

The £2.2bn Opportunity to Cut EU Red Tape

Summary

- The UK implements the EU Package Travel Directive through the Package Travel Regulations
- While the Regulations provide important protections for people undertaking package holidays overseas, the poor drafting of the Directive, and therefore the Regulations, means that they impose costly and unnecessary EU red tape on the UK's domestic tourism industry.
- Leaving the EU provides the UK Government with the opportunity to remove this unnecessary red tape by simply amending the definition of a "Package" in the Regulations so that it must include transport.
- Removing this red-tape will benefit consumers by reducing the cost of domestic holidays, while not affecting their rights and protections.
- Research by the Tourism Alliance indicates that freeing domestic tourism businesses to provide UK consumers with the Value-Added products want will boost the UK's domestic tourism industry by £2.2bn per annum and create 40,000 new jobs.

1. The Package Travel Regulations

The UK Government was required to transpose the EU Package Travel Directive into UK regulation in 2018.

The primary purpose of the Directive, and the Package Travel Regulations (PTRs), is to protect consumers who are taken on holiday by tour operators. The legislation provides these consumers with two main protections:

1. Repatriation

Travel agents and tour operators are required to be bonded so that if the company goes bankrupt, customers don't become stranded overseas with no means of returning home.

2. Liability

Travel agents and tour operators are made legally responsible for the satisfactory performance of all aspects of the package they provide their customers so that, if

redress is required, the customer does not have to pursue foreign businesses through foreign courts.

These two protections are extremely beneficial to consumers and have facilitated the enormous growth in international tourism between EU member states since 1992. Events such as the collapse of Monarch and Thomas Cook demonstrate that these protections remain important.

2. The Detrimental Impact of the PTRs on UK Domestic Tourism

While the PTRs have been hugely beneficial for consumers purchasing Package Travel, they have, at the same time, been detrimental to both the UK domestic tourism industry and to UK consumers wanting to undertake a domestic holiday.

The reason for this is that the definition of a “Package” has been poorly drafted so that it is any two of three elements - “Transport”, “Accommodation” and “Other Tourism Service”. This means that, rather than just covering people who are being taken away on holiday, the legislation also covers “Value-Added” products (ie., products that combine “accommodation” and “other tourism service”).

As a result, if a B&B, guesthouse or hotel in the UK offers a product to their customers that combines, for example, a weekend stay with tickets to a local attraction, a meal in a local pub or an activity such as a round of golf or watercolour lessons, this is deemed to be selling “Package Travel” and the B&B operator is deemed to be a Tour Operator.

This was never the intention or purpose of the Directive and causes two significant problems for the 180,000 micro-businesses and SMEs that comprise the UK domestic tourism industry.

1. It makes the B&B owner legally responsible for anything that happens to the customer while at the attraction or undertaking the activity. This is an unacceptable level of risk for small businesses.
2. It requires the B&B owner to be bonded, which is expensive, or to put customers’ funds into a trust account, which is detrimental to the cashflow of small businesses.

It is important to note that, when the Package Travel Directive was being developed in Brussels, the UK Government’s position was that the definition of a package had to include transport. This position was taken specifically to avoid these problems and to support domestic tourism businesses by excluding Value-Added products from the scope of the legislation.

3. The Benefits of Removing Value-Added Products from the PTRs

The Tourism Alliance has undertaken a survey of domestic tourism businesses regarding the impact of the PTRs. The results of this survey support previous findings that the Package Travel Regulations have a detrimental impact on domestic tourism in the UK.

The main findings of the survey are:

- 47% of tourism businesses stated that they never offered Packaged or Value-Added products to their customers.

- 61% of the respondents stated that complying with the Package Travel Regulations was the reason why they did not sell packaged products
- 74% of business said that they either “definitely would” (36%) or “probably would” (38%) supply Value-Added products to customers if these products were removed from the scope of the Package Travel Regulations. Only 2% said that they “definitely wouldn’t”
- On average, businesses thought that being able to provide Value-Added products would boost their income by 9%, with 15% thinking that it would increase their revenue by over 20%

The survey also found considerable agreement among the respondents that improving the ability to provide customers with Value-Added products would generate a range of other benefits. These findings include:

- 91% of businesses agreed that providing Value-Added products would grow the domestic tourism market as a whole, rather than just redistributing existing revenue
- 59% of businesses agreed that providing Value-Added products would increase competition between businesses, thus providing benefits to consumers (only 7% disagreed).
- 82% of businesses agreed that providing Value-Added products would make the UK a more attractive destination for overseas visitors
- 74% of businesses agreed that providing Value-Added products would increase visitor satisfaction (only 4% disagreed)
- 68% of businesses agreed that providing Value-Added products would boost the productivity of the UK tourism industry
- 66% of businesses agreed that providing Value-Added products would improve seasonal spread

3.1 Calculating the Benefits

Businesses surveyed estimated that removing Value-Added products from the scope of the Package Travel Regulations would, on average, increase their revenue by 9%.

The UK domestic tourism generates £24.7bn per annum. A 9% increase would therefore equate to an additional £2.2bn per annum in domestic tourism expenditure, which would be relatively evenly spread throughout all regions of the country.

