



Tourism Alliance Policy Working Group on the Package Travel Regulations

September 2023

White Paper

Introduction and background

The regulations around package travel were an EU directive that the UK Government implemented while we were still a member of the EU. They were implemented as [The Package Travel and Linked Travel Arrangements Regulations 2018](#) (PTRs for short).

[The Government also published some explanatory guidance for businesses.](#)

These regulations provide significant and valued consumer protection in most cases, especially with respect to international travel. The definition of a “package”, in broad terms, is one where any two of four elements are included in the booking.

The four elements are:

- “**Carriage of passengers**” (including flights, trains and coaches)
- “**Accommodation**”
- “**Motor vehicle hire**” and
- “**Any other tourist service**”.

This means that, rather than just covering people who are being taken away on holiday, the legislation also covers other value-added products. This is stopping companies providing value added services, and is hampering consumer choice while providing no additional consumer protection.

We advocate changing the regulations so that “**carriage of passengers**” or “**motor vehicle hire**” plus either of “**accommodation**” or “**other tourism services**” would be required for a domestic booking to fall under the PTRs. This would remove the unnecessary and burdensome requirements that stop companies from offering – and consumers from benefitting from – innovative and value-added packages.

Key points

- While the regulations provide important protections for people undertaking package holidays overseas, they have hampered the domestic sector from offering value-added services.
- 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 one of the two transport elements.
- 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 they want will boost the UK’s domestic tourism industry by £2.2bn per annum and create 40,000 new jobs.

Government now consulting on reform

On 20th September 2023 the Department for Business and Trade (DBT) launched a call for evidence to support possible reform of the PTR Framework:

[DBT Call for Evidence: Package travel legislation: updating the framework.](#)

This consultation closes on 13 December 2023. The Tourism Alliance will be submitting evidence in support of the proposal outlined in this paper and will update members further on other aspects of possible PTR reform being considered by the Government.

The Package Travel Regulations

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:

- **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.
- **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.

The detrimental impact of the PTRs on UK domestic tourism

The effect of the ‘any two of four’ rule in the PTRs can be dramatic. If, for instance, a B&B, guesthouse or hotel in the UK offers a product to their customers that combines 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

could be deemed to be selling “package travel” and the B&B operator deemed to be a tour operator. This is the case when the “Other Tourism Service” forms a “significant proportion of the value” of the combination. Although this is not defined in the regulations, the Government say that a rule-of-thumb is that 25% of the cost is indicative of its being significant.

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.

- **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.**
- **It requires the B&B owner to be bonded or have insolvency insurance, which is either prohibitively expensive, or in many cases simply not available, especially to small business. Alternatively, businesses can put customers’ funds into a trust account but this is hugely detrimental to the cashflow of small businesses.**

It is important to note that, when the Package Travel Directive was being developed in Europe, the UK Government’s position was precisely the same as that which we are now advocating - that the definition of a package had to include transport.

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 PTRs 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 PTRs 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:

Making this change would:

- **Grow the domestic tourism market as a whole - 91% agreed**
- **Increase competition between businesses - 59% agreed (only 7% disagreed)**
- **Make the UK a more attractive destination for overseas visitors - 82% agreed**
- **Increase visitor satisfaction - 74% agreed (only 4% disagreed)**
- **Boost the productivity of the UK tourism industry - 68% agreed**
- **Improve seasonal spread - 66% agreed**

Calculating the benefits

Businesses surveyed estimated that removing value-added products from the scope of the PTRs would, on average, increase their revenue by 9%.

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.

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 is 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, UK consumer law would apply and give significant protection to consumers as currently exists for the selling and delivery of all kinds of services.

Benefits to Destination Management Organisations and destination marketing

The Tourism Alliance surveyed a number of Destination Management Organisations in England to see if a) they were supportive of this proposal, b) to ask if they believed that tourism businesses in their area were being hampered by the regulations as currently written and c) to ask if they believed the DMO itself would benefit from the change by being better able to promote and sell combined services in their destination.

- **90% of DMOs surveyed agreed** with our policy proposal. A total of 85% strongly agreed.
- **90% said the current rules are hampering** the ability of businesses in their area to offer value-added products to consumers. 45% said it was hampering it a **great deal**.
- **90% said our proposal would benefit their DMO** in being able to market products and services in their area. 55% said it would benefit them a great deal.

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, exactly as the UK Government itself argued should be the case when the EU regulation was being debated and when we were part of the EU.

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.