regardless of whether they are established in that Member State. Attention should be paid to the fact that a company established in a specific Member State may provide international transport services in more than one Member State.

### Turnover

- 329 According to Eurostat,<sup>82</sup> turnover is the total amount invoiced by a company providing passenger transport services during the period under review. This corresponds to market sales of goods or services supplied to third parties, including all duties and taxes on goods or services invoiced, with the exception of VAT.
- 330 Data on turnover is reported for the following passenger transport sectors: air, maritime, railway and long-distance bus and coach.
- 331 Statistics have been extracted from Eurostat SBS and are available for the majority of Member States.
- 332 Unfortunately, Eurostat SBS, ShipPax and other consulted sources do not provide statistics on turnover for the ferry and cruise sub-sectors.

### Employees

- 333 According to Eurostat,<sup>83</sup> the number of employees for each passenger transport sector refers to the average number of persons working for a transport operator during a given year.
- 334 Figures on numbers of employees are generally available for the four passenger transport sectors. However, data is missing for some Member States.
- 335 Unfortunately, numbers of employees are not specifically available for the ferry sub-sector while, for cruise transport services, they are only available for a few Member States.

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<sup>82</sup> See Eurostat glossary on transport statistics, available at <http://epp.eurostat.ec.europa.eu>.

<sup>83</sup> Ibidem.



### Passengers

- 336 Data on numbers of cross-border outward passengers refers to numbers of departing passengers. Exhaustive statistics on numbers of outward cross-border passengers are available from Eurostat for air, railway and ferry operations.
- 337 For the cruise sub-sector, the Report provides numbers of passengers starting a cruise for each reporting Member State without distinguishing between destinations (i.e. domestic, intra-EU and extra-EU). These indicators are provided for a limited number of Member States because not all of them have cruise services. As explained above, statistics on numbers of cross-border cruise passengers are not available.
- 338 Statistics on numbers of international passengers for bus and coach operations are available but incomplete and therefore not fully reliable.

## 5.2 Air passenger transport

339 This section presents economic and transport statistics on the civil aviation sector within the Member States. The analysis focuses on cross-border intra-Community air routes. Economic and transport indicators were collected from Eurostat SBS and Eurostat Transport.

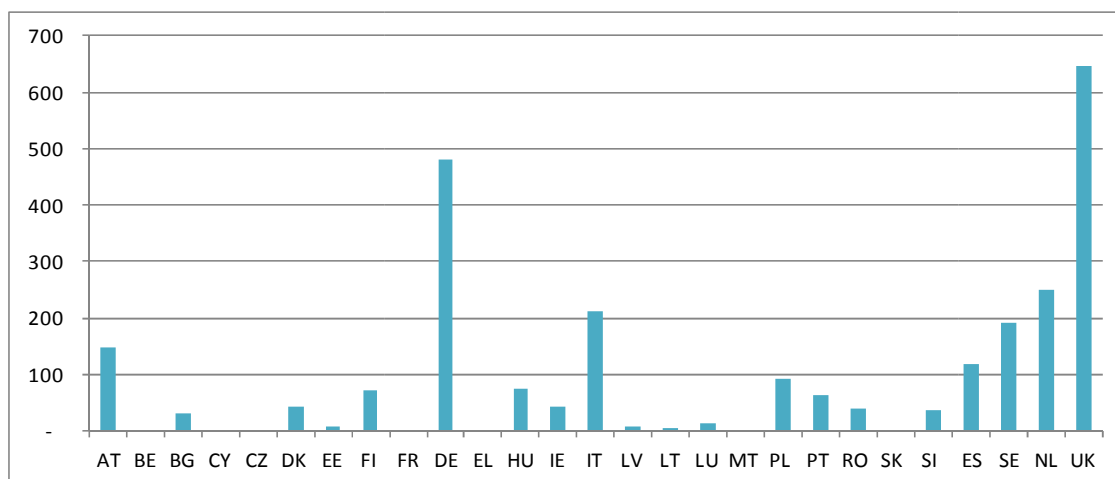
340 Appendix 5 contains a summary of market data for the air transport sector.

### Operators

341 According to Eurostat, there are 3,218 airline passenger operators in the EU. These include operators providing passenger services in the domestic, intra-EU and extra-EU markets.

342 Figure 1 shows the number of air passenger operators based in the Member States.

**Figure 1 – Number of air passenger transport operators, 2008, units of operators**

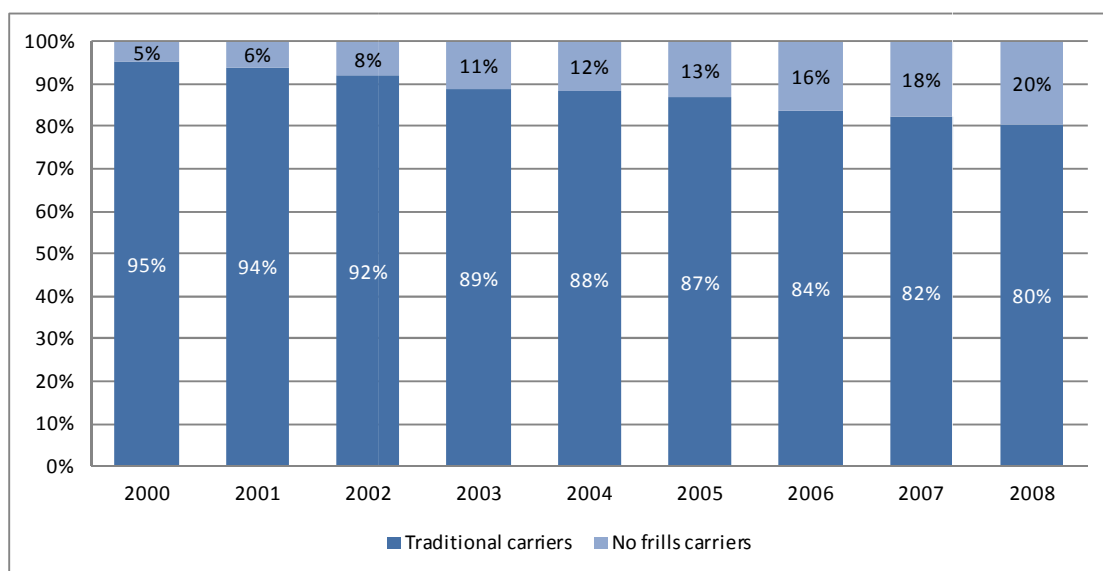


Source: Eurostat SBS (2011)

Note: no figures are available for Belgium, the Czech Republic, France, Greece, Malta or Sweden; figures for Cyprus, Estonia, Latvia and Lithuania are below 10.

343 Figure 2 shows the market shares by major traditional EU carrier versus no-frills carriers. No-frills carriers are airlines that offer low fares but eliminate all non-essential services, such as complimentary drinks and snacks, which are instead provided for sale. The market share of no-frills carriers has been constantly increasing over the observed period from 5% in 2000 to 20% in 2008.

**Figure 2 – EU market shares of major traditional carriers versus no-frills carriers in revenue air-passenger kilometres, 2000 to 2008**



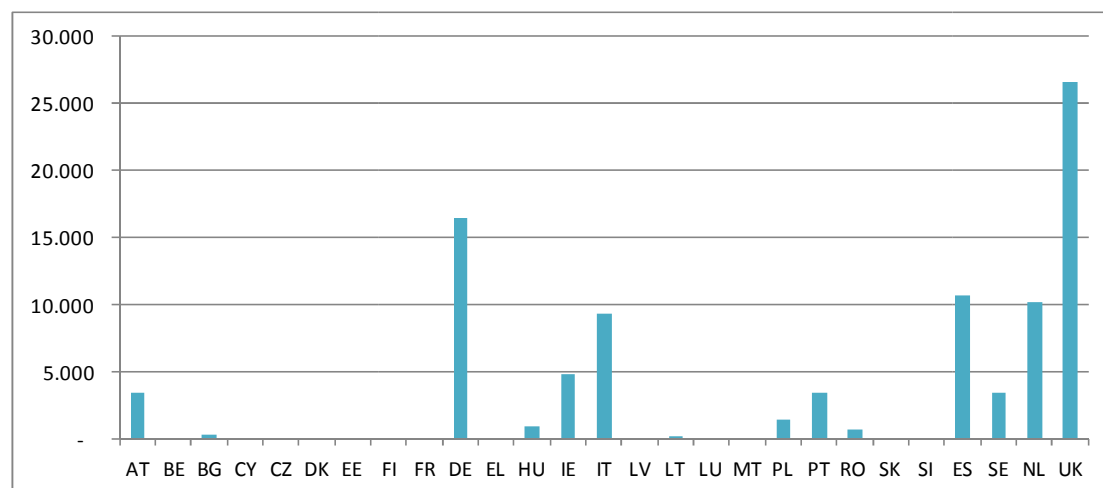
Source: Reworking of EC DG-TREN et al. Energy and Transport in Figures (2010)

Note: major carriers include airlines which plied more than 500 million revenue passenger-kilometres per annum.

### Turnover

344 Turnover is presented for EU airline companies. The most-recent Eurostat data covers 2008 and shows an overall value of EUR 128,686 million for the EU.

**Figure 3 – Turnover of air passenger transport industry in 2008, millions of euro**

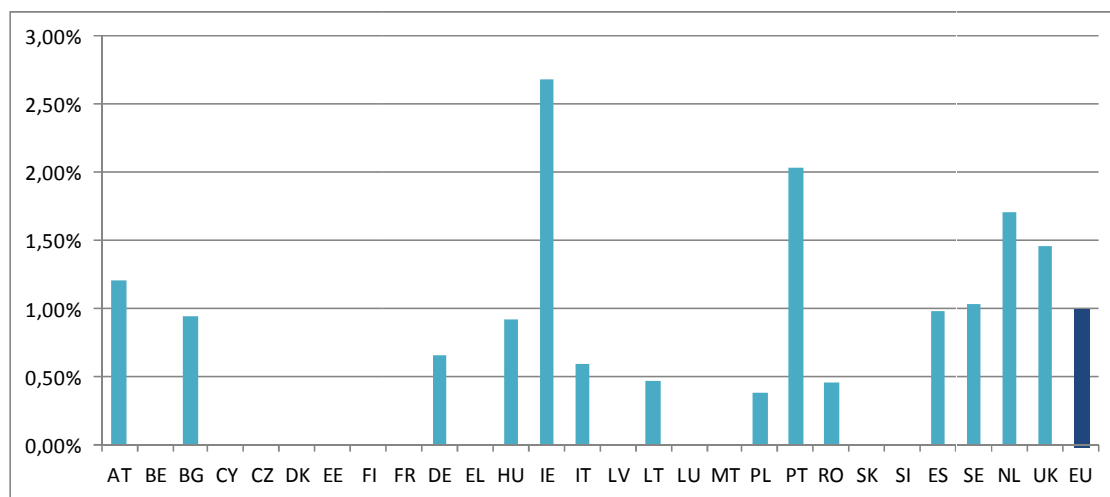


Source: Eurostat SBS (2011)

Note: no figures are available for Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Greece, Latvia, Lithuania, Malta, Slovakia or Slovenia; figures for Bulgaria and Latvia are below EUR 500 million.

- 345 The turnover share of GDP of the air transport sector in the EU was 1.0% in 2008. Figure 4 presents turnover as a percentage of GDP for each available Member State.

**Figure 4 – Turnover of air passenger transport industry as a percentage of GDP, 2008**



Source: Reworking of Eurostat SBS (2011) and Eurostat National accounts (2011)

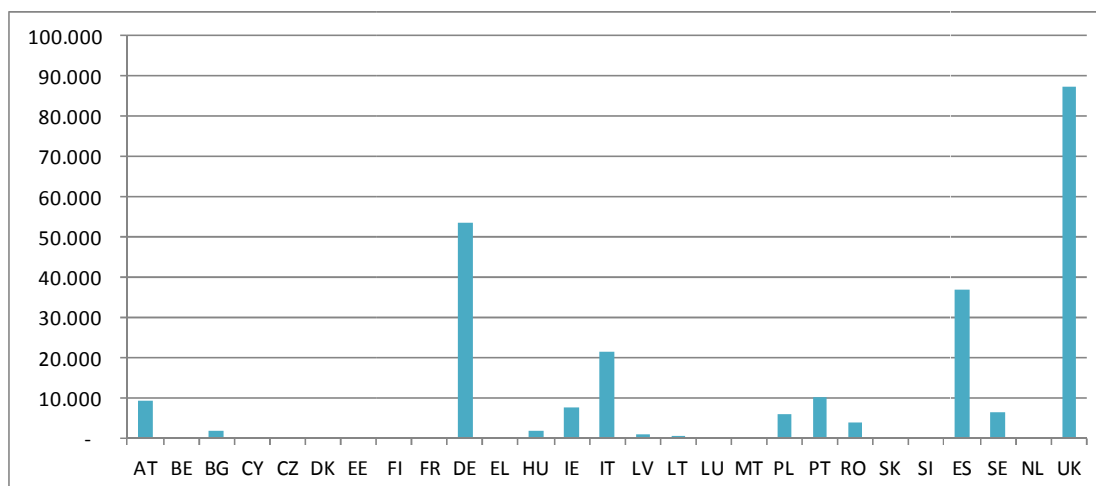
Note: no figures are available for Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Greece, Latvia, Lithuania, Luxembourg, Malta, Slovakia or Slovenia.

- 346 No data is available relating to “buy-on-board” transactions. The percentage of turnover in the total turnover of the air passenger transport sector relating to “buy-on-board” transactions generated by airline operators is not available.

### Employees

- 347 The number of employees is shown for all airline operators based in the EU providing passenger services in the domestic, intra-EU and extra-EU markets. As indicated in the note to Figure 5, numbers of employees are unknown for some Member States. The overall number of employees in EU was about 3,900,000 in 2008.