Research by Deloitte and Oxford Economics for VisitBritain on the economic contribution of tourism to the UK economy, *Tourism: Jobs and Growth*, found that an additional FTE job in the tourism sector was created for every £54,000 increase in expenditure by visitors.

Using this Government-accepted figure indicates that the £2.2bn increase in domestic tourism expenditure would therefore create an additional 40,000 jobs.

3.2 Benefits to Consumers

The survey of tourism businesses conducted by the Tourism Alliance highlights the benefits to consumers of removing Value-Added products from the scope of the PTRs. Namely, there would be an increase in the number and variety of these products available to consumers, which would increase competition in the market and lower the price of domestic holidays.

More importantly, however, these benefits would come at no cost to the customer in terms of consumer protection.

As stated above, the two main consumer benefits of the PTRs are that they ensure that UK tourists are not stranded overseas with no way of getting home and to ensure that, if legal redress was required, the customer is able to pursue this through the UK courts.

However, for Value-Added products, neither of these two protections are needed. As the customer already lives in the UK and has generally driven to the accommodation premises, they do not need to be repatriated and any transport arrangements remain unaffected .

Second, if Value-Added products are removed from the scope of the PTRs, under existing UK consumer law each party to the product simply becomes separately liable for the performance of their component of the product. So, using the previous example of a Value-Added product, the B&B owner would remain liable for the performance of the accommodation, while the attraction operator would be liable for the performance of the attraction.

That both operators are separately liable is common sense and makes no difference to the customer as both operators are known to the customer and are both located in the UK.

4. Summary

Now that the UK has left the EU, the Government has the opportunity to free the UK domestic tourism industry from the costly and unnecessary EU red-tape associated with the Package Travel Regulations by simply amending the definition of package travel so that it must include travel.

Doing so would enable businesses to provide discounted special deals for consumers which would generate an additional £2.2bn in revenue and create 40,000 new jobs while, at the same time, maintaining existing protections for UK consumers undertaking holidays in Europe and retaining reciprocal arrangements for EU visitors holidaying in the UK.

There would be no disbenefit to UK consumers from this move as they are already protected by UK consumer law.

BEIS is currently reviewing the PTRs so the process for making this change is already underway. And finally, in reviewing the PTRs, BEIS officials have been unable to cite a single example of someone purchasing a Value Added product that has benefited from the protections provided in the PTR – compelling evidence that this EU red tape serves no benefit.

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Appendix 1: The UK Tourism Industry

Tourism is one of the UK's largest and best performing industries. It is made up of over 303,000 businesses which provide jobs for 3.4m people and contribute £157bn to the UK economy.

The overriding characteristic of the domestic tourism industry is that it is largely composed of very small businesses. Work by the UK Commission for Employment and Skills shows that, of the 303,000 domestic tourism businesses in the UK, over 70% are micro-businesses and a further 25% are SMEs.

The revenue and employment generated by these businesses has a number of important economic features. These include:

- **Regional Spread**
Unlike other industries, the revenue and jobs created through tourism are spread widely across the country with all UK regions having at least 90,000 people working in the tourism industry.
- **Transfer of Wealth**
Tourism is the largest private sector source of wealth transfer between urban and rural/seaside areas. Last year urban visitors spent £25bn in rural and seaside destinations, supporting over 460,000 fulltime jobs in these areas.
- **Youth Employment**
Tourism is a major source of employment for minority groups and provides an important first step on the career ladder for young people. Approximately 44% of the people employed in the tourism industry are aged under 30 compared to around 24% across other industries

Appendix 2: Tourism Alliance Members

ABTA - The Travel Association
Airport Operators Association
AIPO
ALVA
ANTOR
Association of Group Travel Organisers
ASAP
ATHE
BACTA
BIAZA
Bed & Breakfast Association
Betting and Gaming Council
British Beer & Pub Association
British Destinations
British Educational Travel Association
British Holiday & Home Parks Association
British Marine Federation
Business Visits & Events Partnership
Camping & Caravanning Club
Caravan and Motorhome Club
Churches Visitor and Tourism Association
Coach Tourism Association
Confederation of Passenger Transport
Country Land and Business Association
Cumbria Tourism
English UK
European Holiday Home Association
European Tour Operators Association
Experience Oxfordshire
Experience West Sussex
Family Holiday Association
Go New Forest
Group Travel Business Forum
Heritage Railway Association
Heritage Alliance
Historic Houses
Holiday Home Association
Institute of Tourist Guiding
Liverpool City Region LEP
Marketing Cheshire
Marketing Manchester
National Caravan Council
National Coastal Tourism Academy
National Trust
Outdoor Industries Association
Professional Self Caterers Association
Premier Cottages
Resort Development Organisation
Road Haulage Association
South West Tourism Alliance
The Tourism Society
Tourism For All
Tourism Management Institute
Tourism Consultants Network
Tourism South East
UKHospitality
UKinbound
Visit Brighton
Visit Cornwall

Visit Greenwich
Visit Kent
Visit Northumberland
Visit West
Visit Wiltshire
YHA

Observers

Local Government Association
VisitBritain
VisitEngland