

**Title:** Package Travel Directive  
**IA No:** BEIS025(C)-16-CCP  
**RPC Reference No:**  
**Lead department or agency:** BEIS  
**Other departments or agencies:**

Impact Assessment (IA)			
<b>Date:</b> 06/01/2017			
<b>Stage:</b> Consultation			
<b>Source of intervention:</b> EU			
<b>Type of measure:</b> Primary legislation			
<b>Contact for enquiries:</b> David Barkshire david.barkshire@beis.gov.uk			
<b>RPC Opinion:</b> Green			

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
£2.03	-£379.00	£39.1	Not in scope	Non qualifying provision

**What is the problem under consideration? Why is government intervention necessary?**  
 Package travel holidays involve a number of components sold together (e.g. travel, accommodation). Existing regulations that provide protection for consumers need updating due to innovations in the market that leave many packages out of scope.

**What are the policy objectives and the intended effects?**  
 The UK policy objectives are to provide travellers with clear and effective protection when purchasing packages and linked travel arrangements; to level the regulatory landscape; and facilitate cross-border trade by broadening the UK insolvency protection regime to cover sales across the EU.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**  
 Two options have been considered: Option 0 (do nothing) and Option 1 (implement the minimum requirements of the Package Travel Directive).  
 Option 1 is our preferred option as it ensures the most effective transposition of the Directive into UK law, addressing the issues present in the market and safeguarding the UK from infraction by the EU.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 07/2023						
Does implementation go beyond minimum EU requirements?			No			
Are any of these organisations in scope?			Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			Traded:		Non-traded:	

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible SELECT SIGNATORY: *Margot James* Date: 26 January 2017

# Summary: Analysis & Evidence

# Policy Option 1

**Description:** Take minimum action required by the Directive. Implement only mandatory changes to the current system.

## FULL ECONOMIC ASSESSMENT

Price Base Year 2016	PV Base Year 2018	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -268.23	High: 274.29	Best Estimate: 2.03

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	10.2	31.2	278.9
High	12.5	61.5	541.7
Best Estimate	11.4	45.3	401.3

### Description and scale of key monetised costs by 'main affected groups'

All businesses that sell packages would be affected. However, businesses that sell traditional packages and are already covered under previous legislation would bear fewer costs than businesses that would be new in scope of the Regulation. All businesses would face costs of providing and updating information. Businesses new in scope would face additional costs of providing insolvency protection, ensuring proper performance of the package and assisting travellers in difficulty.

### Other key non-monetised costs by 'main affected groups'

The costs of providing insolvency protection for a linked travel arrangement may be significant but are difficult to estimate so are not monetised at this stage

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	N/A	31.8	273.5
High	N/A	64.3	553.2
Best Estimate	N/A	46.9	403.3

### Description and scale of key monetised benefits by 'main affected groups'

Retailers or organisers of packages that are already in scope of previous package travel legislation would benefit from the introduction of a requirement to allow businesses to reclaim costs of providing assistance to travellers which results through their own fault. Travellers would benefit from increased numbers of packages that are protected from supplier insolvency, package quality and an obligation on the package organiser to provide assistance to travellers in difficulty.

### Other key non-monetised benefits by 'main affected groups'

Retailers and organisers of packages that sell across borders would benefit from harmonisation in legislation across the EU and mutual recognition of insolvency protection. Travellers would benefit from increased information provisions.

### Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

We have assumed 25% - 75% of one-trader packages are in scope of the original package travel legislation. Our results are sensitive to this figure as there are significantly more costs to packages that would be new in scope of regulation. Our best estimate is based on the assumption that 50% of one-trader packages are in scope of the original package travel legislation. A full list of assumptions is included in Table 6.

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 41.4	Benefits: 2.3	Net: -39.1	

# Problem under consideration

## Package Travel

1. Traditional package travel holidays involve the pre-arranged combination of a number of components of a holiday that are sold together. These typically include transport and accommodation and sometimes involve other tourism services like hire cars and excursions. Packages are usually sold at an inclusive price, sold within the same booking process and covered by one contract.
2. Consumers<sup>1</sup> of packages face risks, especially as there is often a long time gap between the purchase of a package and the package departure. Insolvency of a trader can leave consumers unable to commence a holiday or stranded abroad if a transport operator or accommodation provider is unable to deliver the service promised. There are also difficulties associated with accessing information, help and redress when things go wrong, for instance delays or cancellations to transport, services being of a lower standard than expected or not provided completely. Additionally, when more than one trader is involved it creates complexity for the consumer to have to deal with multiple parties rather than accountability resting with a single trader, unless regulations clearly make the organising trader responsible for the performance of the overall package.

## Existing regulations

3. The European Union (EU) introduced the Package Travel Directive (90/314/EC) (PTD 1990) in 1990 to provide guarantees for European travellers and contribute to the development of a single market for travel across the EU. This laid down a set of consumer rights with regard to information requirements, the liability of traders in relation to the performance of a package and protection against the insolvency of an organiser or retailer. Consumers were given the right to compensation (refund or substitute) in the event of cancellation or change of contract terms, and retailers of packages were required to hold security for the refund of money paid in the event of insolvency. The PTD 1990 was implemented in to UK law with the Package Travel, Package Holidays and Package Tours Regulations 1992<sup>2</sup>.

## Innovations in the package travel market

### Pre-arranged packages

4. The traditional business model for package travel involved pre-arranged packages being put together by one trader such as a travel agent or tour operator. They acted as organiser and co-ordinator of the services of other traders, selling the package as a single bundle to consumers. At the time PTD 1990 was created this was the general business model in use and so formed the basis of the way 'package travel' was defined in the regulations.

### Dynamic packages

5. Innovations in technology and processes in the travel industry have led to the popularisation of new forms of package travel being bought by consumers. These arrangements have the features of a package from the perspective of a consumer and

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<sup>1</sup> The Package Travel Directive proposals apply to business travellers where they do not make travel arrangements on the basis of a general agreement, so the definition of "consumers" here refers to leisure or business travellers.