**Figure 5 – Employment in the air passenger transport industry, 2008, unit of employees**

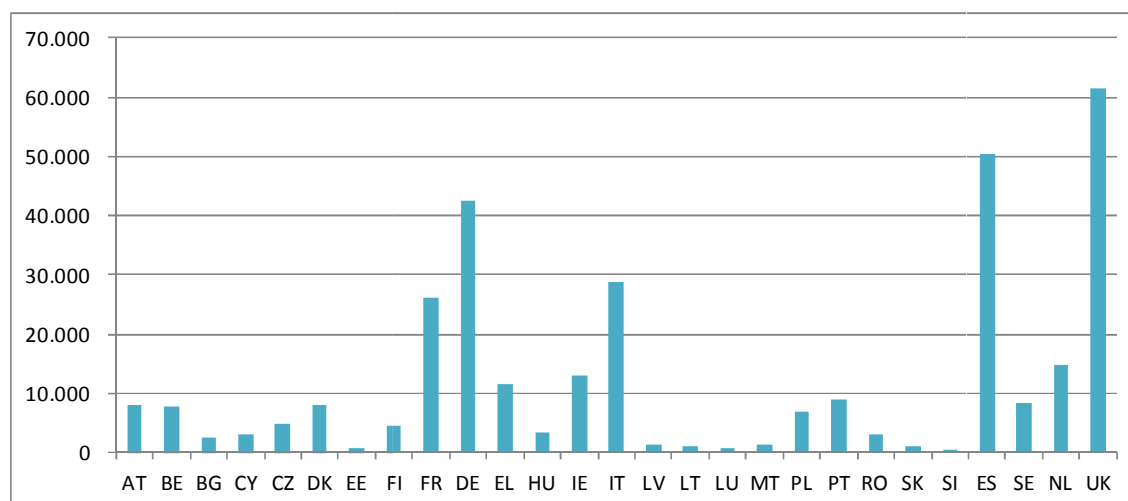


Source: Eurostat SBS (2011) – Note: no figures are available for Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Greece, Luxembourg, Malta, Slovakia, Slovenia or the Netherlands; figures for Latvia and Lithuania are below 1,500.

### Passengers

- 348 The number of outward passengers is provided for each reporting Member State in the intra-EU and extra-EU markets, respectively. Information is extracted from the Eurostat Transport database and refers to 2008.
- 349 Figure 6 presents the number of international intra-EU outward air passengers by reporting Member State.

**Figure 6 – Number of intra-EU cross-border outward air passengers, 2008, thousands**

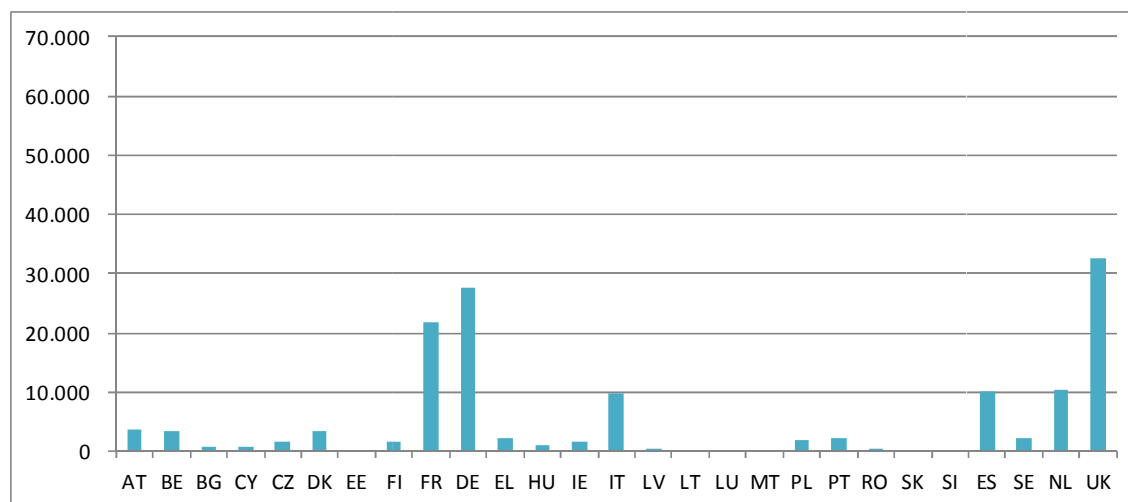


Source: Eurostat Transport (2010)

- 350 Figure 7 shows the number of extra-EU outward air passengers by reporting Member State.



**Figure 7 – Numbers of extra-EU cross-border outward air passengers, 2008, thousands**



Source: Eurostat Transport (2010) – Note: figures for Estonia, Lithuania, Luxembourg, Malta, Slovakia and Slovenia are below 500,000

### Hospitality businesses providing goods or services on board

- 351 According to our desk research, there are several catering businesses that supply airline operators. However, there is no evidence that airline operators outsource “buy-on-board” transactions to third parties. At the same time, not all airline operators supply “buy-on-board” transactions. However, most no-frills carriers do perform “buy-on-board” transactions.
- 352 Statistics on the numbers of catering companies operating in the air passenger transport sector within the 27 Member States are not available.

## 5.3 Maritime passenger transport

353 Data is provided for the aggregate maritime passenger transport sector and, where available, for the two specific market dimensions of ferry and cruise transport services. Data was collected from Eurostat SBS and Eurostat Transport.

354 Appendix 5 contains a summary of market data for the maritime passenger transport sector and its sub-sectors.

### 5.3.1 Aggregate maritime passenger industry statistics

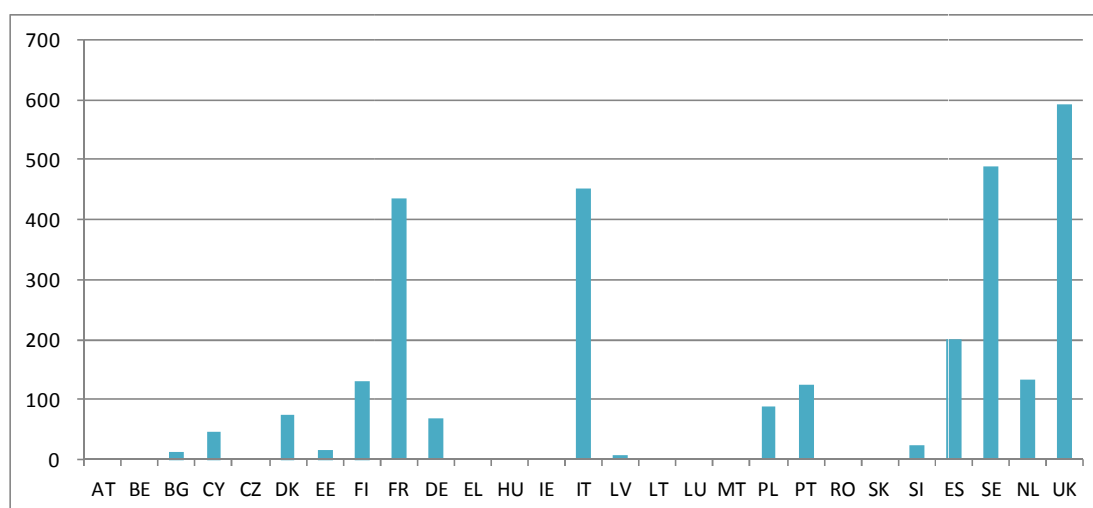
355 This section shows indicators for the aggregate maritime passenger transport sector in the EU, including the cruise and ferry sub-sectors. It provides information on the number of maritime transport operators, turnover for each Member State and the total numbers of employees working for maritime transport.

356 It also reports traffic data on total numbers of passengers.

#### Operators

357 Data on the number of maritime passenger transport operators, including cruise and ferry services, is presented in Figure 8. The data covers any operator providing maritime transport services within each Member State, including both the domestic and intra-Community markets. Statistics were extracted from Eurostat SBS.

**Figure 8 – Number of maritime passenger transport operators, 2008, units of operators**



Source: Eurostat SBS (2011)

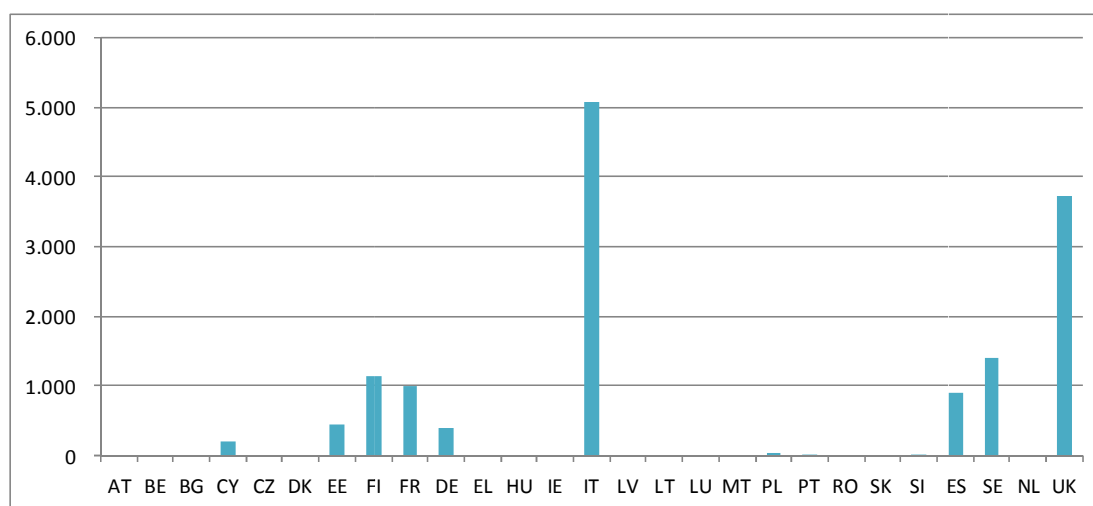
Note: no figures are available for Belgium, the Czech Republic, Greece, Hungary, Ireland, Luxembourg or Malta; figures for Austria, Latvia, Lithuania, Romania and Slovakia are below 10.

358 The highest numbers of maritime passenger transport operators are recorded in the UK, Sweden, Italy and France.

### Turnover

359 In 2008, according to Eurostat SBS (2011), the turnover of the maritime passenger sector in the EU was EUR 21,487 million. Figure 9 presents data on the maritime sector's turnover. It covers the aggregate maritime sector including both ferry and cruise passenger transport services.

**Figure 9 – Turnover of the maritime passenger transport industry in 2008, millions of euro**



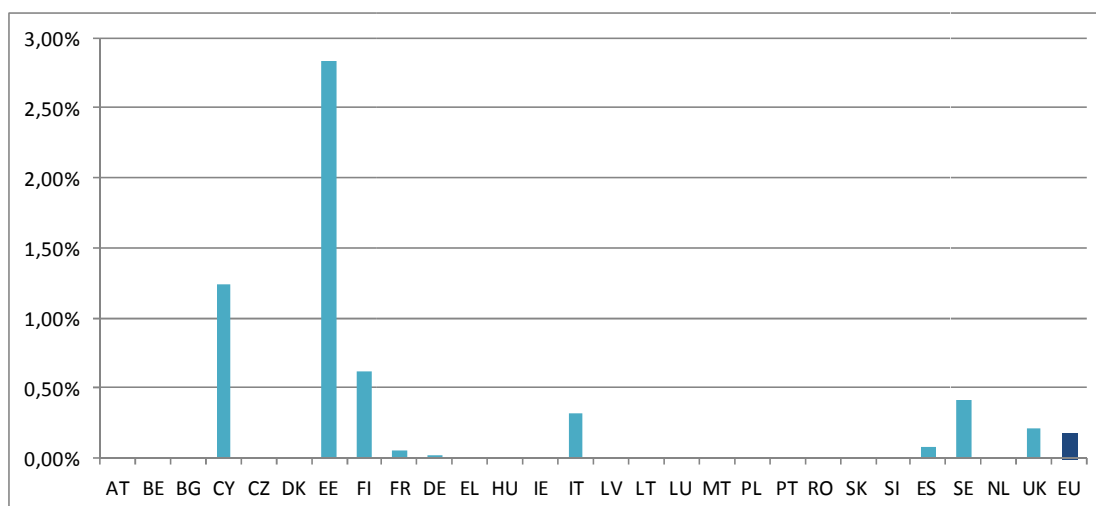
Source: Eurostat SBS (2011)

Note: no figures are available for Belgium, Bulgaria, the Czech Republic, Denmark, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta or the Netherlands; figures for Austria, Poland, Portugal, Romania, Slovakia and Slovenia are below EUR 50 million.

360 As shown in the chart above, turnover for the maritime passenger transport industry is available only for about one half of the Member States that have a sea coastline. Italy and the UK present by far the highest turnover figures amongst the Member States for which data is available.

361 The turnover of the maritime passenger transport sector in the EU as a percentage of GDP was 0.17% in 2008. Figure 10 presents turnover as a percentage of GDP for a selection of Member States.

**Figure 10 – Turnover of the maritime passenger transport industry as a percentage of GDP, 2008**



Source: Reworking of Eurostat SBS (2011) and Eurostat National accounts (2011)

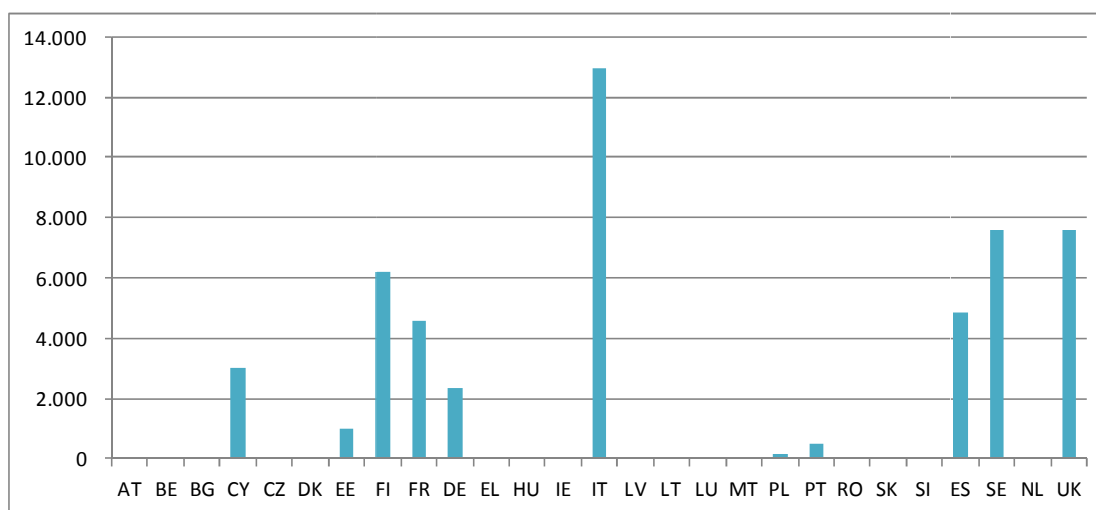
Note: no figures are available for Belgium, Bulgaria, the Czech Republic, Denmark, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta or the Netherlands; figures for Austria, Romania and Slovakia are nil.

