



# **Package Travel – Updating the Framework 2025**

## **Tourism Alliance Submission**

### **1. Introduction**

Thank you for the opportunity to provide input on updating the Package Travel Regulations in order to simplify and clarify the requirements of businesses that sell package holidays to consumers.

The Tourism Alliance is the voice of the UK tourism industry. We bring together 75 different trade associations and membership bodies from across the tourism industry which represent approximately 200,000 individual businesses.

The Tourism Alliance has long advocated for changes to the Package Travel Regulations in order to support the UK's domestic tourism industry. We are especially supportive of the proposal to remove accommodation businesses that provide “other tourism services” to customers from the definition of a package as this will have significant benefits to both domestic tourism businesses and local economies without any detriment to consumers.

Indeed, it is our view that the ability of small businesses to provide “added value” deals to consumers will significantly benefit customers by providing increased consumer choice and lower prices in the domestic market.

We recognise that the outbound operators view is that removing accommodation and other tourism service packages from the bounds of the regulations will give domestic businesses an unfair competitive advantage while inbound operators have concerns that removing these packages from the regulations will make it more difficult to sell the UK to European inbound visitors who want the protection afforded by the regulations.

However, on balance, the Tourism Alliance supports the removal of these packages from the regulations as the outbound tourism sector is robust and continues to grow while the majority of inbound operators will be providing transport as part of the package provided to inbound visitors and so they will remain protected by the regulations.

## Responses to Specific Questions

### 1. **Do you think that domestic-only arrangements that do not include travel should be exempt from the regulations?**

The Package Travel Regulations were introduced in 1990 to protect people travelling within Europe who would either be stranded overseas if their Tour Operator became insolvent or would have to seek redress through a foreign court if they suffered loss or injury during the holiday.

These protections are important for customers undertaking international package travel and, along with the growth of budget airlines, have helped stimulated the growth of intra-European package holidays. Since 2010, outbound travel from the UK has increased 51% from 55.6m trips to 84m trips while expenditure by UK residents in overseas destinations has increased 128% from £31.8bn per annum to £72.4bn per annum.

However, while the regulations have helped the development of outbound tourism, they have been detrimental to the UK's domestic tourism industry as they impose a range of disproportionate costs on small domestic tourism businesses which effectively prevent them from providing customers with value-added deals that combine accommodation with another tourism service such as tickets to a local attraction or event, a voucher for a meal at a local pub or admittance to a local activity.

In contrast to the growth of outbound tourism, since 2010 the number of domestic overnight trips has actually fallen 8% from 115m trips per annum to 106m, while expenditure has only increased 58% from £20.8bn to £32.9bn. As inflation over this period was 55%, domestic tourism revenue has only just matched inflation and has therefore shown no growth in real terms for the last 15 years even though the population has increased by 9% over this period.

If domestic tourism expenditure had kept pace with outbound expenditure it would be generating £47.4bn - £15.2bn more than today. Using research undertaken by VisitBritain on employment in the UK tourism industry, this additional revenue would generate over 200,000 new fulltime equivalent jobs, many of which would be concentrated in rural and seaside communities where UK residents take most of their holidays.

Moreover, this cost to the economy has come at no benefit to consumers as the two main protections afforded by the PTR, being able to be repatriated back to the UK if the tour operator becomes insolvent and being able to get legal restitution in the country in which the package was purchased, do not apply when a customer purchases a domestic package comprising accommodation and another tourism service.

People using their own transport to travel within the UK do not have to be repatriated while businesses working together to provide an added value product are still bound by the Consumer Protection from Unfair Trading Regulations 2008 and Consumer Rights Act 2015. All that would happen if accommodation and other tourism service packages were removed from the scope of the legislation would be that each company became separately liable for their component of the package. As such, removing

accommodation and other tourism services packages from the PTRs would benefit businesses and consumers by clarifying legal responsibility.

**2. If you offer or have considered offering domestic packages, what impact does the current regulatory regime have on your decision to put together domestic packages?**

VisitBritain's 2024 Great Britain Tourism Survey (GBTS) shows that only 20% of people undertaking a domestic holiday purchase a package from a tour operator or travel agent. By contrast, research by ABTA shows that 61% of people who went on an overseas holiday booked a package, with this figure rising to two-thirds (66%) for 18-34 year olds and three-quarters (74%) for families.

The reasons for this disparity are two-fold. First, 73% of people who undertake a domestic holiday do so using a private motor vehicle, meaning that there is much less demand for package holidays that include transport. Second, research undertaken by Tourism Alliance has shown that 61% of small accommodation businesses do not sell these products because complying with the PTRs is too onerous.