<sup>2</sup> <http://www.legislation.gov.uk/ukxi/1992/3288/contents/made>

compete directly with more traditional packages, but may not fall within the scope of PTD 1990.

6. One-trader packages: One model involves travellers being able to customise the content of their package according to their needs on a website or at a high street agent. Their travel and other arrangements are put together by this one trader.
7. Multi-trader packages: Travellers can put together components of a package themselves (often online), based on specific offers coming from more than one trader, but from a single point of sale. These packages may not have all the typical characteristics of a package.

#### Linked travel arrangements

8. PTD 2015 also covers a looser model of combining travel services than a package, referred to as “linked travel arrangements” (LTAs). LTAs, as with packages, are the combination of at least two different types of travel services purchased for the purpose of the same trip or holiday. However, unlike packages, they involve the separate selection and payment of each travel service, and separate contracts with the individual travel service providers. The transaction can be done either online, over the phone, through a visit to a shop or through a combination.
9. An LTA is formed where a traveller, having booked one travel service through one seller, is invited to book another service through a targeted link or similar method. For example a consumer might purchase accommodation online and then be prompted with a linked offer of a supplementary purchase such as a hire car, from a separate trader that has a linked booking process arranged with the first seller. If the consumer purchases the second travel component via that link within 24 hours, then an LTA is created.

#### Definitions of those involved in the package travel market

10. Organiser – business that arranges all elements of a package. They could organise all the individual elements of a package themselves (pre-arranged package) or allow the traveller to customise the package (one-trader & dynamic package).
11. Retailer – a business other than the organiser who sells or offers for sale packages combined by an organiser.
12. Traveller – individual that purchases a package.

### Updating the regulations

13. The development of these newer business models has led to an uneven regulatory environment, as traditional package organisers are subject to regulations but now face competition from other providers of similar services that are out of scope of the regulations. Travellers face a gap in regulatory coverage in that they may be familiar with the concept of regulatory protection for package holidays but may not be aware of whether their chosen method of booking travel arrangements is protected. The European Commission estimate that consumer detriment from dynamic packages is €1.065 billion per year for EU-27 travellers, of which €114.9 million is for UK travellers<sup>3</sup>.
14. As a result, PTD 1990 requires modernisation in order to provide the right protections for travellers in the context of developments in the package travel industry. In 2015, a new Package Travel Directive (2015/2302/EU) (PTD 2015) was adopted by the European Commission, to bring the provisions up to date with developments in the

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<sup>3</sup> The European Commission (2009) Study on Consumer Detriment in the area of Dynamic Packages  
[http://ec.europa.eu/consumers/archive/rights/docs/study\\_consumer\\_detriment\\_dyna\\_packages\\_en.pdf](http://ec.europa.eu/consumers/archive/rights/docs/study_consumer_detriment_dyna_packages_en.pdf)

travel market. Member States are required to transpose the Directive by 1 January 2018, and it will be applicable from 1 July 2018.

15. The provisions in PTD 2015 build upon those contained within PTD 1990, including an expanded scope designed to capture the dynamic packaging models. These arrangements would now be subject to the full range of protections included in PTD 2015, including the organiser taking on liability for all of the services provided under the contract and providing cover against the insolvency of the organiser. This expansion would be underpinned by new information provisions that will make it clear for travellers what travel product they are buying and the corresponding level of protection.
16. The scope is also extended to cover a new concept called Linked Travel Arrangements (LTAs). This is designed to ensure protection for consumers against the insolvency of a trader that has facilitated the combination of travel services, but where the ties between the businesses concerned are not to the extent that a package is sold or offered for sale.
17. Furthermore, the Commission asserts that since the current Directive was implemented, different legal requirements have developed across different Member States. Different requirements on pre-contractual information, liability and insolvency protection have made it difficult for businesses to trade across borders<sup>4</sup>. The new Directive aims to harmonise these rights and obligations across the single market to ensure a consistent level of protection and facilitate cross border trade.

## Brexit and the EU referendum

18. On 23 June 2016, the people of the UK voted to leave the EU in a referendum on UK membership and the Government will implement the withdrawal from the EU. Until exit negotiations are completed, the UK remains a full member of the EU and all the rights and obligations of EU membership remain in force, including the obligation to transpose PTD 2015 in to UK law.
19. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU. This impact assessment considers the impacts for the UK of fully implementing the requirements of PTD 2015.

## Scope of this impact assessment

20. The statutory Air Travel Organisers' Licensing (ATOL) scheme provides protection for travellers buying package holidays which include a flight and some 'flight only' sales from the insolvency of an ATOL licensed travel company.<sup>5</sup> If a licensed firm goes out of business, protected travellers can be refunded or ensured they can continue their holiday and return home (repatriate). By law, businesses selling air holiday packages and some third party sellers of flights in the UK are required to hold an ATOL.
21. The impacts of PTD 2015 on the flight sector are largely based on the implications for the ATOL scheme and the travel companies it is set up to cover. These are assessed in the impact assessment DfT000348<sup>6</sup> produced by the Department for Transport (DfT) and are out of scope of this impact assessment.

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<sup>4</sup> Study on Consumer Detriment in the area of Dynamic Packages – London Economics, Nov 2009 - [http://ec.europa.eu/consumers/archive/rights/docs/study\\_consumer\\_detriment\\_dyna\\_packages\\_en.pdf](http://ec.europa.eu/consumers/archive/rights/docs/study_consumer_detriment_dyna_packages_en.pdf).

<sup>5</sup> An ATOL licence is required by law when a travel company sells a flight package which it has organised itself; a flight from the UK plus overseas accommodation and/or overseas car hire (Flight-Plus); or flights where an airline ticket is not issued straight away (flight only).