- 362 According to the analysis, the turnover of the maritime passenger sector is almost 3% of national GDP in Estonia.
- 363 No data is available relating to “buy-on-board” transactions. The percentage of turnover in the total turnover of the maritime passenger transport sector relating to “buy-on-board” transactions generated by maritime passenger transport operators is not available.

## Employees

364 Figure 11 shows the number of maritime passenger transport employees by reporting Member State in 2008. In the EU, the overall number of employees in the industry was about 725,000. Italy is the Member State that employs the highest number of workers (almost 13,000).

**Figure 11 – Number of employees in the maritime passenger transport industry, 2008, units of employees**



Source: Eurostat SBS (2011)

Note: no figures are available for Belgium, Bulgaria, the Czech Republic, Denmark, Greece, Hungary, Ireland, Lithuania, Luxembourg, Malta or the Netherlands; figures for Austria, Latvia, Poland, Romania, Slovakia and Slovenia are below 200.

### 5.3.2 Ferries

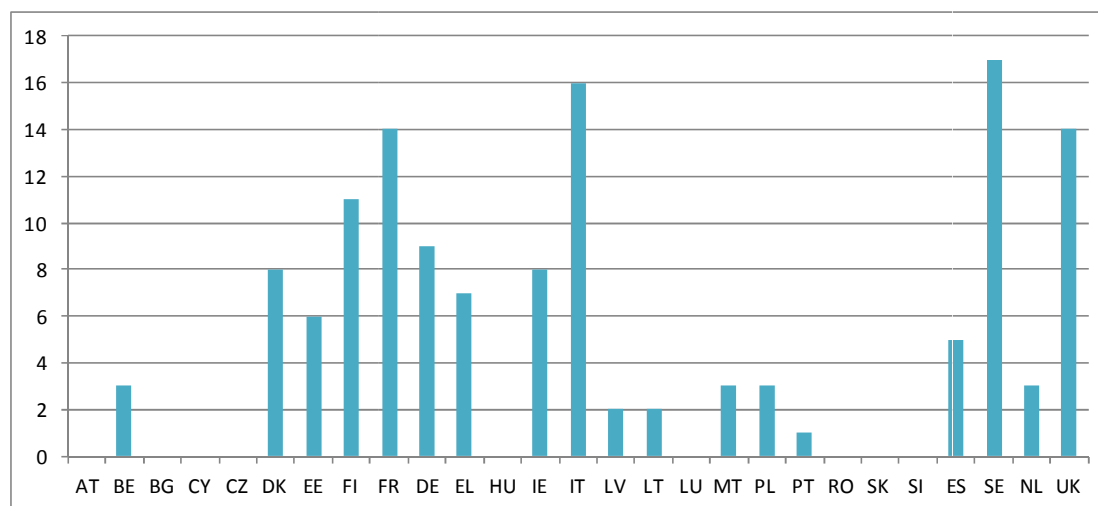
365 This section presents economic and transport statistics on the ferry market for each Member State.

#### Operators

366 According to ShipPax (2010), in the EU there are 52 ferry companies, which operate 132 intra-EU cross-border two-way connections. Attention should be paid to the fact that the reference period for this indicator is 2010.

367 Figure 12 shows the numbers of operators that operate international routes in each Member State, regardless of where they are established.

**Figure 12 – Number of main ferry operators providing international services, 2010, units of operators**



Source: ShipPax (2010)

Note: no figures are available for Bulgaria, Cyprus, Romania or Slovenia; figures for Austria, the Czech Republic, Hungary, Luxembourg, and Slovakia are nil.

368 It should be borne in mind that the information presented in Figure 12 is not comparable with the indicators on numbers of operators per transport mode as provided by Eurostat SBS (Figure 8).

#### Turnover

369 Eurostat SBS, ShipPax and other consulted sources do not provide data on ferry operators' turnover by Member State.

370 No data is available relating to "buy-on-board" transactions. The percentage of turnover in the total turnover of the ferry sector relating to "buy-on-board" transactions generated by ferry operators is not available.

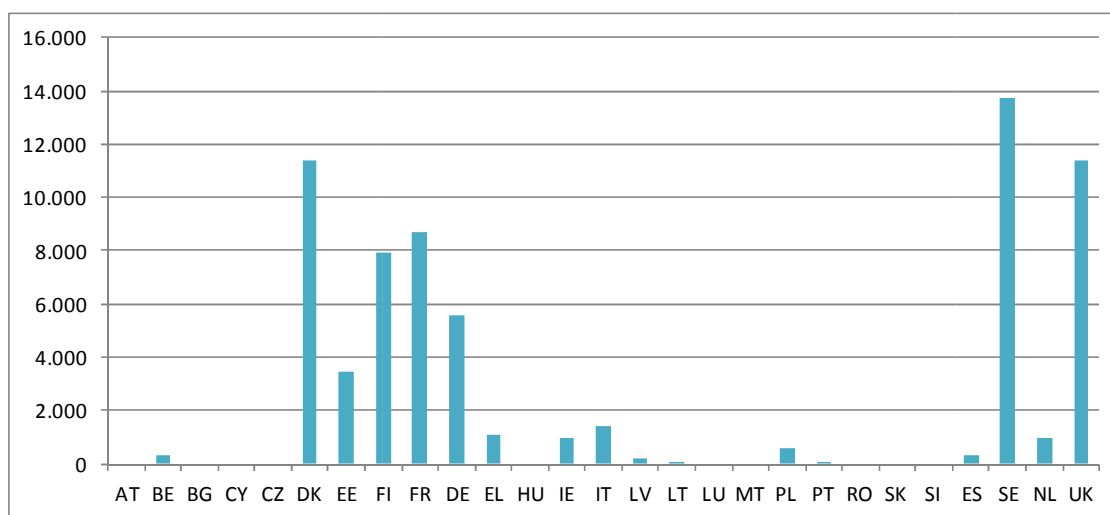
#### Employees

371 Eurostat SBS, ShipPax and other consulted sources do not provide data on numbers of employees working for ferry operators operating transport services within the EU.

## Passengers

- 372 This section presents statistics on numbers of cross-border outward ferry passengers. The figures have been estimated by halving the traffic flows that include both departing and arriving passengers in each Member State. Traffic-flow statistics were extracted from Eurostat Transport and refer to 2008.
- 373 Figure 13 presents the numbers of cross-border outward intra-EU ferry passengers by reporting Member State. In 2008, the total market of passengers departing from one port in the EU and going to a port in another Member State was more than 40 million. Sweden, the UK, Denmark, France and Finland recorded the highest numbers of intra-EU outward passengers.

**Figure 13 – Numbers of intra-EU cross-border outward ferry passengers, 2008, thousands**

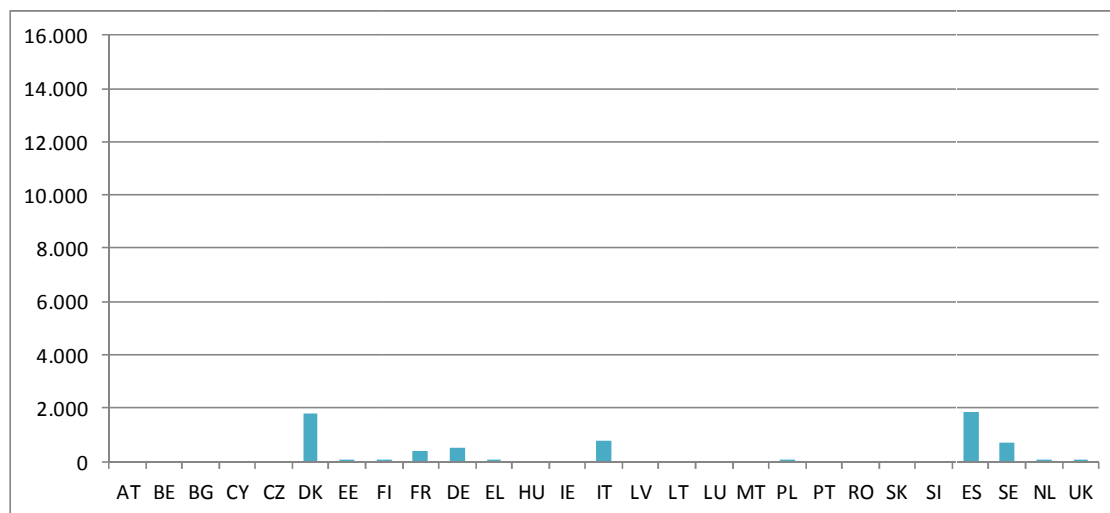


Source: Reworking of Eurostat Transport (2010)

Note: figures have been estimated by halving the passenger traffic figures that include both departing and arriving passengers in each Member State; figures for Austria, the Czech Republic, Hungary, Lithuania, Luxembourg, Portugal and Slovakia are below 150,000 or nil; no figures are available for Bulgaria, Cyprus, Malta, Romania or Slovenia.

374 Figure 14 shows the number of extra-EU cross-border outward ferry passengers by reporting Member State. With the sole exception of Spain, numbers of extra-EU passengers are far below numbers of intra-EU passengers per Member State.

**Figure 14 – Numbers of extra-EU cross-border outward ferry passengers, 2008, thousands**



Source: Reworking of Eurostat Transport (2010)

Note: figures have been estimated by halving the passenger traffic figures that include both departing and arriving passengers in each Member State; figures for Austria, Belgium, the Czech Republic, Estonia, Finland, Greece, Hungary, Ireland, Lithuania, Luxembourg, Poland and Slovakia are below 150,000 or nil; no figures are available for Bulgaria, Cyprus, Latvia, Malta, Portugal, Romania or Slovenia.

**Hospitality businesses providing goods or services on board means of transport for consumption by passengers on board**

375 No statistics are available on catering companies operating in the ferry sector within the EU.





### 5.3.3 Cruises

376 This section presents economic and transport data on the cruise market in each Member State.

#### Operators

377 According to the European Cruise Council (2010), there were 45 cruise lines operating within the EU during 2009. The European Cruise Council, Eurostat SBS and other consulted sources do not provide statistics on the number of cruise operators per Member State.

#### Turnover

378 On the basis of the sources consulted, no data is available on cruise operators' total turnover in the EU.

379 No data is available relating to "buy-on-board" transactions. The percentage of turnover in the total turnover of the cruise sector relating to "buy-on-board" transactions generated by cruise operators is not available.

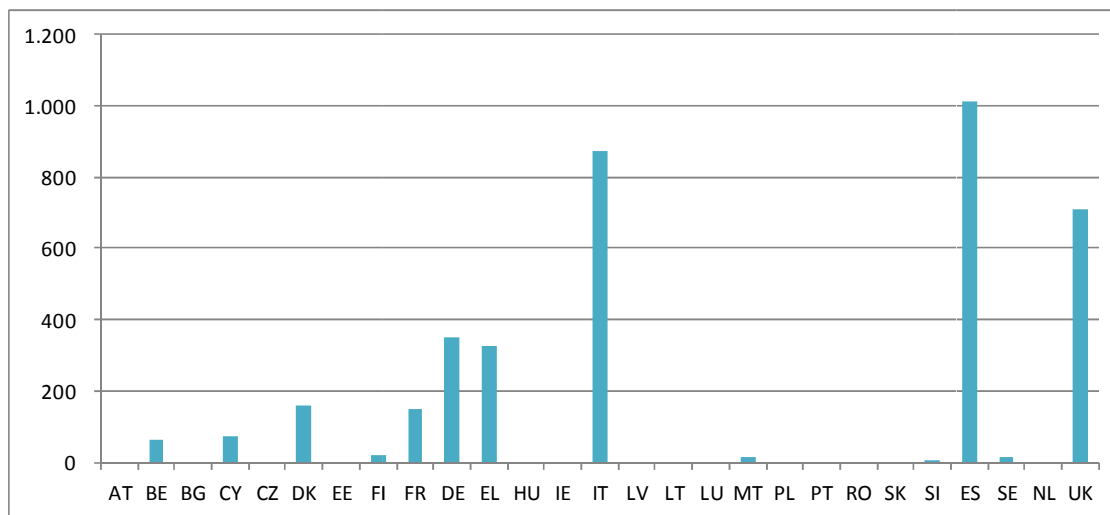
#### Employees

380 The total number of EU employees in cruise sector in 2009 amounted to 51,096. Data at Member State level is available only for a few Member States, namely: Germany, Italy, Portugal, Spain and the United Kingdom (see Appendix 5). Statistics were extracted from European Cruise Council (2009) and European Cruise Council (2010).

#### Passengers

381 This section provides data on the number of passengers starting a cruise from a Member State. Unfortunately, specific statistics on passengers starting intra-EU or extra-EU cruise trips are not available.

**Figure 15 – Numbers of passengers starting a cruise by referring Member State, 2008, thousands**



Source: Eurostat Transport (2011)

Note: figures for Austria, the Czech Republic, Hungary, Luxembourg, Poland, Romania and Slovakia are nil; figure for Slovenia is below 10,000; no figures are available for Bulgaria, Estonia, Ireland, Latvia, Lithuania, Portugal or the Netherlands.