It is worth highlighting one of the most onerous requirements of the PTR that small accommodation businesses face if they want to provide customers with added-value products – that they become legally responsible for any loss or injury that customers incur while visiting the business that provides the “other tourism service. For example, a B&B operator that provides a voucher for a meal at a local pub or tickets to a local historic house as an incentive for customers to stay with them becomes legally responsible if the customer gets food poisoning at the pub or slips on a wet floor at the historic house.

This is a risk that no small accommodation business can take or insure against and therefore accommodation businesses do not offer customers these types of deals.

**3. Would removing domestic packages that do not include a travel element from the scope of the regulations support businesses to offer more choice and/or offer lower cost options?**

The Tourism Alliance have previously undertaken research on the impact of removing accommodation and other tourism service packages from the scope of the Package Travel Regulations. This research consisted of a survey of accommodation providers to gauge the extent to which the current regulations impact business opportunities and the extent to which removing the regulations would stimulate product development and increase revenue.

The main findings of the survey show that removing domestic packages that do not include a travel element from the scope of the regulations would significantly support domestic tourism businesses in their ability to offer more choice and lower cost options to consumers:

- 74% of business said that they either “definitely would” (36%) or “probably would” (38%) develop and sell these products if they 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 customers with these products would boost their income by 9%, with 15% thinking that it would increase their revenue by over 20%.

These findings not only indicate that accommodation businesses find the current regulations too onerous to be able to comply with, but that they strongly believe that there is significant consumer demand for added-value products that combine accommodation with another tourism service.

UK domestic tourism generates £32.9n per annum. Therefore, the average 9% increase in revenue that businesses think that a change in the regulations would provide equates to an additional £3.0bn per annum in domestic tourism expenditure. Deloitte research for VisitBritain, updated by the Tourism Alliance, has calculated that the marginal cost of employment in the tourism sector is £74,300 – ie., that one additional job is created for every additional £74,300 in tourism revenue generated. Using this figure, it can be estimated that removing accommodation and other tourism service products from the scope of the regulations would generate over 40,000 additional jobs, the majority of which would accrue to the rural and seaside communities where British people take their holidays.

The survey also found considerable agreement among the respondents that improving the ability to provide customers with these products would generate a range of other benefits including:

- Growing the domestic tourism market as a whole – 91% agreed
- Increasing competition between businesses – 59% agreed (only 7% disagreed)
- Making the UK a more attractive destination for overseas visitors – 82% agreed
- Increasing visitor satisfaction – 74% agreed (only 4% disagreed)
- Boosting the productivity of the UK tourism industry – 68% agreed
- Improving seasonal spread – 66% agreed

#### **4. What do you think the regulatory position on linked travel arrangements should be?**

The current framework for LTAs is complicated and confusing to both businesses and consumers. It is therefore important to simplify this component of the regulations so that it is clear to everyone as to when the LTA protections apply.

Given that the consumer concludes contracts with different traders, and that there is little difference to the consumer between booking inside or outside 24 hours, we believe it makes sense remove Type B LTAs entirely so that these types of bookings fall entirely out of scope. We do not believe that consumers would consider two contracts entered into with two different traders would form a package or an LTA.

On balance we would support the retention of Type A LTAs, although we would support small changes to simplify and clarify their operation. In particular, the definition should be altered to be clear that an LTA is only created where a business arrangement exists

between two businesses through which a customer is passed from the one operator (for example, an airline) to another operator that provides a different component of the holiday (for example, an accommodation providers or car rental company).

The test for whether a LTA is formed would be that the first business receives a financial benefit for referring the customer to the second business. In addition to simplifying LTA arrangements in this way would clarify that situations where businesses provide recommendations to customers without receiving financial benefit fall outside the scope of the regulations. This is important as customers always ask local tourism businesses for recommendations regarding where to go, what to do, where to have a meal or which pubs have nice outdoor areas. Providing recommendations is simply providing good service to customers and should not be seen to be “providing information in a targeted manner.”

**5. Would increasing flexibility in how businesses can get insolvency protection benefit businesses to meet their obligations under the regulations?**

Additional flexibility over how insolvency protection is provided is helpful, and could assist business in providing some value-added services and products to consumers, but this is largely an academic issue, as large numbers of business in the tourism industry will continue to be excluded from being able to access the kind of protection needed to operate under the PTRs. Even where businesses may be able to get some kind of insolvency protection the cost of doing so would likely completely outweigh any commercial benefit in doing so.

For example, one large insurance company will only provide cover for business with a minimum turnover of £45,000. Given that DCMS research has estimated that 76% of all tourism business in the UK are micro-businesses, a large proportion of the 1.3m tourism business in the UK would still not be able to gain insolvency insurance. Even if they passed this threshold the provider would also include capital reserves and the ‘nature of the management team’ as factors in deciding whether to provide cover and at what premium. It is extremely unlikely that the vast majority of small and micro-businesses in this sector would be able to get cover, and even if they did, that it would be commercially beneficial to do so.