<sup>6</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/563943/atol-consultation-impact-assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/563943/atol-consultation-impact-assessment.pdf)

22. This impact assessment covers the impacts on the non-flight sector and the wider requirements of the PTD 2015.

## Rationale for intervention

23. Package holidays form an important part of households' expenditure. Households spend on average £23.10 per week on package holidays which constitutes 34% of total spending on recreation and culture<sup>7</sup>. There are characteristics of the market which mean that consumers may be subject to significant costs in the absence of intervention:

- a) Asymmetric information - sellers of package holidays have more information than travellers about the quality of the holidays and reliability of the providers. Sellers of package holidays have more information on their chances of becoming insolvent, the quality of the package and have control over the services they offer, whilst travellers lack information and the ability to effectively assess the options in the market. Sellers or providers of parts of a package may cancel, amend or increase the price of trips all of which cause significant detriment to the traveller.
- b) Lack of clarity for consumers - a package holiday can consist of various different suppliers put together by an organiser and where a traveller only pays one price. It is not always clear for travellers who has responsibility over different sections of their package and who is liable to sort out any problems incurred. Travellers may incur time and monetary costs as well as being negatively impacted in other ways such as through increased stress when trying to resolve an issue. They may end up not receiving compensation or paying extra to sort out an issue as the redress procedure may not be clear for travellers purchasing packages.

24. As a result, the market may not work effectively in the absence of regulation to provide travellers with assurance about quality standards. This was the rationale underpinning the introduction of the original regulations in PTD 1990.

25. Since the introduction of PTD 1990, there have been new developments in the package travel market with travellers purchasing dynamic packages and linked arrangements which are not protected by PTD 1990. The European Commission estimates that consumer detriment for EU residents who use dynamic packages is €1.065 billion annually, of which €114.9 million is for UK residents<sup>8</sup>. This is equivalent to £83 million<sup>9</sup> annual consumer detriment for UK residents. Therefore there is a need to extend the scope of protection to cover these purchasing methods, as the above market failures will apply to forms of sale that are not covered by the regulations. This should help decrease confusion for travellers as they will be entitled to the same level of protection no matter the method used to book their package holiday.

26. A further rationale for intervention is to restore a level regulatory environment for sellers in the market. As PTD 1990 only covers a limited array of packages, this provides an unfair competitive advantage for businesses offering package holidays through different methods that aren't covered. They will be exempt from some costs and can hence provide the same package at a lower cost. Extending the scope of protection to include new developments in the market will ensure everyone is competing on a level playing field. This is important to encouraging an efficient competitive market.

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<sup>7</sup> ONS (2015) 2014 Living Costs and Food Survey.

<sup>8</sup> The European Commission (2009) Study on Consumer Detriment in the area of Dynamic Packages [http://ec.europa.eu/consumers/archive/rights/docs/study\\_consumer\\_detriment\\_dyna\\_packages\\_en.pdf](http://ec.europa.eu/consumers/archive/rights/docs/study_consumer_detriment_dyna_packages_en.pdf)

<sup>9</sup> Converted into Sterling using exchange rate £0.73: €1. Exchange rate is the 2015 annual average sourced from the Bank of England.

## Policy objective

27. The UK policy objectives are to meet the requirements of PTD 2015 by:

- a) providing consumers with clear and effective protection when purchasing packages and LTAs;
- b) levelling the regulatory landscape so that dynamic package organisers are subject to the same level of regulation as traditional package organisers;
- c) and, facilitating cross-border trade by broadening the UK insolvency protection regime to cover sales across the EU.

The intended outcome is to modernise consumer protection in the package travel sector so that it is fit for purpose.

## Policy options

### Option 0: Do nothing

28. Package Travel, Package Holidays and Package Tours Regulations (1992) would remain in place. PTD 1990 will be repealed by the EU with effect from July 2018 which will render uncertain the legal status of the Package Travel, Package Holidays and Package Tours Regulations (1992) if left in place. Therefore the provisions would need to be saved into UK law with amendments to make them legally operable when PTD 1990 is repealed. This would maintain the regulatory framework within the industry.

29. This option would not address the current issues present in the market of significant consumer detriment, imperfect information and uneven regulatory framework for all businesses.

30. Until exit negotiations are concluded, the UK remains a member of the EU and the Government will continue to negotiate, implement and apply EU legislation. Failure to do so would place the UK in breach of its Treaty obligation to transpose EU directives into UK law. This could result in fines for infraction, Francovich claims, and could also significantly affect the UK's reputation.

### Option 1: Take minimum action required by the Directive. Implement only mandatory changes to the current system.

31. Implement PTD 2015 into UK law by January 2018 and come into force in July 2018. This option would help address market failures in the package travel market. The UK would have harmonised laws with the rest of the EU and would not be fined for infraction. Key elements of this option include:

- a) Expansion in scope of protection which would include dynamic packages and, to a lesser extent, linked travel arrangements. Packages bought for the purpose of business through travel management companies would be excluded from scope. Packages that are new in scope would have to comply with previous requirements of PTD 1990 of insolvency protection, information requirements, responsibility for package performance and an obligation to provide assistance for travellers which are expanded upon in PTD 2015.
- b) Increased information provisions that sellers of packages are required to supply.
- c) Changes to restrictions on alterations in price after a package has been booked.
- d) Changes to terms on cancelling packages, refunds and compensation.
- e) The ability for the consumer to contact the organiser of a package through the retailer.

32. A more detailed description of these changes is done in 'Main regulatory changes' section of this impact assessment.
33. **Option 1 is our preferred option** as it ensures the most effective transposition of the Directive into UK law. It would address the issues present in the market and safeguard the UK from infraction by the EU. This option forms the basis on this impact assessment

## Main regulatory changes

### Summary of main regulatory changes

34. PTD 1990 which applies to pre-arranged packages and some one-trader packages includes provisions on information that must be provided to the traveller, protection against package supplier insolvency, restrictions on alterations in the price of a package after it has been purchased, organiser liability of performance of the package (i.e. that the package meets the quality stated in the contract), terms over cancelling a package, and obligation to provide assistance to travellers in difficulty. PTD 2015 would apply to an extended amount of packages, covering all dynamic packages in addition to those already covered by PTD 1990. PTD 2015 includes all the provisions in PTD 1990 and builds upon some of these. In addition, it includes new provisions allowing travellers to contact different suppliers of their package through the retailer they bought the package from and for Member States to recognise the insolvency protection of a trader from where they are established. More details of each of these provisions and how they differ with PTD 1990 are in the section below.