- 382 In 2008, more than 5 million tourists started a cruise trip from Member States. Spain, Italy and UK were the preferred countries of departure.

#### Hospitality businesses providing goods or services on board

- 383 Although dining is usually included in cruise package prices, most cruise operators provide “buy-on-board” transactions (shops, libraries, casinos, snacks and drinks, etc.) during the trip. It is worth noting that, as reported in European Cruise Council (2010), in 2009 “food and beverage manufacturers produced €479 million<sup>84</sup> in provisions consumed on board cruise ships in Europe”. The European Cruise Council defines Europe as the EU plus Switzerland, Norway and Iceland.
- 384 No statistics are available on catering companies operating in the cruise sector within the 27 Member States.

<sup>84</sup> This figure represents 0,07% of total production of food in the EU in 2009, which was equal to € 770,000 million (Source: Eurostat, Annual detailed enterprise statistics for industry). Eurostat does not provide the value of production of beverages in 2009 in the EU because of confidentiality issues.

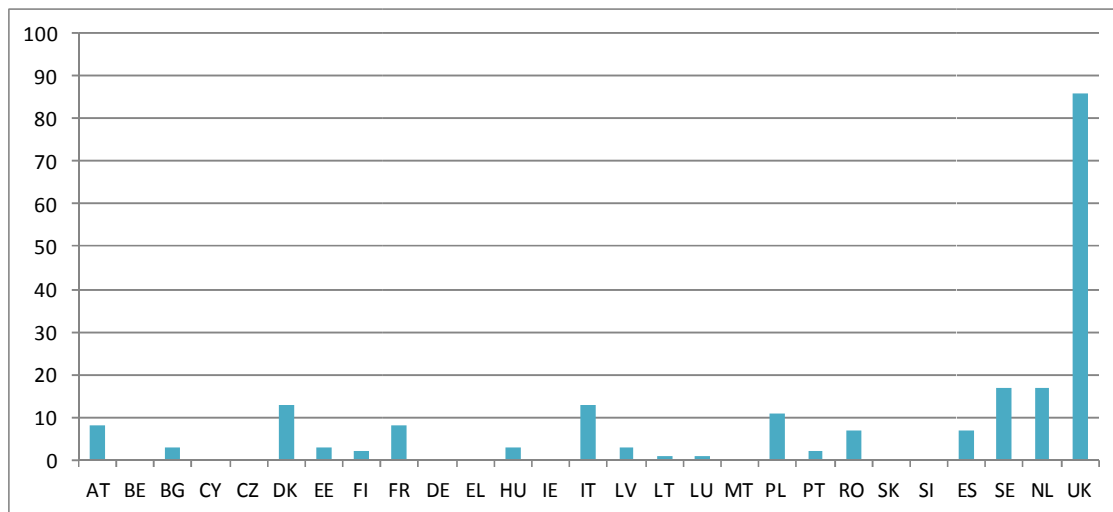
## 5.4 Railway passenger transport

385 This section provides statistics on the EU railway transport market. Appendix 5 contains a summary of market data for the railway transport sector.

### Operators

386 Overall, 275 operators provide railway passenger transport services in the EU. The highest numbers of railway passenger transport operators are in the UK (86).

**Figure 16 – Number of railway passenger transport operators, 2008, units of operators**

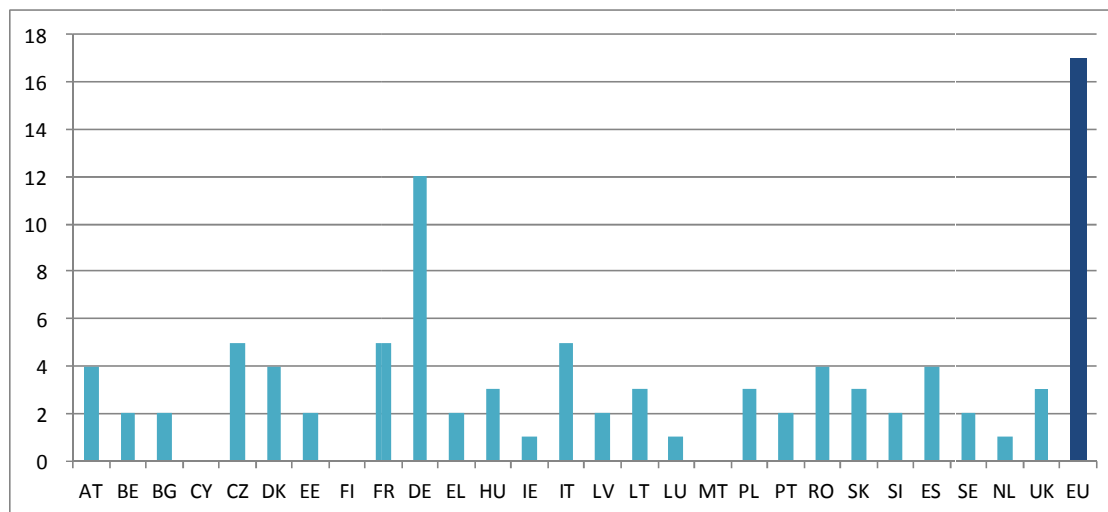


Source: Eurostat SBS (2011)

Note: no figures are available for Belgium, the Czech Republic, Germany, Greece, Ireland Slovakia or Slovenia; figures for Cyprus and Malta are nil.

387 Figure 17 presents the numbers of railway operators that provide international passenger services in each EU Member State. The reference period for this indicator is 2007. Note that the information presented in Figure 16 and Figure 17 differs and is not comparable. Figure 16 shows the number of operators established in each Member State, whereas Figure 17 presents the number of operators that operate international routes in each Member State, regardless of where they are established.

**Figure 17 – Number of railway passenger transport operators providing international services by reporting Member State, 2007, units of operators**



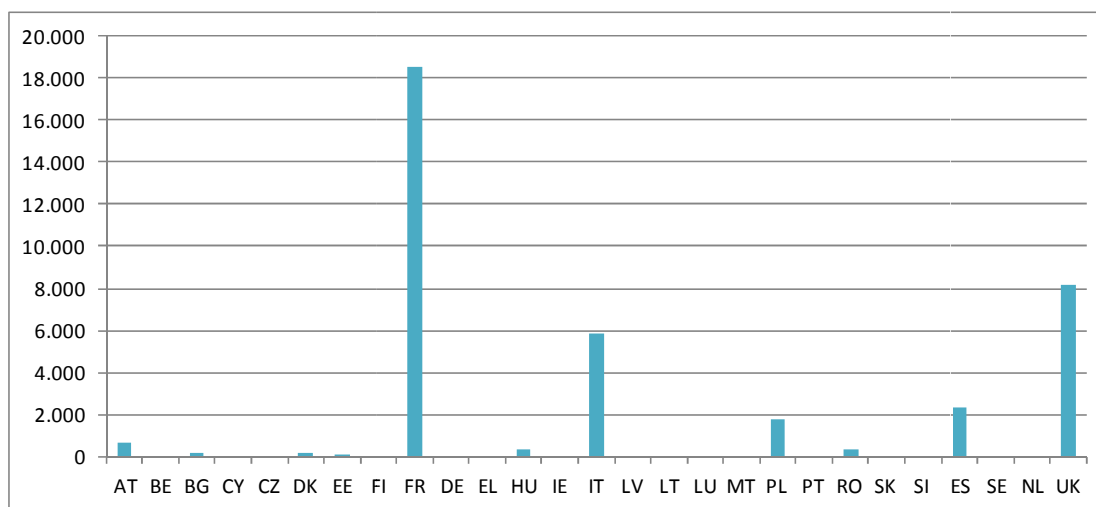
Source: EC NEA et al. (2008) – Note: figures for Cyprus, Finland and Malta are nil.

- 388 According to NEA et al. (2008), in 2007, 17 railway operators provided cross-border passengers transport services within the EU. Germany has the greater number of international railway operators (12), other Member States have up to five international operators each.

### Turnover

389 The total turnover of operators providing railway passenger transport services by Member State, is presented in Figure 18. Data on turnover is measured in millions of euro and is taken from Eurostat SBS. In 2008, according to Eurostat SBS (2011), total turnover in the EU accounted for EUR 48 million. France has the highest turnover among the Member States for which data is available.

**Figure 18 – Turnover of railway passenger transport industry, 2008, millions of euro**

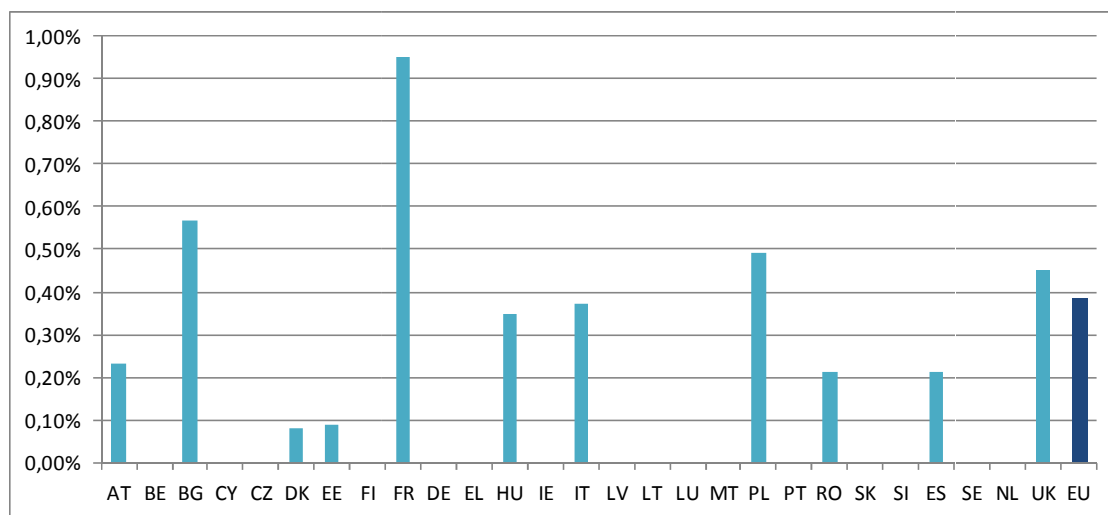


Source: Eurostat SBS (2011)

Note: no figures are available for Belgium, the Czech Republic, Finland, Germany, Greece, Ireland, Latvia, Lithuania, Luxembourg, Portugal, Slovakia, Sweden or the Netherlands. figures for Bulgaria, Cyprus, Denmark, Estonia, Malta and Slovenia are below EUR 250 million or nil.

390 Turnover in the railway passenger transport sector in the EU as a percentage of GDP was 0.39% in 2008. Figure 19 shows the turnover shares of GDP for a selection of Member States.

**Figure 19 – Turnover of railway passenger transport industry as a percentage of GDP, 2008**



Source: Reworking of Eurostat SBS (2011) and Eurostat National accounts (2011)

Note: no data is available for Belgium, the Czech Republic, Finland, Germany, Greece, Ireland, Latvia, Lithuania, Luxembourg, Portugal, Slovakia, Sweden, Slovenia or the Netherlands; figures for Cyprus and Malta are nil.

391 As shown in the figure above, in France, turnover in the railway passenger industry is almost 1% of national GDP.

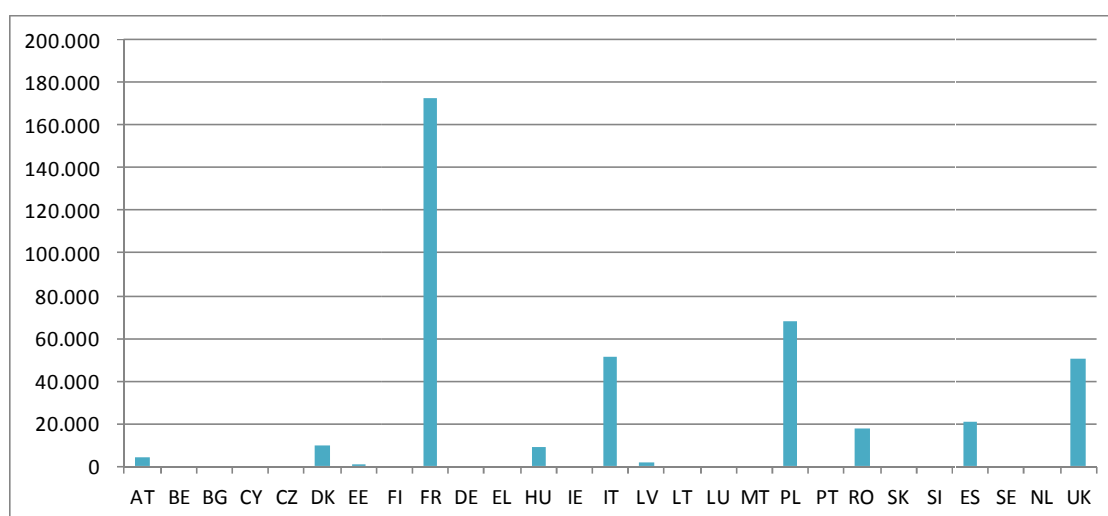
392 No data is available relating to “buy-on-board” transactions. The percentage of turnover in the total turnover of the railway passenger transport sector relating to “buy-on-board” transactions generated by railway operators is not available.



## Employees

- 393 According to Eurostat SBS, the total number of employees in the whole EU railway passenger transport sector is greater than 5,000,000.
- 394 Figure 20 shows the number of workers employed by the railway passenger industry by referring Member State. In France there are about 180,000 employees in the sector.