More importantly, however, is that even if these businesses were able to get insolvency insurance, they would still be unable to offer accommodation and other tourism service deals because they cannot get public liability insurance that covers them for when customers visit another business’s premises.

It is also important to note that the Tourism Alliance, in discussions with DBT and Trading Standards officials, has been unable to identify a single example of any consumer having benefited for the PTRs for a product that combines accommodation with another tourism service. This strongly indicates, for these businesses, selling these products, insolvency insurance is simply not needed regardless of how easily it could be obtained.

## **12. What should be done to the ‘significant proportion’ criterion included in the current definition of other tourist services?**

There are three main problems with the use of the “significant proportion” criteria for determining whether a package has been formed. The first of which is that an approach based on the proportion of the overall cost of a package will create an uneven playing field which will favour high-cost accommodation providers over low-cost accommodation providers.

- Knowing when the 25% has been reached

The current definition of 25% requires significant administration and monitoring by business. Take the example of an accommodation provider offering a meal in a local restaurant. He or she may suddenly find that a certain booking has been brought into PTR scope because the consumer included an optional extra course at dinner, or because there were three guests rather than two, or because it was an off-season mid-week booking which the accommodation provider’s dynamic pricing engine had discounted without their intervention or knowledge, or if the consumer chooses to book a pre-pay rate rather than a flexible one. All these elements could trip a booking into PTR scope regardless of whether the additional service is an essential element or not.

- The lack of a level playing field for businesses

Having a limit that is based on the room rate of the accommodation provider gives the operators of more expensive accommodation a competitive advantage over those that operate at the value end of the market. That is business charging £200 per night can offer a deal to the value of £66 pounds whereas a business charging only £100 per night can only offer a deal to the value of £33.

This means that customers that can afford luxury breaks are able to access deals that are not available to customers on a tighter budget. We believe that this is simply not fair to small businesses or their customers.

- Limited ability to provide off-season deals

The third problem with this approach is that domestic businesses tend to develop packages to boost demand in the shoulder and off-seasons. However, it is during these periods when room rates are significantly lower than they are in the high season, meaning that a small accommodation provider that has a room rate of £100 in summer and £50 in winter is able to provide an added-value products worth £33 in summer but only £17 in winter. The 25% threshold therefore limits the ability of operators to provide compelling offers just when they most need to provide these offers in order to increase bookings.

As such, having a 25% limit to the value of the other tourism service is counter-productive in enabling destinations to boost their local economy by increasing revenue on the shoulder and off-season. This, in turn, impacts on the viability of local attractions, pubs and restaurants and shops that rely on accommodation businesses to draw visitors to these destination during these periods.

**13. Is it clear what forms an ‘essential feature’ of the package, so consumers and businesses understand when a package has been created?**

Considering the problems associated with the 15% threshold, the Tourism Alliance prefers the use of the term “essential feature” to determine whether a package has been formed.

However, it should be noted that this term is subjective as it relies on knowing the booking motivation of the customer. For example, an accommodation provider could provide a package combining two nights’ accommodation with tickets to an open garden event at a local stately home. One person buying the package might be primarily going to the destination to attend an evening concert and sees the tickets as a good way to spend the day before going to the concert. As the main purpose of their visit is to attend the concert, the tickets to the open garden would probably not be deemed to be an essential feature of their stay.

However, another couple may book the same package on the basis that they always wanted to visit the gardens of this stately home. To them, the ability to visit the gardens is an essential feature of the package as it is the primary reason for visiting the destination.

An added complication is how businesses advertise packages. For example, one operator selling the accommodation and the cost of a round of golf at a local course might advertise it as “a weekend away at the destination with the opportunity to play a round of golf” while another might advertise the exact same package as an “weekend golf break”.

In the case of the first operator, the tickets would probably not be deemed to be an essential feature while the second operator has indicated that the tickets are an essential feature of the package.

Because of the subjective nature of what is deemed to be an “essential feature”, clear guidance will be required so that both customers and businesses know when a package has been formed.

**14. What are the consequences and benefits of options 1 and 2 relating to the ‘significant proportion’ criterion?**

Our view is that there are problems associated with both using both “significant proportion” and “essential feature” but consider the use of essential feature to be preferable provided that there is clear guidance on what circumstances a added value benefit becomes an essential feature.

**15. Should the regulations be changed to require suppliers to provide redress to organisers within 14-days?**

Small businesses are constantly under pressure in terms of cash-flow. As such, having to refund customers within 14 days and then not being able to recoup expenditure from suppliers within a similar timeframe places a significant burden on operators. We would therefore, fully support their being a levelling of the playing field whereby suppliers were required to provide refunds within the same timeframe as customers.

Again, thank you for the opportunity to comment on this issue. The Tourism Alliance firmly supports the measures proposed to simplify the PTR and bring proportionality and clarity to the regulations.

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