### Change in scope

35. The new PTD defines a 'package' as a combination of at least two different forms of travel service for the purpose of the same trip, if the services are combined by one trader, purchased from a single point of sale, offered under a single inclusive price, advertised under the name 'package' or combined after the conclusion of a contract by which a trader entitles the consumer to choose among a selection of different types of travel service.
36. This means the scope of what constitutes a 'package' is extended from the more traditional booking channel where the services are combined by one trader to a dynamic booking channel. This is where travellers can customise packages offered by one trader or they can create a package by combining components from various traders.
37. PTD 2015 would exclude packages booked for business purposes through travel management companies on the basis of a general agreement. A package booked for the purpose of business through a similar booking channel as a consumer would still be protected under PTD 2015. Business travellers which have booked through the same channels as consumers and consumers will be referred to collectively as 'consumers' or 'travellers' interchangeably within this document.

### Potential number of trips and businesses in scope

38. The UK travel market comprises of 6,435 travel agents and tour operators, 9,595 hotels, 3,230 car rental services, and 6,460 other transport services<sup>10</sup>. UK residents took approximately 147 million domestic and foreign trips<sup>11</sup> within the EU27 in 2012<sup>12</sup>.

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<sup>10</sup> ONS Inter Departmental Business Register (IDBR), 2016

<sup>11</sup> One trip would include outward and return travel arrangements

<sup>12</sup> Eurostat Tourism Database



Only a proportion of these trips are covered by PTD 1990 or would be covered by PTD 2015. Similarly, only a proportion of businesses would sell packages that would be in scope of PTD 2015 and hence would be affected. This impact assessment only covers non-flight packages and the wider provisions of PTD 2015. DfT cover flight packages in a separate impact assessment. Estimates for the number of non-flight trips and businesses in scope of PTD 1990 and those that would be in scope of PTD 2015 are shown in Table 1 and Table 2 respectively. These estimates are only for trips and businesses that are subject to the full regulatory regime. LTAs are covered by PTD 2015 but to a lesser extent. These are calculated in the next section. Detailed description of the calculation of these figures can be found in Annex 1. There is uncertainty about how many one-trader packages are covered by PTD 1990. To take into account this uncertainty we provide a low, best and high estimate of the number of packages in scope of PTD 1990. This consequently affects the number of packages that would be new in scope of PTD 2015 as all one-trader packages not already in scope of PTD 1990 would be new in scope of PTD 2015.

39. We have split the number of trips that would be in scope of PTD 2015 into trips already in scope of PTD 1990 and trips that would be newly covered by the regulations as the level of change required by the businesses would be different. Many of the provisions imposed by PTD 2015 are the same or similar to the provisions required by PTD 1990 and hence there would be less changes for them to make.

Table 1: Number of trips in scope of PTD 1990 and PTD 2015 (millions)

	Low (25% of one-trader packages covered by PTD 1990)	Best (50% of one-trader packages covered by PTD 1990)	High (75% of one-trader packages covered by PTD 1990)
Trips in scope of PTD 1990	20.5	23.7	26.9
New trips in scope of PTD 2015	13.4	10.2	7.0
<b>Total trips in scope of PTD 2015</b>	<b>33.9</b>	<b>33.9</b>	<b>33.9</b>

Table 2: Number of businesses covered by PTD 1990 and PTD 2015

	Low (25% of one-trader packages covered by PTD 1990)	Best (50% of one-trader packages covered by PTD 1990)	High (75% of one-trader packages covered by PTD 1990)
Businesses in scope of PTD 1990 (ex. ATOL members)	1941	2330	2718
Businesses new in scope of PTD 2015	3575	3187	2799
<b>Total businesses in scope PTD 2015 (ex. ATOL members)</b>	<b>5,517</b>	<b>5,517</b>	<b>5,517</b>

**40. We welcome comments on our estimates of the number of trips and businesses that are in scope of PTD 1990 and would be in scope of PTD 2015.**

#### Introduction of Linked Travel Arrangements

41. In order to ensure fair competition the PTD 2015 introduces linked travel arrangements (LTAs) to extend protection to cover holiday arrangements falling outside of the definition of package. LTAs, as with packages, are the combination of at least two different types of travel services purchased for the purpose of the same trip or holiday, but unlike packages, they result in separate contracts with individual travel service providers.

42. LTAs are looser commercial connections than that of a package. An LTA is created either when:
- a) two or more services for a single trip are sold and paid for separately, under separate contracts with individual providers, upon a single contact with a point of sale, or,
  - b) they are sold and paid for separately through targeted linked booking processes within 24 hours without transferring the travellers payment details. Conversely, if the traveller's payment details, name and email address are transferred then this would count as a package.
43. The requirements fall upon the trader who facilitates either of the arrangements above, referred to here as the LTA facilitator. Customers booking an LTA would be entitled to a lower level of protection than a "package", with consequently fewer obligations on the travel company offering them. The key requirements are:
- **Refunds** - There will be some refund cover for insolvency protection, however only in circumstances where a travel service that is part of the LTA that they facilitated is not performed as a consequence of their insolvency.
  - **Repatriation** – this cover is only required where the LTA provider is also responsible for the carriage of the traveller (e.g. an airline).
  - **Information** - traders facilitating linked arrangements will be required to provide information on the level of protection prior to the booking / contract (see 'Information Requirements' section below).
44. A minority of trips are booked through LTAs. The European Commission estimate that 3% of trips are booked through LTAs<sup>13</sup>. This estimate is for the full EU market, and was based on the Commission's own analysis of the Flash Barometer 328<sup>14</sup> and Study on Consumer Detriment in the area of dynamic packages<sup>15</sup>. We do not have available information for the UK but assume it is similar. Therefore we estimate that UK residents take 3.8 million trips annually that would be classed as LTAs<sup>16</sup>.
45. Any business in the UK travel market can facilitate an LTA. However, a business that sells packages would be less likely to sell LTAs as they are already catering for numerous components of a trip and are more likely to offer the service themselves. In addition, given that only a small percentage of trips booked are classed as LTAs it is likely that only a minority of businesses facilitate LTAs. There are 23,678 businesses in the UK travel market<sup>17</sup>. We do not have any available information on the number of businesses that facilitate LTAs. In the absence of any available information and given its low usage by travellers (only 3% of trips are LTAs), we arbitrarily assume that 10% of businesses facilitate LTAs. Therefore, we estimate that 2,368 businesses<sup>18</sup> facilitate LTAs.
46. There is a lot of uncertainty over how many businesses facilitate LTAs. It is not a prominent method that travellers book their trips through and imposing additional requirements on businesses that provide LTAs may cause some to cease offering this