**Figure 20 – Number of employees in the railway passenger transport industry, 2008, units of employees**

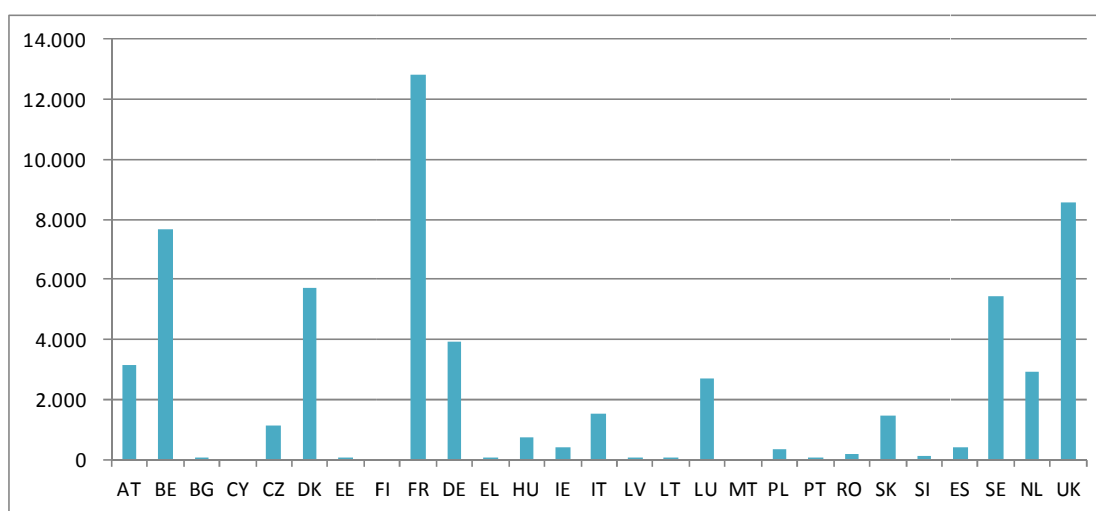


Source: Eurostat SBS (2011) Note: no figures are available for Belgium, Bulgaria, the Czech Republic, Finland, Germany, Greece, Ireland, Lithuania, Luxembourg, Malta, Portugal, Slovakia, Sweden or the Netherlands; figures for Cyprus, Estonia, Latvia and Slovenia are below 2,000 or nil.

## Passengers

- 395 In 2008, the total number of railway passengers in the EU was about 8 billion. Of these, only a small portion concerned cross-border trips (about 66 million).
- 396 Figure 21 presents the numbers of intra-EU cross-border outward passengers by reporting Member State. In 2008, passengers departing from a Member State and going to another Member State numbered almost 60 million. France, UK and Belgium recorded the highest numbers of intra-EU outward passengers.

**Figure 21 – Numbers of intra-EU cross-border outward railway passengers, 2008, thousands**



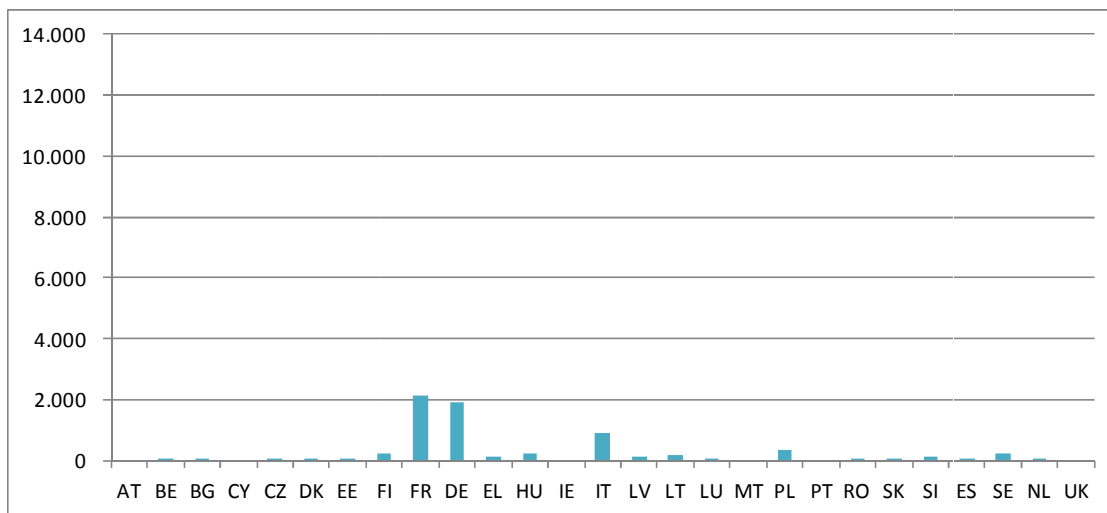
Source: Estimation on Eurostat Transport (2010)

Note: figures for Austria, Estonia, Italy, Lithuania and the Netherlands have been estimated by applying the average EU growth rate to the most recent available data for the country in question; figures for Bulgaria, Cyprus, Estonia, Finland, Greece, Latvia, Lithuania, Malta and Portugal are below 100,000 or nil.



397 Figure 22 shows numbers of extra-EU cross-border outward passengers by reporting Member State.

**Figure 22 – Numbers of extra-EU cross-border outward railway passengers, 2008, thousands**



Source: Estimation on Eurostat Transport (2010).

Note: figures have been estimated by subtracting the number of intra-EU cross-border passengers for each country from the total number of cross-border passengers; figures for Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Ireland, Luxembourg, Malta, Portugal, Romania, Slovakia, Spain, the Netherlands and the United Kingdom are below 100 thousand or nil.

398 In 2008, there were far fewer extra-EU passengers than intra-EU passengers. Nevertheless, in many peripheral Member States, such as Finland, Estonia, Latvia, Lithuania and Greece, the number of extra-EU cross-border passengers is slightly higher than the number of intra-EU cross-border passengers.

#### Hospitality businesses providing goods or services on board

399 No extensive statistics are available on hospitality businesses providing goods and/or services on board trains.



## 5.5 *Long-distance bus and coach*

- 400 This section presents data on the long-distance bus and coach transport market within the EU, which covers a wide range of transport services, from scheduled long-distance services to leisure and tourist services and shuttle services operated between airports and hotels.
- 401 According to EC Regulation 181/2011 of 16 February 2011 concerning the rights of passengers in bus and coach transport,<sup>85</sup> long-distance refers to a transport service where the scheduled distance is 250 km or more.
- 402 However, there is no consistency among Member States in the definition of long-distance bus and coach transport services. For instance,<sup>86</sup> a long-distance is over 15 miles in the United Kingdom and over 100 km in Sweden. Other Member States and non-EU countries often adopt an administrative distinction, where long-distance is defined as those transport services that go beyond the borders of the territory for which a regional transport authority is responsible. Finally, in Italy, Norway and Sweden, both definitions are combined. As a result, the statistics are not consistent enough to allow comparison among the Member States.
- 403 Economic indicators on the long-distance bus and coach industry were collated from Eurostat SBS, and traffic statistics were extracted from Steer Davies Gleave (2009), which gathers information from several different national statistical sources.
- 404 Appendix 5 contains a summary of market data for the bus and coach transport sector.

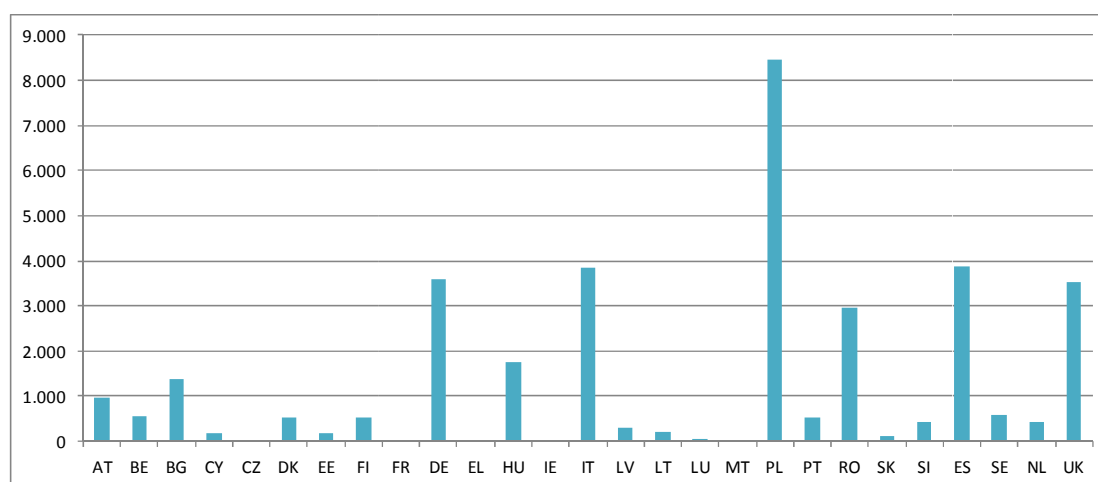
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<sup>85</sup> Regulation (EU) 181/2011 of the European Parliament and of the Council of 16 February 2011 concerning the rights of passengers in bus and coach transport and amending Regulation (EC) 2006/2004.

<sup>86</sup> Examples given in this paragraph are extracted from D. Van de Velde (2009).

405 Figure 23 shows the number of bus operators operating long-distance routes and coach operators by referring Member State. The data was extracted from Eurostat SBS.

**Figure 23 – Number of long-distance bus and coach operators, 2008, units of operators**



Source: Eurostat SBS (2011)

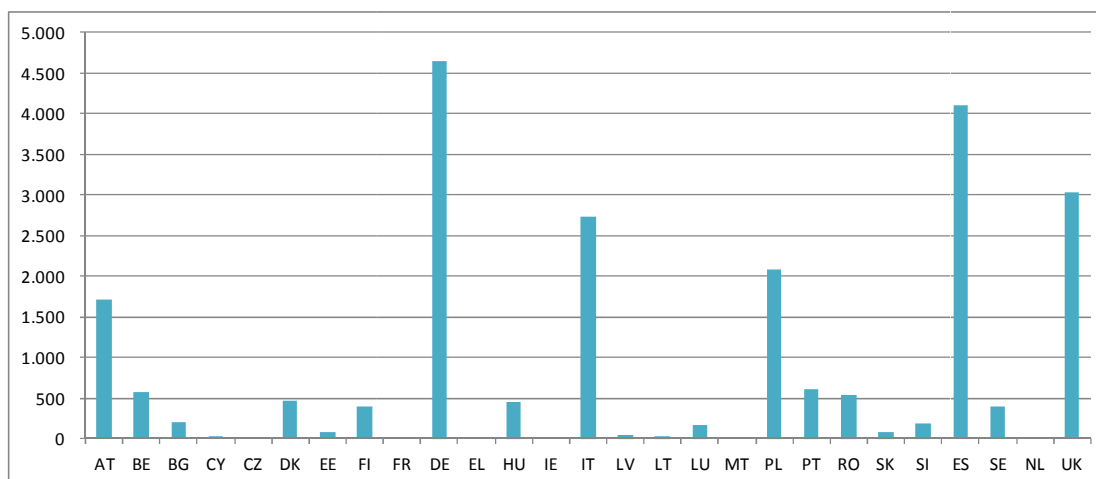
Note: no figures are available for the Czech Republic, France, Greece, Ireland or Malta; figures for Luxembourg and Slovakia are below 150.

406 Poland presents the highest number of long-distance bus and coach operators (8,450). Other Member States such as Italy, Spain, Germany, the UK and Romania have material numbers of operators.

## Turnover

- 407 The turnover of bus and coach operators providing long-distance transport services is presented in Figure 24. The statistics are extracted from Eurostat SBS and are available for most Member States. In 2008, turnover in long-distance bus and coach services was EUR 32,535 million.

**Figure 24 – Turnover of the long-distance bus and coach industry in 2008, millions of euro**

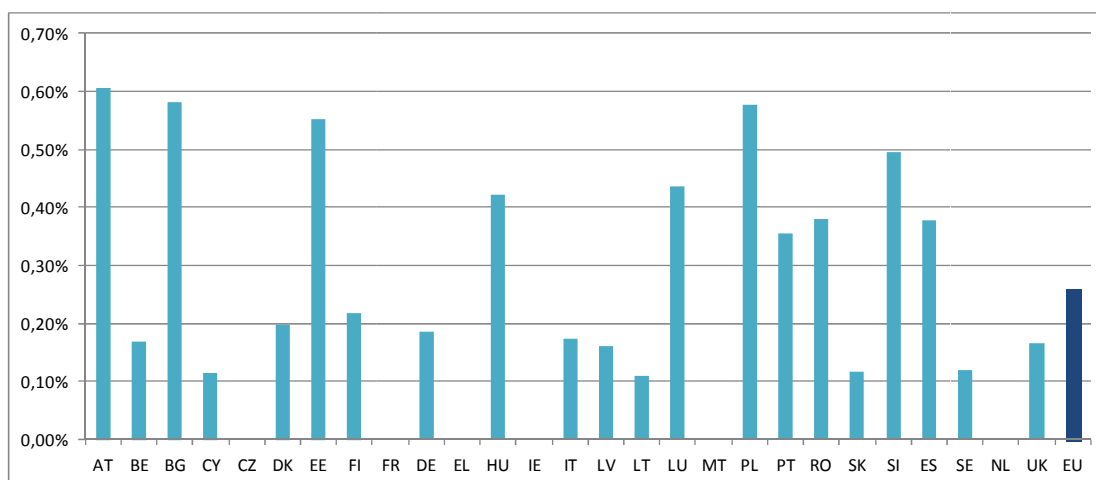


Source: Eurostat SBS (2011)

Note: no figures are available for the Czech Republic, France, Greece, Ireland, Malta or the Netherlands; figures for Cyprus, Estonia, Latvia, Lithuania and Slovakia are below EUR 100 million.

- 408 As shown in the Figure 24, above, Germany, Spain, UK and Italy present the highest turnover figures amongst the EU.
- 409 The turnover of the long-distance bus and coach passenger transport sector in the EU as a percentage of GDP was 0.26% in 2008. Figure 25 presents the turnover shares of GDP for the majority of EU Member States.

