

## Package Travel Directive

Sept 2013



**1. The Issue** The Package Travel Directive exists primarily to protect consumers if their tour operator becomes insolvent and they have to be repatriated or if they need to seek redress for loss or injury incurred while on holiday overseas. We believe that small tourism businesses selling value-added products (ie., accommodation with a ticket to a show) that do not include transport are not selling “package travel” and should therefore be outside the Directive. Doing so would provide an increase in domestic tourism of up to 27%, creating 74,000 local jobs for the UK economy,

**2. Background** The Package Travel Directive came into effect in 1990 and is implemented in the UK through the Package Travel Regulations 1992, which is administered by the Department for Business, Innovation and Skills (BIS).

However, since the Package Travel Directive was introduced, the travel sector has evolved considerably, especially with online booking services and the rise of low-cost air carriers. As a result of these changes to the tourism market, the European Commission has formulated proposals to modernise the Directive.

**3. Impact** All tourism-related business that provide two or more of the following components, transport, accommodation or other tourist services, must comply with the requirements of the Directive. For example, a B&B in a village cannot work with the local pub to provide an offer such as “two nights accommodation including meals at the local pub for £100” without establishing a trust account, providing detailed information including who the customer’s representative is and the complaints, cancellation and refund procedures associated with the offer. The B&B would also be legally responsible for any loss or injury suffered by the customer while dining at the pub.

The costs associated with the need to establish a trust account (and the associated cash-flow problems that this causes for small businesses), gain additional insurance cover and provide detailed information has resulted in very few small tourism businesses in the UK working together to develop packages for customers. As a result less than 4% of domestic trips in the UK are taken as part of a package. This represents a missed opportunity for the UK tourism sector.

**4. Solution** The Tourism Alliance believes that there is a very simple solution, which is to amend the definition of a Package under the Package Travel Directive so that a package has to include the transport element. This would allow small tourism businesses to work together to provide value-added products to customers without having to bear unnecessary costs and potential liabilities while still protecting people purchasing overseas holidays.

This approach would have three clear benefits.

1. First, it would retain the primary purpose and benefit of the Package Travel Directive in that it would still enable people travelling overseas to be repatriated in the case of the financial failure of a tour operator and retain the ability of customers to seek legal redress in the case of loss or injury while travelling abroad on a package holiday.

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- 4. Solution** (continued)
2. Second, it would facilitate a resolution to the issue of self-packaging, especially where this occurs as a result of people clicking-through from one website to another (e.g. where you are offered accommodation on a partner's website after booking a flight online with an airline).
  3. Third, simplifying the definition of a package would help to create a more favourable regulatory environment for small domestic tourism businesses to bundle products within destinations. This would allow destinations within the UK to produce a more competitive and compelling product, as well as encouraging the spread of tourism spend across a destination.

Making this change to the definition would not decrease consumers rights or protection as value-added products are already subject to the Consumer Rights Directive.

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**5. Facts & Figures** VisitEngland has undertaken significant research on the ability of value-added offers to boost domestic tourism expenditure. In one piece of research people were presented with a selection of 16 different types of offer and asked how much the different offers would encourage them to take additional holiday trips in the UK. Of the different types of offer, value-added products ranked third, with 27% of people stating that it would greatly encouraged them to take an additional holiday in the UK, if more of these products were available (the example used in the study was a stay at a hotel with tickets to the theatre).

If 27% of people took just one additional break in the UK as a result of the greater availability of value-added products, this would have a significant impact on the volume and value of domestic holidays in the UK. In 2012, UK residents undertook 57.7m holidays in UK and spent £13.8bn. A 27% increase would see an additional 15.5m holidays per annum, which would generate over £3.7bn per annum in additional expenditure for the economy.

A study by VisitBritain, Employment Generated by Tourism in Britain, found that one new job is created for every £50,000 of additional expenditure by tourists. Using this figure, the generation of £3.7bn of additional expenditure in the UK economy can be expected to create 74,000 additional jobs.