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<sup>13</sup> European Commission (2013) *Commission Staff Working Document Impact Assessment Accompanying the document on package travel and assisted travel arrangements, amending Regulation (EC) No 2006/20041 and Directive 2011/83/EU and repealing Council Directive 90/314/EEC*

<sup>14</sup> [http://ec.europa.eu/public\\_opinion/flash/fl\\_328\\_en.pdf](http://ec.europa.eu/public_opinion/flash/fl_328_en.pdf)

<sup>15</sup> [http://ec.europa.eu/consumers/archive/rights/docs/study\\_consumer\\_detriment\\_dyna\\_packages\\_en.pdf](http://ec.europa.eu/consumers/archive/rights/docs/study_consumer_detriment_dyna_packages_en.pdf)

<sup>16</sup> See Annex 1 for more information on this calculation

<sup>17</sup> ONS Inter Departmental Business Register (IDBR). 6,435 travel agents and tour operators (excludes 2,042 travel agents covered by DfT impact assessment), 9,595 hotels, 3,230 car rental services, and 6,460 other transport services

<sup>18</sup> 23,678 divided by 10

service. **We plan on consulting on the number of businesses that facilitate LTAs to improve this estimation.**

## Information requirements

47. PTD 2015 includes new information provisions which are designed to improve consumer awareness and clarity. This places obligations on the organiser to provide specific information before and after the sale has been made.
48. Before the traveller is bound by a contract, traders would be required to clearly, comprehensibly, and prominently state whether they are offering a package or an LTA, and provide information on the corresponding level of protection through standard information provisions. They must provide the traveller with a prescribed set of information including but not limited to: the main characteristics of the package; total price of the package; name and details of the organiser; and, information on their cancellation policy.
49. Information must be provided irrespective of the medium by which a business chooses to market their products and services. PTD 2015 removes the requirement that where a brochure is provided, it needs to contain all of the required information as long as the traveller has access to the information by adequate means prior to agreeing any contracts.
50. Upon the conclusion of the travel contract, the organiser is required to provide the traveller with a copy or confirmation of the contract. This shall include the specific information referred to in paragraph 48 as well as essential information such as the contact details of the organiser's local representative.
51. Traders facilitating LTAs will be required to inform travellers that they are not buying a package and that individual service providers are solely responsible for the performance of their contracts. Traders responsible for the performance of these individual contracts will be subject to general consumer legislation and contract law.

## Requirement to provide insolvency protection

52. Requirements on organisers for insolvency protection for package holidays remain essentially the same as under PTD 1990. Organisers are required to obtain security for the effective and prompt return of all payments made by travellers for services not performed and for the travellers' effective and prompt repatriation in the event of the organiser's insolvency.
53. This impact assessment will cover insolvency protection for packages that do not include a flight. There are three different ways that these firms can provide insolvency protection:
  - a) Bonding – Organisers can enter a bond into an authorised institution which binds the institution to pay out a sum of money in the event of insolvency of the organiser.
  - b) Insurance – Organisers can take out insurance which insures travellers against the loss of money paid in the event that the organiser becomes insolvent.
  - c) Monies in trust – Organisers can place all monies paid by a traveller in a trust account until the contract has been fully performed. In the event of insolvency of the organiser the traveller is entitled to be repaid a sum of money from this account.
54. Traders facilitating linked travel arrangements have fewer obligations. They would be required to provide insolvency protection for the refund of payments they receive only to the extent that services are not provided due to the LTA facilitator's insolvency. This

would not cover all payments. For example it would not cover a payment made by a traveller directly to a provider of travel services other than the facilitator or if the facilitator passes on money to an additional travel service provider as part of an LTA, and that provider subsequently becomes insolvent and cannot deliver their service. Traders facilitating LTAs that are responsible for the transport of passengers would also be required to repatriate travellers stranded abroad as a result of their insolvency.

### Restriction on alterations in price after a package has been booked

55. After the booking of a package by a traveller, retailers are able to alter its price before departure if their costs change as a result of changes in exchange rates, transportation costs and other taxes or fees. Retailers are not allowed to alter the price of a package for any other reason. If a retailer would like to alter the price of a package they must clearly state in the contract that this is a possibility and allow for upward and downward revisions. These requirements are essentially the same as in PTD 1990.
56. PTD 2015 introduces new requirements on businesses. It would ensure businesses must inform travellers clearly and comprehensively with a justification and calculation of a price increase. In addition, it would impose an 8% threshold on the amount a package can increase in price before the traveller can cancel without incurring any cost. The current situation in the UK restricts businesses to only allow price alterations for changes greater than 2% but less than 10%.
57. PTD 2015 would also allow businesses to deduct costs imposed through processing refunds for travellers from the total amount they owe.
58. The UK implementation of PTD 1990 set the minimum notice period before a price increase can occur at 30 calendar days prior to the package departure. PTD 2015 would decrease this minimum notice period to 20 calendar days before package departure.