**Figure 25 – Turnover of the long-distance bus and coach industry as a percentage of GDP, 2008**



Source: Reworking of Eurostat SBS (2011) and Eurostat National accounts (2011)

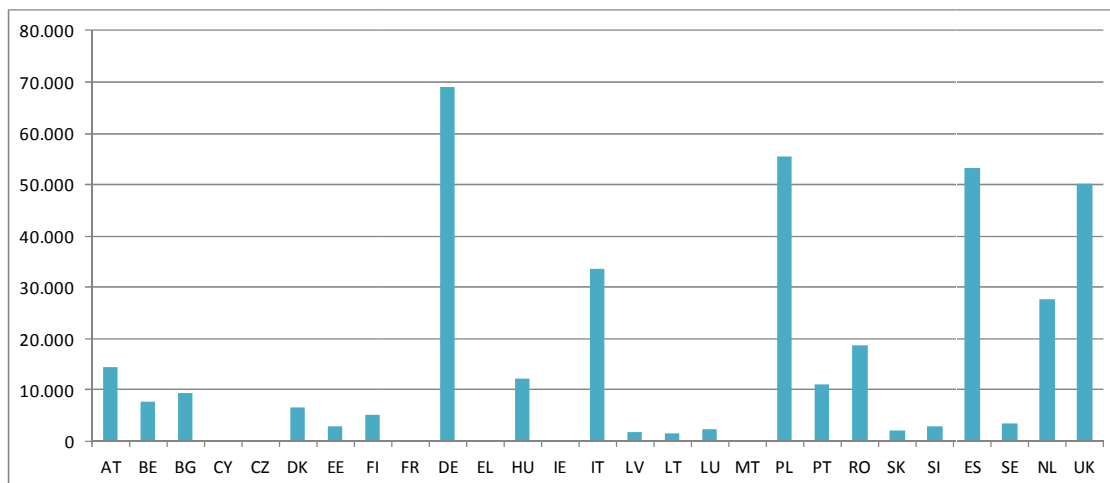
Note: no figures are available for the Czech Republic, France, Greece, Ireland, Malta or the Netherlands.

- 410 According to the analysis, turnover in the long-distance bus and coach sector is over 0.5% of GDP in four Member States, namely: Austria, Bulgaria, Poland and Estonia.
- 411 No data is available relating to “buy-on-board” transactions. The percentage of turnover in the total turnover of the long-distance bus and coach transport sector relating to “buy-on-board” transactions generated by long-distance bus and coach operators is not available. In this respect, we note that long-distance bus and coach operators indicated that, in practice, supplies of goods and/or services do not occur very often on board buses and coaches.

### Employees

- 412 The numbers of people employed by transport operators providing long-distance bus and coach services are presented in Figure 26. Statistics were extracted from Eurostat SBS.

**Figure 26 – Number of employees in the long-distance bus and coach industry, 2008, units of employees**



Source: Eurostat SBS (2011) – Note: no figures are available for Cyprus, the Czech Republic, France, Greece, Ireland or Malta.

- 413 As shown in the chart, the German long-distance bus and coach industry employs the highest number of workers in the EU; by contrast, in Cyprus, the lowest number of workers are employed.

#### Passengers

- 414 Appendix 5 shows statistics on the numbers of international bus and coach passenger journeys by referring Member State extracted from Steer Davies Gleave (2009). These statistics are available only for a minority of Member States. Furthermore, the available figures are not homogeneous with regard to the reference period. Hence, as explained earlier, they are not fully comparable amongst Member States and are not comparable with similar indicators for other modes of transport.

#### Hospitality businesses providing goods or services on board

- 415 No statistics are available on hospitality businesses providing goods and/or services on board long-distance buses and coaches.

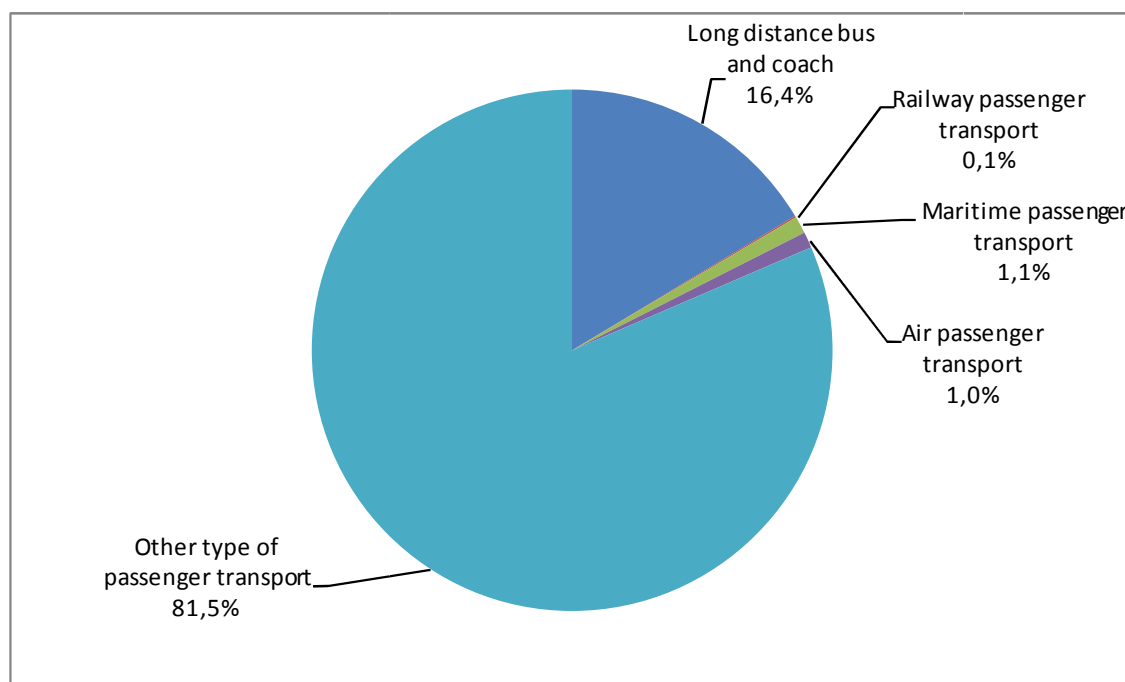
## 5.6 Conclusions on passenger transport sector in the EU

- 416 This section presents an overview of the characteristics of each transport mode, with particular regard to some selected indicators. Economic data in the analysis refers to 2008, since this is the most recent data that ensures comparability. A proper comparison can only be done once comparable data is available for all transport sectors and for all (or the majority of) Member States.
- 417 It is important to note that it is only for 2008 that Eurostat provides economic statistics (such as numbers of operators, of employees and turnover) for the four passenger transport sectors relevant to this Study (i.e. air, maritime, railway and long-distance bus and coach).
- 418 This section also presents the 2005-2008 trends for the economic indicators mentioned above with regard to the four aggregate transport sectors.

### Operators

- 419 In 2008, about 61,000 operators operated air, maritime, railway and long-distance bus and coach in the EU. However, they covered only around 18.5% of the market, since about 268,000 operators operated other passenger transport services (e.g. urban buses, trams, underground railways, taxis, inland waterways, etc.).
- 420 Figure 27 shows the shares of transport operators operating in the EU according to transport mode in 2008.

**Figure 27 – Transport operators by mode of transport in the EU, 2008 (%)**

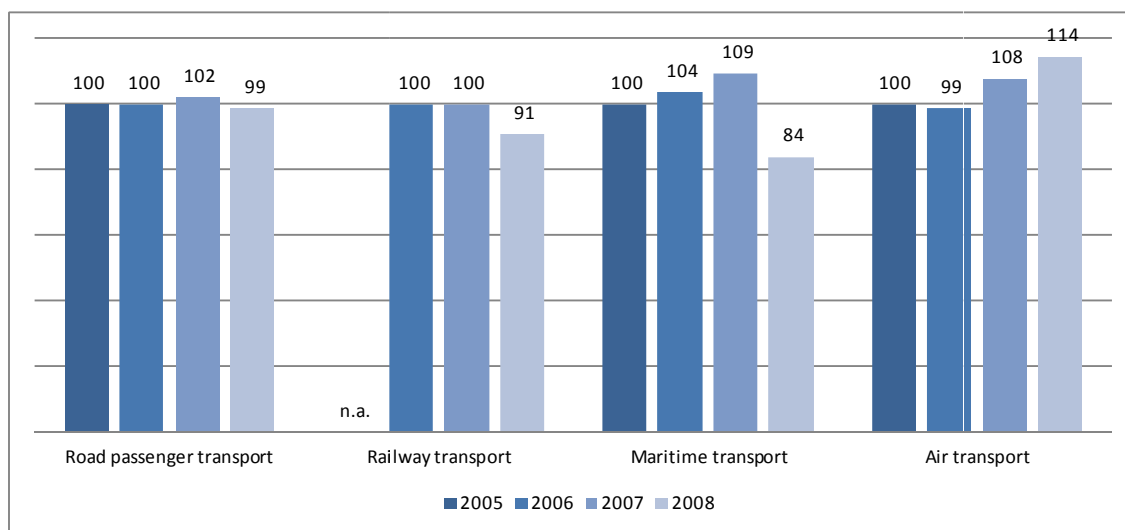


Source: Reworking of Eurostat SBS (2011)

Note: other types of passenger transport include urban transport, taxis and inland water transport.

- 421 The highest number of transport operators in the EU is in long-distance bus and coach services: there are almost 54,000, which account for 16.4% of the total number of operators in the passenger transport market. In relation to the aggregate for all modes of transport, railway, air and maritime transport represent significantly fewer numbers of operators. In 2008, air passenger transport accounted for 3,218 operators, whilst maritime passenger transport accounted for 3,546 operators.
- 422 In the railway passenger transport sector, there is a complement of fewer than 280 operators in the whole market (0.1% of the total number of operators the transport market). Railway transport encompasses the lowest number of operators since incumbent railway companies usually maintain a dominant position in Member States. Typically, the incumbent is a state-owned commercial company heading up a group structure under which all the former activities of the national railway companies have been reallocated through a process of “subsidiarisation” (i.e. the creation of a number of subsidiaries for different activities formerly carried on by the single organisation). Figure 28 shows the trends in numbers of operators in the transport market in the EU by transport sector over the period 2005 to 2008. It is important to note that Figure 27 and Figure 28 are not fully comparable because some modes of transport considered in Figure 27 are more aggregated than those included in Figure 28.

**Figure 28 – Growth in the number of operators by mode of transport, index numbers – year 2005 = 100**



Source: Reworking of EC DG-TREN et al. Energy and Transport in Figures (2010)

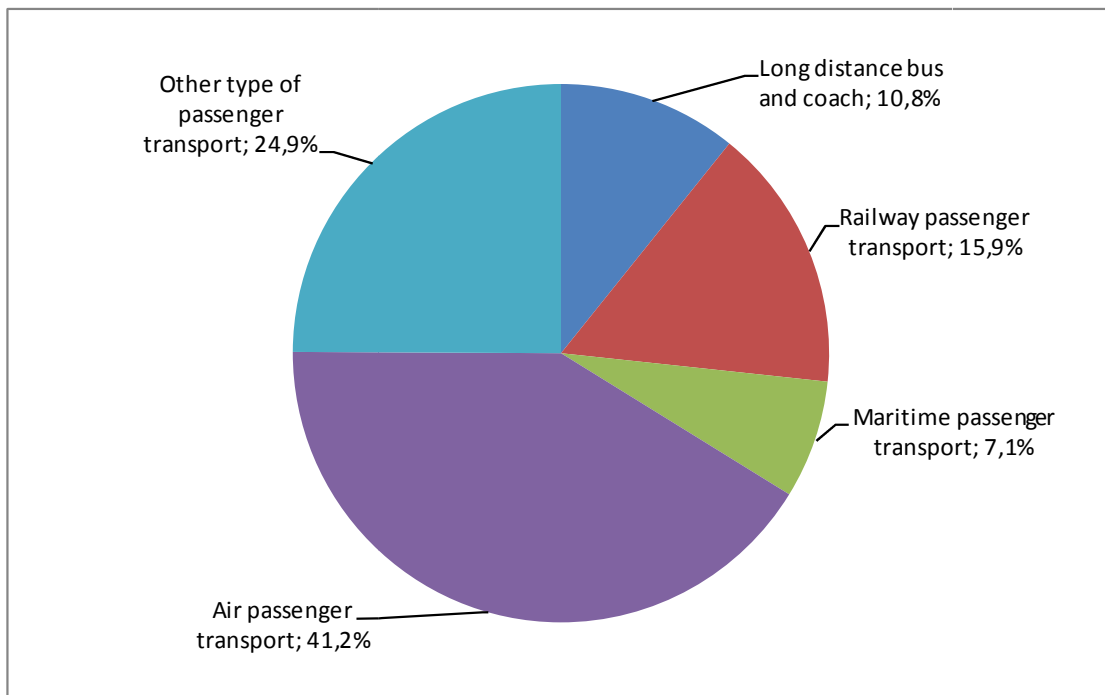
Note: data on railway transport is not available for 2005 (year 2006 = 100); data on road transport includes taxis and local transport; data on railway, maritime and air includes freight transport.



## Turnover

- 423 In 2008, total turnover in the passenger transport sector in the EU (air, maritime, railway, long-distance bus and coach, and other transport modes) was EUR 302,275 million. Figure 29 presents data on the total turnover of passenger transport operators by mode of transport within the EU in 2008.