### Performance of the package, price reductions and compensation

59. PTD 2015 places liability on the organiser for the performance of the package irrespective of whether the service is performed by a third party. The organiser is required to remedy any lack of conformity with the contract unless it is impossible to do so or costs would be disproportionate taking into account the lack of conformity and the value of the travel services affected. If the organiser is unable to address the problems then the traveller will be entitled to an appropriate price reduction, and compensation if appropriate. This differs from PTD 1990 as liability for performance of the package was placed on the organiser and/or retailer.
60. PTD 2015 limits the burden of liability on organisers for providing accommodation where travellers are unable to return as a result of an unavoidable or extraordinary circumstance to 3 nights<sup>19</sup>. In PTD 1990, organisers' liability was left unconstrained by time period if the traveller could not return to the place of departure. Unavoidable or extraordinary events include, but are not limited to, natural disasters, warfare, outbreak of serious disease and terrorism.

### Cancellation of package

61. Under PTD 2015 travellers' rights to cancel packages have increased. Now both travellers and organisers would be able to cancel the package without having to pay a termination fee or compensation in the event of an unavoidable or extraordinary circumstance. If travellers cancel for this reason they would receive a full refund. Previously in PTD 1990 it was only possible for organisers of packages to cancel in the

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<sup>19</sup> Where longer periods are provided for in Union passenger rights legislation applicable to the relevant means of transport for the traveller's return (e.g. Air Passenger Rights), those periods should apply.

event of an unavoidable or extraordinary circumstance. Package organisers may also cancel without being liable to pay compensation if the minimum specified number of participants for a package is not satisfied. Cancelling for any other reason may require travellers to pay a termination fee and organisers to pay compensation.

## Obligation to provide assistance

62. The organiser must give appropriate assistance to travellers in difficulty by, but not limited to: providing information on health services, local authorities and consular assistance; make distance communications; and help the traveller make alternative travel arrangements. These provisions are similar to those in PTD 1990. In addition, PTD 2015 ensures that the organiser must provide accommodation for travellers who are unable to return due to unavoidable or extraordinary circumstances for a maximum of three nights<sup>20</sup>. While this was a requirement in PTD 1990, it was left unconstrained and organisers would be liable to provide accommodation as long as the traveller was unable to return home. Organisers would also be able to charge a reasonable fee, which does not exceed their costs of providing assistance, in circumstances where difficulty is caused intentionally by the traveller or through their negligence.

## Possibility to contact the organiser via the retailer

63. PTD 2015 allows the traveller to contact the organiser of a package through the retailer in circumstances where a booking is made through a party that isn't the organiser. The organiser has responsibility to provide assistance to travellers and is liable for the performance of the contract. Hence, the organiser is ultimately who the traveller would need to contact in case of any issues. However, travellers may have booked through a retailer that sells packages on behalf of organisers. PTD 2015 would allow the traveller to contact the organiser through retailers. This requirement on businesses was not included in PTD 1990.

## Mutual recognition of insolvency protection and administrative co-operation

64. All Member States will now recognise the insolvency protection of a trader that is taken out in the Member State where they are established. A UK trader with insolvency protection recognised in the UK, will have its insolvency protection recognised across the EU, and the same applies to the traders of other Member States. Traders established outside of, and, making sales into the EU will be obliged to comply with the domestic insolvency protection systems of each State in which relevant activities are directed.

## **Cost-benefit analysis**

### Proportionality of approach

65. This impact assessment identifies both monetised and non-monetised impacts of intervention, with the aim of understanding the overall impact on society and the wider environment. The costs and benefits of implementing the minimum requirements in order to comply with the EU Directive (Option 1) are measured against the status quo option (Option 0).
66. PTD 2015 updates previous legislation. This impact assessment only considers the additional costs and benefits created as a result of PTD 2015 and hence exclude those resulting from PTD 1990.

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<sup>20</sup> Where longer periods are provided for in Union passenger rights legislation applicable to the relevant means of transport for the traveller's return (e.g. Air Passenger Rights), those periods should apply.

67. The costs and benefits of this impact assessment have been monetised where possible. This helps in comparing the costs and benefits. Data from stakeholders and data available online has been used to monetise these. In some circumstances where there is no available data assumptions have been used to estimate the cost or benefit. This impact assessment will be published alongside a consultation where we want to test the assumptions used and gather feedback from stakeholders. **We welcome feedback on all our figures used to help us better monetise the costs and benefits of implementation.** At the end of this section there are summary tables of the costs, benefits and assumptions used in this impact assessment. These are Tables 4, 5 and 6 respectively.
68. When calculating the Net Present Values (NPVs) for this impact assessment, we have used a time frame of 10 years. A discount rate of 3.5% has been used in accordance with HMT guidance.

## Option 0 Do nothing

69. There are zero net costs of policy Option 0 Do nothing. Under this option similar regulatory provisions would cover the market. This is the baseline option of which the costs and benefits of Option 1 are assessed against.

## Option 1 Minimum implementation

### Costs

#### Businesses

##### Information Requirements

70. PTD 2015 places obligations on the organiser of a package to provide specific information before and after the sale has been made. There will be both a transition and on-going annual cost to package sellers for providing this information. Where a traveller books their holiday online, amendments will have to be made to the booking process so this information is displayed clearly in writing. This would represent a one-off transition cost for businesses. For travellers who book via the telephone or face-to-face, the information is likely to be given verbally and would represent an annual cost to businesses.

##### Cost of redeveloping websites

71. The cost to businesses of providing this information on a website is taken from the Business Engagement Assessment run by the CAA in 2014<sup>21</sup>. It found that the cost of providing "static" information is approximately £1,200 per business, of which £700 is the cost of one working day for an appropriate policy officer and £500 for one working day of a skilled web developer. As the information provisions need to be tailored to each individual purchase, the information will need to be "dynamic" and may entail higher costs. While our estimate is based off the cost of providing static information and may therefore be seen as a conservative estimate, the Directive includes a suggested template of text that requires only minor modification for each purchase which should lower costs for businesses.
72. The cost of complying with the new information requirements would be less onerous for businesses that are in scope of PTD 1990 than for businesses that would newly come into scope of PTD 2015. Businesses that are in scope of PTD 1990 are already compelled to supply pre-contractual information concerning, but not limited to, passport

<sup>21</sup> <https://www.caa.co.uk/WorkArea/DownloadAsset.aspx?id=4294969898>

and visa requirements, health formalities, insolvency protection, insurance policy and package specifics.

73. Businesses that would be new in scope of PTD 2015 do not currently have requirements on information about a package they must provide. Therefore businesses new in scope of PTD 2015 may face higher costs of complying with PTD 2015 as they may need to make a greater number of changes to the information they provide. For this reason we uprate the cost estimate of redeveloping websites that businesses new in scope of PTD 2015 would face. We uprate the cost by 50% for the additional changes that are required. Therefore we assume these businesses would face costs of £1,800<sup>22</sup>. We assume costs are 50% higher and not double the cost businesses in scope of PTD 1990 face as there are fixed costs to making amendments to websites (e.g. redesigning the layout), which would not be repeated for additional information that needs to be supplied.
74. The cost for businesses to provide this information on their website is shown in Table 3. We estimate that businesses in scope of PTD 1990 would face a transitional cost of £2.8 million<sup>23</sup> to comply with PTD 2015 and businesses that would be new in scope of PTD 2015 would face a transitional cost of £5.7 million<sup>24</sup>. The number of businesses in each category is based off our best estimate that 50% of one-trader packages are covered by PTD 1990.
75. Businesses that facilitate LTAs would have to inform travellers before they buy a product that may lead to the creation of an LTA that they are not buying a package and they will therefore not benefit from the protections associated with a package. They must make it clear that protection will only be provided to refund services not performed as a result of their insolvency. We assume the cost of providing this information on a website is £1,200, in line with the estimate obtained by from Business Engagement Assessment run by the CAA in 2014. This could be an overestimate. The Directive has a template of the information required to be supplied in its annex and only requires little input from businesses to make it specific to them (i.e. inputting names of businesses). We estimate that there are 2,368 businesses<sup>25</sup> that facilitate LTAs. Therefore the total cost for businesses of providing information on LTAs is £2.8<sup>26</sup> million. This estimated cost is sensitive to our arbitrary assumption of 10% of businesses facilitating LTAs<sup>27</sup>. If 20% or 5% of businesses facilitate LTAs the estimated cost of providing information would be £5.7 million<sup>28</sup> or £1.4 million<sup>29</sup> respectively. We hope to improve this estimation through consultation.

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<sup>22</sup> £1,200 + (£1,200 \* 50%)

<sup>23</sup> 2,330 businesses in scope of PTD 1990 \* £1,200

<sup>24</sup> 3,187 businesses new in scope of PTD 2015 \* £1,800

<sup>25</sup> 10% of all businesses in the UK travel market. Calculated earlier in 'Main regulatory changes' section of IA.

<sup>26</sup> 2,368 businesses facilitate LTAs \* £1,200

<sup>27</sup> Paragraph 45

<sup>28</sup> (20%\*23,678 travel businesses)\*£1,200

<sup>29</sup> (5%\*23,678 travel businesses)\*£1,200

Table 3: Cost to businesses of updating information on their website

	Transition cost	Number of businesses in scope <sup>30</sup>	Total transition cost
Businesses that are in scope of PTD 1990	£1,200	2,330	£2,795,400
Businesses that would be new in scope of PTD 2015	£1,800	3,187	£5,736,825
Businesses that facilitate LTAs	£1,200	2,368	£2,841,360
<b>Total</b>			<b>£11,373,585</b>

**We welcome views from businesses on who would be required to change their website in order to comply with these regulations and the cost of the change.**

Providing information face-to-face or via the telephone

76. The cost to businesses of providing information either face-to-face or via the telephone can be estimated using average wages uprated for non-wage labour costs (e.g. social security and insurance contributions). Labour costs are used as there is an opportunity cost of workers spending their time providing this information to travellers when they could be doing other business activities. The wage is therefore the value of their time spent providing information to travellers. Implicit in this assumption is that workers are always fully employed and that spending this time providing information to travellers has an opportunity cost in terms of diverting them from other productive activities. It could be an overestimate if part of the time spent providing this information just displaces “inactive” time.
77. The median hourly wages for travel agents, receptionists, other leisure and travel occupations, and vehicle and parts salespersons were £9.05, £8.29, £8.25 and £8.74 in 2015 respectively<sup>31</sup>. These are the professions assumed to provide information either face-to-face or via the telephone for travel agents and tour operators, hotels, other transport services and car rentals respectively. Assuming it takes 2 minutes<sup>32</sup> to relay the additional information to travellers, this would be at a cost of 30p<sup>33</sup>, 28p<sup>34</sup>, 28p<sup>35</sup> and 29p<sup>36</sup> per package sale for these occupations respectively. We take the midpoint (29p) of these costs as our best estimate for the wage cost of relaying information. We uprate this by 20.2% for non-wage costs<sup>37</sup> of labour such as social security contributions employers are required to provide. Therefore the total cost to businesses each time they relay this information is 35p<sup>38</sup>.
78. There are 33.9 million packages<sup>39</sup> that would be in scope of PTD 2015 but only a proportion of these would be made face-to-face or over the phone. The Civil Aviation

<sup>30</sup> Number of businesses for each category sourced from Table 2. Estimates are based on the assumption that 50% of one-trader packages are covered by PTD 1990.

<sup>31</sup> ONS pay by SOC 2010 code 4 digit, Table 14.6a. Based on 2015 Annual Survey of Hours and Earnings. Descriptions of the codes used can be found in the Annex 2.

<sup>32</sup> 2 minutes is taken as the time taken to read the prescribed information set out in the PTD 2015 EU Directive.