**Figure 29 – Turnover by mode of transport in the EU, 2008 (%)**

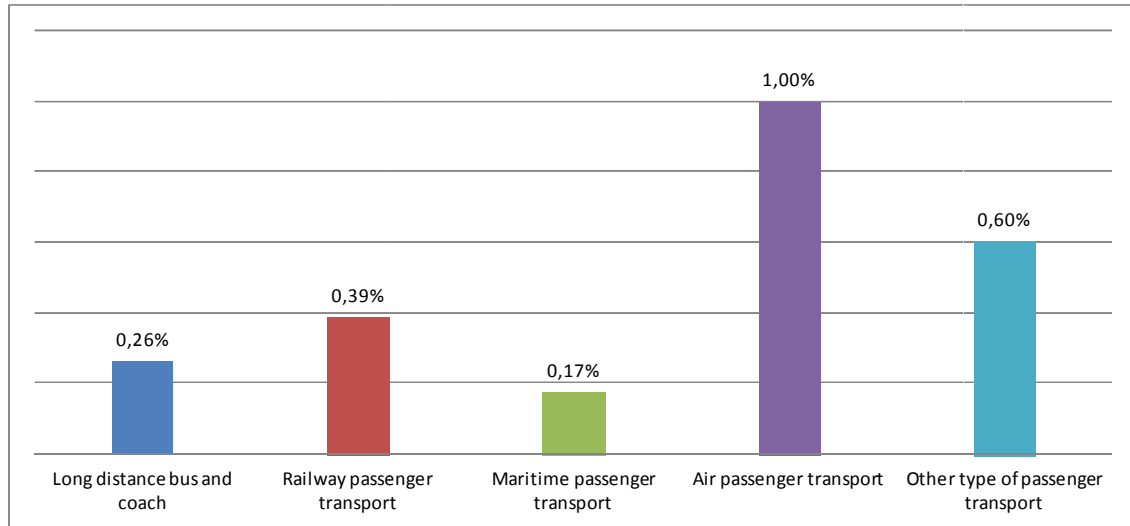


Source: Reworking of Eurostat SBS (2011)

Note: other types of passenger transport include urban transport, taxis and inland water transport.

- 424 In 2008, air passenger transport held first place in terms of percentage of total turnover (EUR 124,686 million, 41.2%). In the same period, railway passenger transport turnover was EUR 48,185 million (15.9%). Long-distance bus and coach transport turnover was EUR 32,535 million (10.8%). Finally, maritime passenger transport turnover accounted for EUR 21,487 million (7.1%).
- 425 The above figures illustrate that 18.5% of operators account for about 75.1% of turnover in the sector.
- 426 Although passenger transport is an important area of the EU economy, the total turnover of operators operating passenger air, maritime, railway and long-distance bus and coach transport services in the EU accounts for only a small part of total GDP.
- 427 Figure 30 presents data on the transport sectors' turnover as a percentage of EU GDP. Data on turnover by mode of transport has been extracted from Eurostat SBS (2011).

**Figure 30 – Turnover as a percentage of GDP by mode of transport in the EU, 2008**

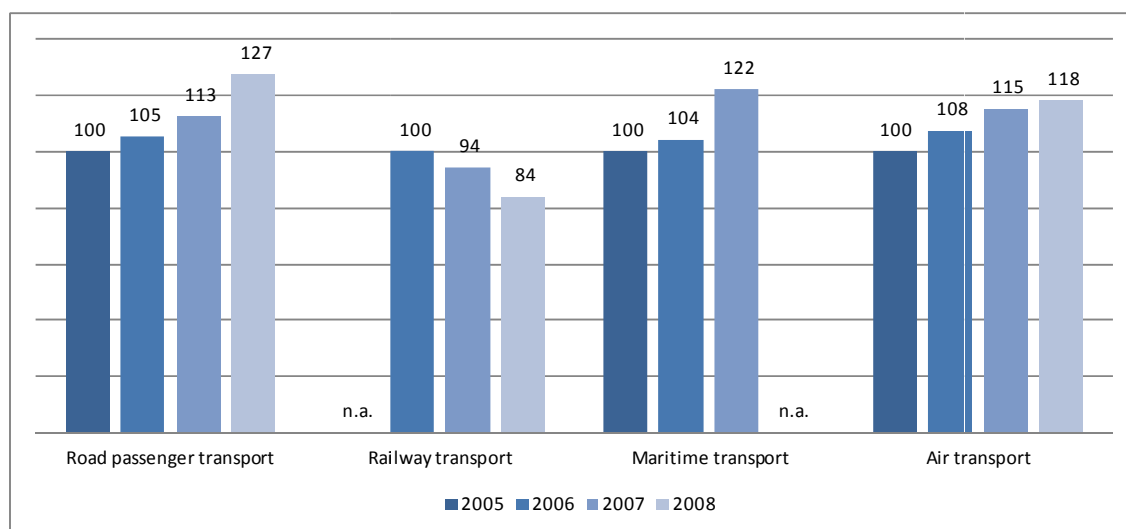


Source: Reworking of Eurostat SBS (2011) and Eurostat Economic Accounts (2011)

Note: other types of passenger transport include urban transport, taxis and inland water transport.

- 428 Overall, in 2008, the turnover of the four passenger transport sectors in question covered only about 1.8% of total EU GDP. According to Eurostat Economic Accounts (2011), total EU GDP was EUR 12,493,131 million.
- 429 Figure 31 shows developments in total turnover within the EU by transport sector from 2005 to 2008. In the period considered in the analysis, transport operators' total turnover generally increased, with the sole exception of railway transport services. It is important to note that Figure 31 is not fully comparable with Figure 30 because some modes of transport presented in Figure 31 are more aggregated than those included in the later Figures.

**Figure 31 – Turnover growth by mode of transport in the EU, 2005 to 2008, index numbers – year 2005 = 100**



Source: Reworking of EC DG-TREN et al. (2010)

Note: data on railway transport is not available for 2005 (year 2006 = 100); data on maritime transport is not available for 2008; data on road transport includes taxi and local transport; data on railway, maritime and air includes freight transport.

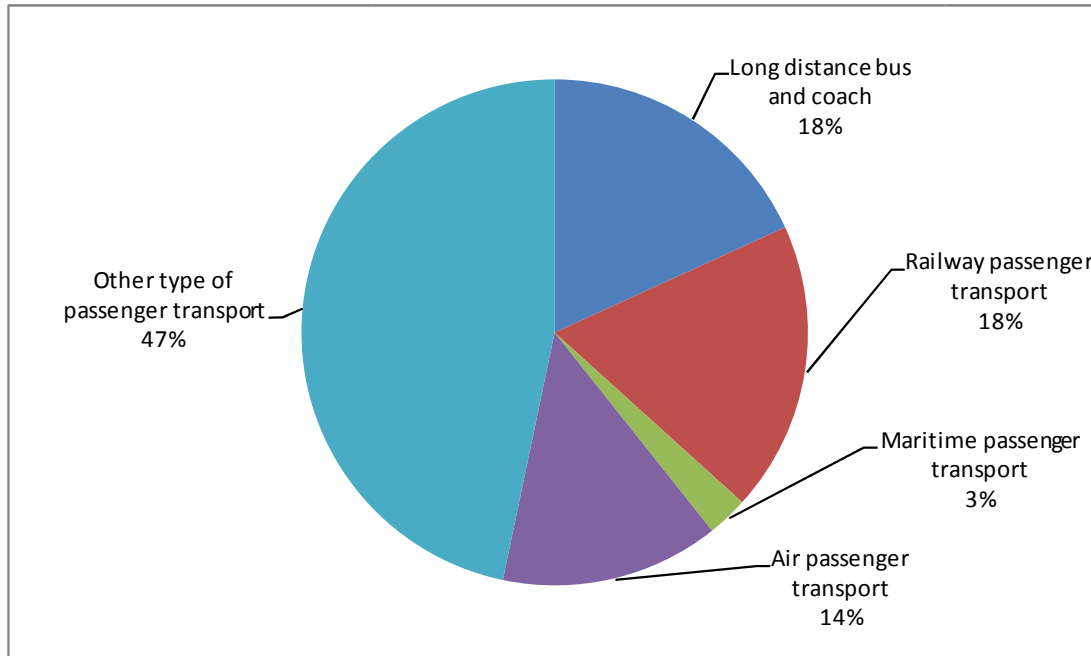
- 430 Turnover in road passenger transport (including urban transport) increased between 2005 and 2008. Maritime and air transport traffic also increased over the period 2005 to 2008. Finally, turnover in the railway sector substantially declined from 2005 to 2007.
- 431 No data is available relating to “buy-on-board” transactions. The percentage of turnover in the total turnover of the four passenger transport sectors relating to “buy-on-board” transactions generated by passenger transport operators is not available.

### Employees

- 432 According to the most-recent available data (presented in Figure 32),<sup>87</sup> the passenger transport sector as a whole occupies an important position in the EU and it may be generally defined as a key factor in its economies. In 2008, about 27.8 million people were employed in the EU passenger transport sector.

<sup>87</sup> Eurostat SBS (2011).

**Figure 32 – Percentages of employees by mode of transport in the EU, 2008**

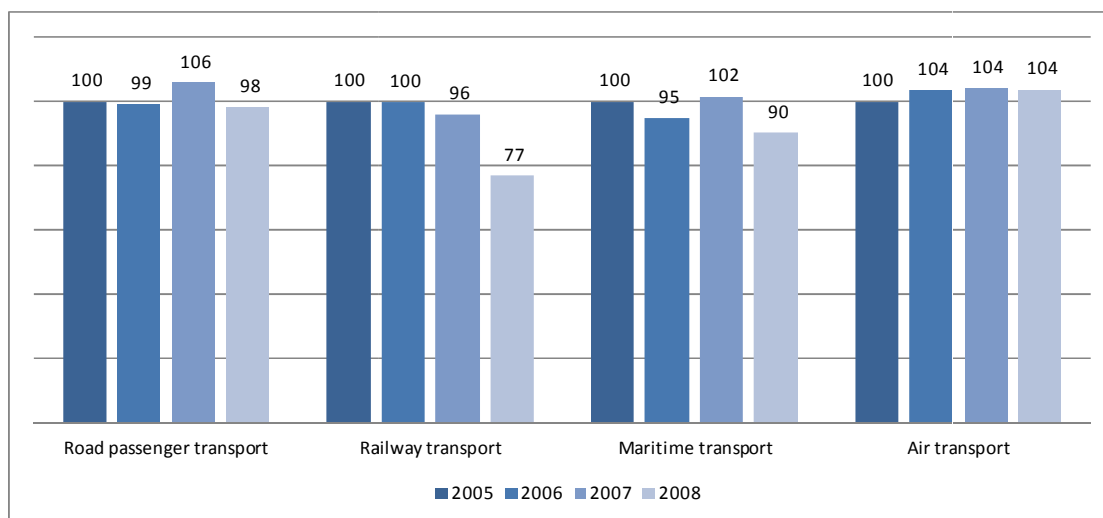


Source: Reworking of Eurostat SBS (2011)

Note: other types of passenger transport include urban transport, taxis and inland water transport.

- 433 In 2008, almost one-half (47%) of passenger transport market employees worked in other types of passenger transport (i.e. urban transport, taxis and inland waterway transport). Both long-distance bus and coach and railway transport each employed 18% of the total number of passenger transport employees. Finally, air transport employed 14% and maritime transport employed 3%.
- 434 The distribution of employment by passenger transport sector highlights important differences between Member States relative to their geographical location or area of specialisation. For example, employment in the air and maritime transport sectors is particularly important in Member States that have longer coastlines or that are relatively geographically isolated (Cyprus, Malta, Ireland and Greece). Conversely, employment in the railway transport sector seems to be more important in some central European countries, such as Slovakia, the Czech Republic and Hungary.
- 435 Figure 33 provides information on changes in the level of employment by mode of transport in the EU from 2005 to 2008. It is important to note that Figure 32 and Figure 33 are not fully comparable because some modes of transport presented in Figure 33 are more aggregated than in Figure 32.

**Figure 33 – Numbers of employees by mode of transport, index numbers – year 2005 = 100**



Source: Reworking of EC DG-TREN et al. Energy and Transport in Figures (2010)

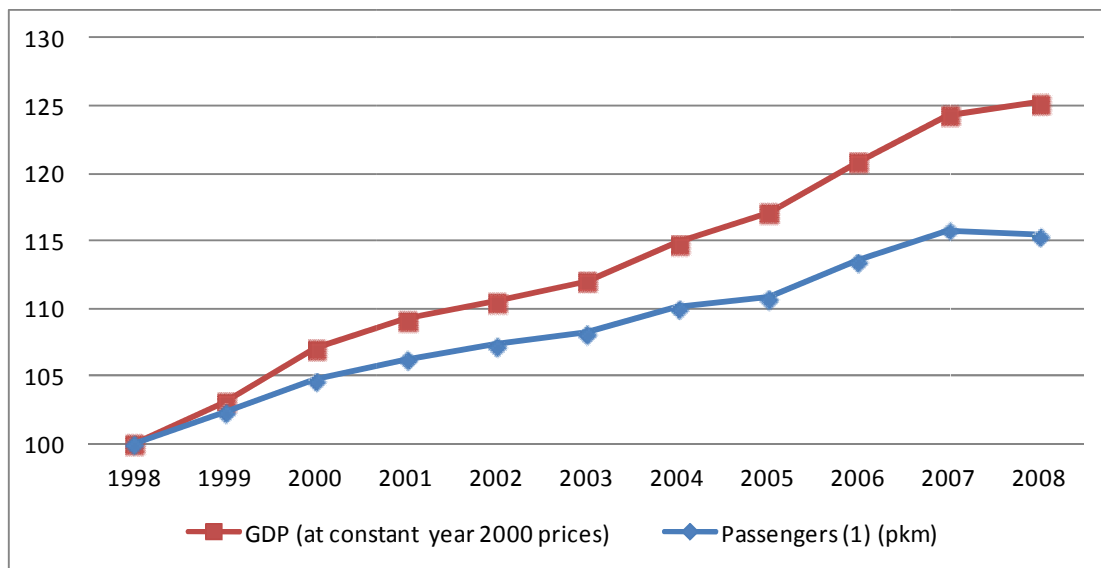
Note: data on road transport includes taxis and local transport; data on railway, maritime and air transport includes freight transport.

- 436 After a slight decrease from 2005 to 2006, the numbers of people employed in the passenger road transport sector started to increase again in 2007, but declined again the following year, so that, in 2008, total employees in the sector ended up 2% fewer than in 2005.
- 437 Railway transport has had a crucial impact on economic development in most Member States, but in recent years it has been facing decline, for various reasons. The main reasons are the major changes that have taken place in the railway sector over the past two decades. In the EU, national railway monopolies have gradually declined as governments have been unable to support the increasing financial burden of unprofitable, state-owned corporations. Restructuring and outsourcing have been implemented by many national railway operators; this has had a severe impact on levels of staffing at the railway operators involved.
- 438 From 2005 to 2008, air transport operators experienced slight growth in their employment levels. However, in the last few decades, the sector has been characterised by a cyclical trend in employee numbers.
- 439 The level of employment in the maritime transport sector saw a material drop in 2008.

## Passengers

- 440 Growth in GDP in the EU between 1998 and 2008 was 1.7% per annum; passenger transport grew at a slower pace, at a rate of 1.1%. Figure 34 shows the relationship between passenger transport and GDP growth. Passenger transport seems to be strongly dependent on growth in GDP, even if rates of growth in passenger transport are constantly lower than rates of growth in GDP.

**Figure 34 – Passenger and GDP in the transport sector in the EU, index numbers – year 1998 = 100**



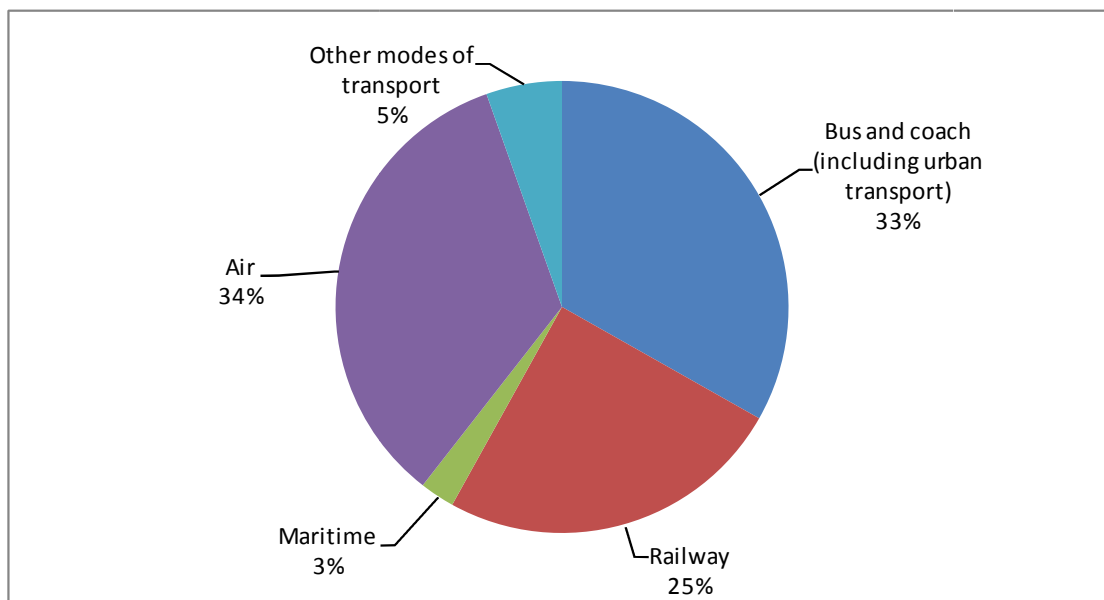
Source: Reworking of EC DG-TREN et al. Energy and Transport in Figures (2010)

Note (1): passengers include passenger cars, powered two-wheelers, buses & coaches, tram & metro, railway, intra-EU maritime and intra-EU air.

- 441 According to the data in Figure 35, in 2008, air transport reported the highest value in terms of passenger-kilometres,<sup>88</sup> followed by bus and coach, and railways. However, it is important to note that bus and coach statistics include both urban and long-distance traffic. In the same period, maritime transport held the last position, almost 3% of the total number of transport passengers.

<sup>88</sup> According to Commission Regulation 1192/2003, passenger-kilometre (pkm) means the unit of measure representing the transport of one passenger over a distance of one kilometre. Only the distance on the national territory of the reporting country should be taken into account.

**Figure 35 – Passengers by mode of transport in the EU, 2008, shares of total transported passengers expressed in passenger-kilometres**

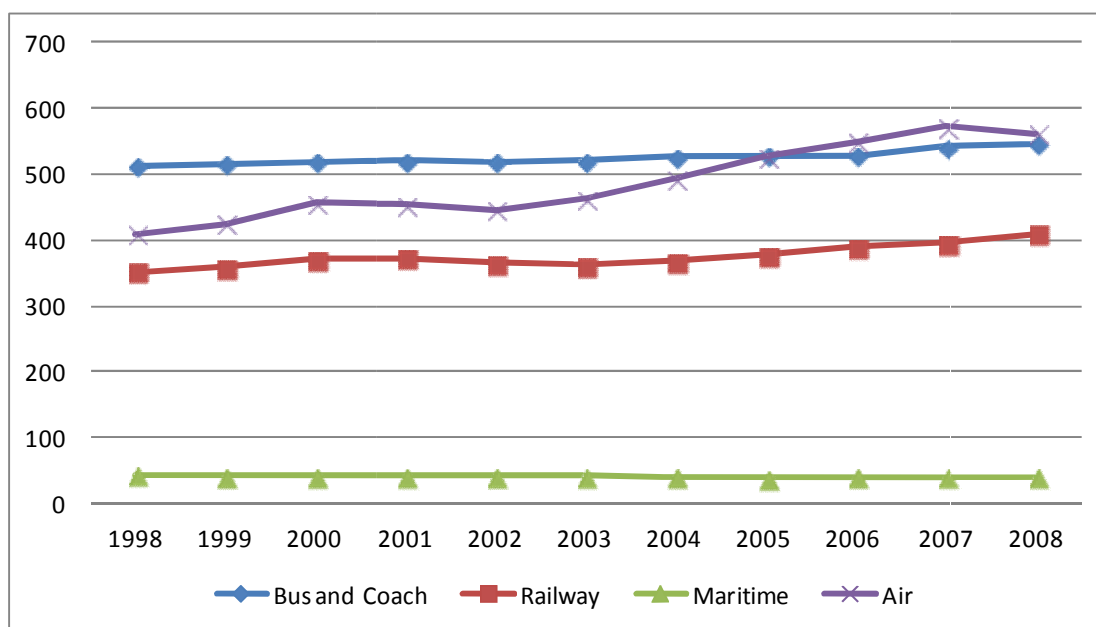


Source: Reworking of EC DG-TREN et al. Energy and Transport in Figures (2010)

Note: other types of passenger transport include urban transport, taxis and inland water transport.

442 Figure 36 shows the change in passenger transport by bus and coach (including urban transport services), railway, maritime and air. Data on performance is expressed in passenger-kilometres and covers the period from 1998 to 2008.

**Figure 36 – Passenger by mode of transport in the EU, 1998 to 2008, billion passenger-kilometres**

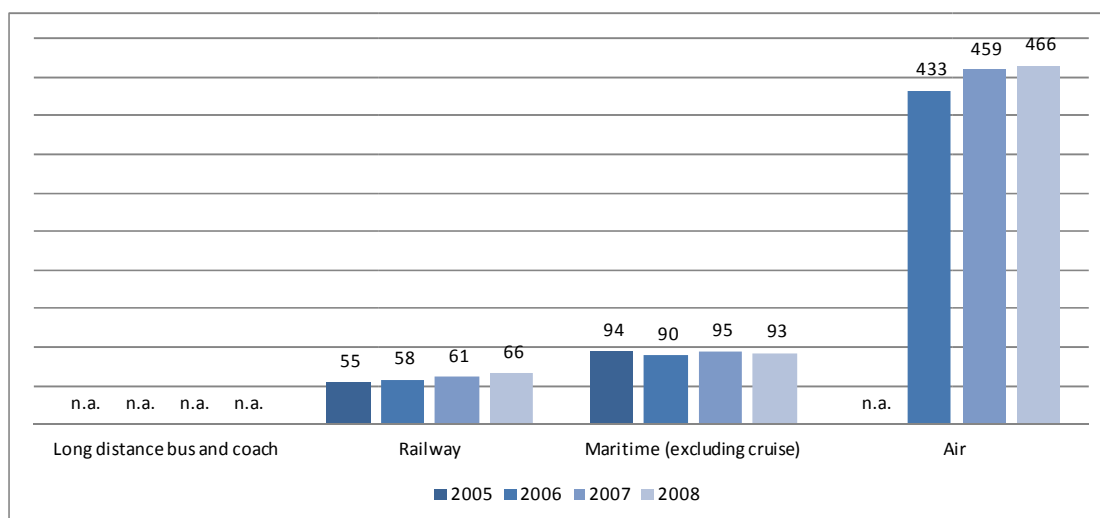


Source: EC DG-TREN et al. Energy and Transport in Figures (2010)

- 443 As reported in the chart, railway and air passenger transport have shown material growth in the last ten years in terms of numbers of passengers. Railway passenger transport increased by 1.7% annually between 1998 and 2008 while, in the same time frame, the annual growth rate of air passenger transport was 3.7%.
- 444 Figure 37 shows the change in numbers of cross-border outward passengers by mode of transport, over the period between 2005 and 2008. The data shows a general increase in the number of transport passengers, with particular regard to air transport.



**Figure 37 – Numbers of cross-border outward passengers by mode of transport, intra-EU and extra-EU, 2005 to 2008, millions**

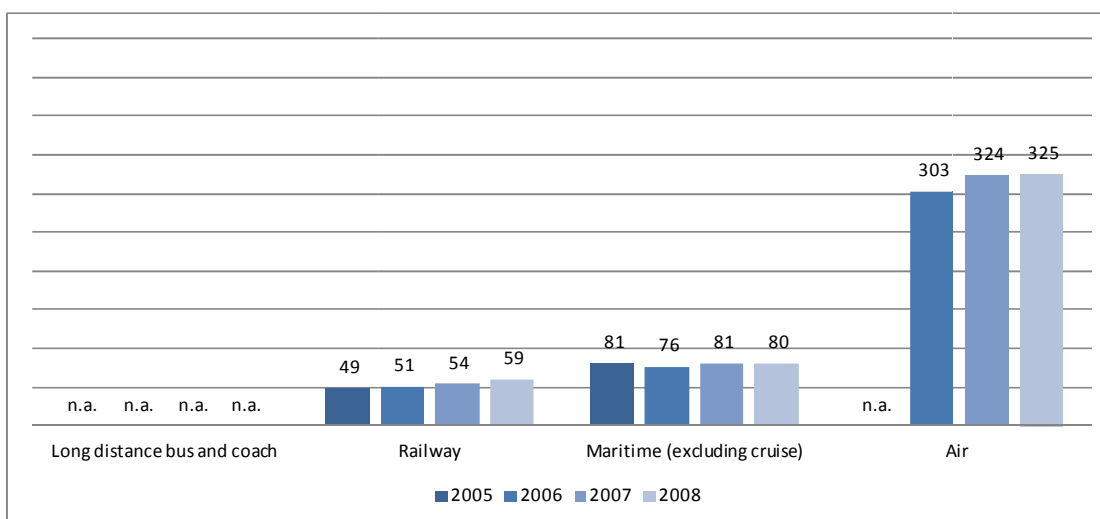


Source: Eurostat Transport (2010)

Note: data on long-distance bus and coach and cruise transport is not available; data on air transport is not available for 2005.

445 Figure 38 presents the numbers of intra-EU cross-border outward passengers by mode of transport over the period 2005 to 2008. In 2008, air passengers departing from one Member State and travelling to another Member State were about 325 million.

**Figure 38 – Numbers of cross-border outward passengers by mode of transport, intra-EU, 2005 to 2008, millions**

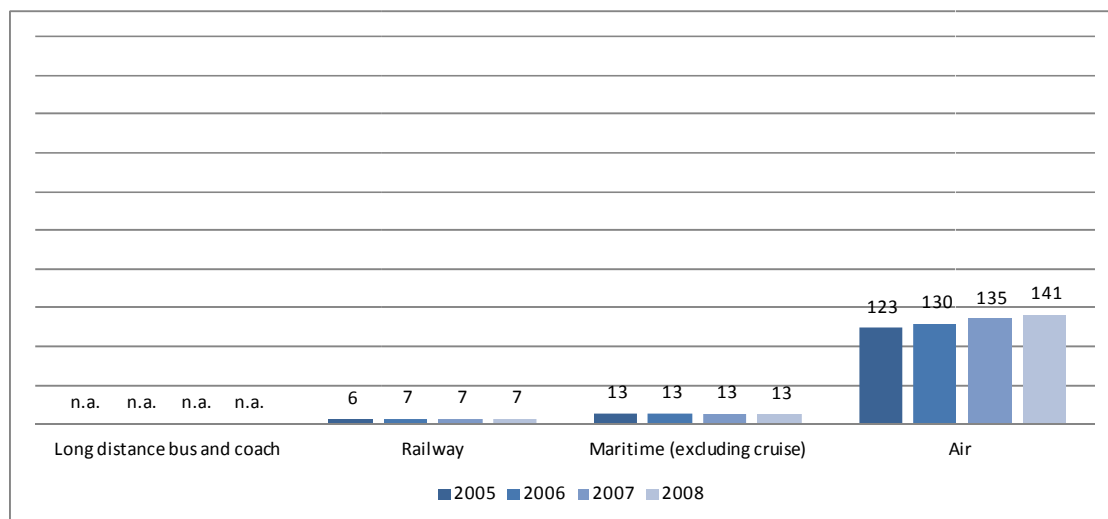


Source: Eurostat Transport (2010)

Note: data on long-distance bus and coach and cruise transport is not available; data on air transport is not available for 2005.

446 Figure 39 shows the change in numbers of extra-EU cross-border outward passengers by mode of transport, over the period between 2005 and 2008.

**Figure 39 – Numbers of cross-border outward passengers by mode of transport, extra-EU, 2005 to 2008, millions**



Source: Eurostat Transport (2010)

Note: data on long-distance bus and coach and cruise transport is not available.

447 By comparing Figure 38 and Figure 39, it is evident that the number of extra-EU cross-border passengers has always been lower than the number of intra-EU cross-border passengers for all the modes of transport considered.

#### Hospitality businesses providing goods or services on board

448 No statistics are available on hospitality businesses providing goods and/or services on board means of transport.



## 5.7 References

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