<sup>33</sup> (£9.05 hourly wage for travel agents / 60 minutes) \* 2 minutes taken to relay information

<sup>34</sup> (£8.29 hourly wage for receptionists / 60 minutes) \* 2 minutes taken to relay information

<sup>35</sup> (£8.25 hourly wage other leisure and travel occupations / 60 minutes) \* 2 minutes taken to relay information

<sup>36</sup> (£9.05 hourly wage for vehicle and parts salespersons / 60 minutes) \* 2 minutes taken to relay information

<sup>37</sup> Eurostat wage data. [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour\\_costs\\_per\\_hour\\_in\\_EUR,\\_2004-2014\\_whole\\_economy\\_excluding\\_agriculture\\_and\\_public\\_administration.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Labour_costs_per_hour_in_EUR,_2004-2014_whole_economy_excluding_agriculture_and_public_administration.png)

<sup>38</sup> £0.29 + (£0.29 \* 20.2%)

<sup>39</sup> Table 1



Authority (CAA) estimate 35%<sup>40</sup> of flight bookings were made in person or via the phone. While this impact assessment excludes flights, we assume this is indicative of consumer behaviour for other travel sectors. We use this percentage as our estimate of the proportion of total bookings done face-to-face or over the telephone. Also, not every traveller will book their package separately. When a package is booked for numerous travellers, information would only be provided to the traveller that books. In the absence of available information on the average number of travellers per booking, we assume that packages are booked for an average of four people. Therefore there would be approximately 3.0 million<sup>41</sup> bookings. The cost to businesses of providing information required by PTD 2015 would be £1.0 million<sup>42</sup>. This would be an annual cost as businesses would have to provide this information over the phone for all bookings made in years ahead.

79. Businesses that facilitate LTAs would have to inform travellers before they buy a product that may lead to the creation of an LTA that they are not buying a package and they will therefore not benefit from the protections associated with a package. They must make it clear that protection will only be provided to refund services not performed as a result of their insolvency. It is possible for an LTA to be facilitated in face-to-face or over the phone transactions if a traveller purchases travel services for the same trip during a single visit or contact with a trader which results in the separate selection and payment of each travel service. LTA's are not a prominent route through which travellers book their holidays. We estimate there are 3.8 million<sup>43</sup> trips annually that are classed as an LTA. We do not have any information about the amount of trips that are booked face-to-face or over the phone that would be classed as an LTA. Given that an LTA is only created in this circumstance when the traveller purchases travel services for the same trip during a single visit or contact with a trader which results in the separate selection and payment of each travel service we assume that only a small minority of LTAs would be booked this way. We assume that if traders would offer services to travellers during a single visit or contact then they would be offered as a package. Therefore we estimate that the cost to business of providing this extra information would be negligible.

## **80. We welcome stakeholder views on the cost to providing new information requirements for LTAs.**

### Providing paper copy of contract

81. Upon conclusion of the contract, the retailer must provide a copy of the contract to the traveller in a durable medium. The retailer could provide this to the traveller through email or via printed copy. We assume that this is already common practice for retailers and therefore imposes no additional costs to business.

### Requirement to provide insolvency protection

82. Organisers of packages would be required to provide effective security for the refund of all payments to travellers if a service included in a package is not performed due to their insolvency. This requirement is essentially the same as the current regime included in PTD 1990.

83. Packages that are in scope of PTD 1990 are already required to provide insolvency protection. The requirement in PTD 2015 would not impose any extra costs on businesses already in scope of PTD 1990. Therefore this requirement would only affect

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<sup>40</sup> Consumer research for the UK aviation sector – Final Report 2015. Their survey found that 25% of holidays are booked in person with a travel agent and 10% are booked via phone.

<http://publicapps.caa.co.uk/modalapplication.aspx?appid=11&catid=1&id=6781&mode=detail&pagetype=65>

<sup>41</sup> 33.9 million packages \* 35% of packages booked face-to-face/telephone \* 25% as 1 traveller books for an average group of 4 people.

<sup>42</sup> £0.35 cost of relaying information per package \* 4.04 million bookings

<sup>43</sup> Paragraph 44

businesses that would be new in scope of PTD 2015. We estimate there would be between 2,799<sup>44</sup> to 3,575<sup>45</sup> new businesses in scope of PTD 2015, with our best estimate being the midpoint 3,187<sup>46</sup>.

84. There may be additional costs to travel agents that are members of ATOL for non-flight packages they sell which are not covered by the DfT impact assessment. Businesses that sell packages which include a flight pay a license to ATOL for protection and a cost per passenger of £2.50. For any package that does not include a flight, the business must provide insolvency protection through bonding, insurance or monies in trust. This cost is not considered in the DfT impact assessment as non-flight packages are outside their remit. There are 2,042 UK travel agents that are members of ATOL<sup>47</sup>. Only a proportion of these businesses would sell non-flight packages and not already be required to provide insolvency protection as a result of PTD 1990. The European Commission estimate that half of travel agents sell one-trader packages and that 25% to 75% of one-trader packages are covered by PTD 1990. The proportion of one-trader packages covered by PTD 1990 is based on the number of packages and not the number of businesses who sell one-trader packages. However, assuming that the quantity of one-trader packages a business sells is not connected to whether the packages they sell are in scope of PTD 1990 and either all or none of a business's packages are in scope of PTD 1990, would mean that it is reasonable to assume that 25% to 75% of businesses that sell one-trader packages are covered by PTD 1990. Therefore we estimate that there would be between 255<sup>48</sup> to 766<sup>49</sup> travel agents that would be new in scope of PTD 2015 and hence would face new costs of providing insolvency protection. Our best estimate is the midpoint, 511 travel agents<sup>50</sup>.
85. In total we estimate that there are between 3,054<sup>51</sup> to 4,341<sup>52</sup> businesses that would be new in scope of PTD 2015 and face new costs of providing insolvency protection. Our best estimate is the midpoint 3,698<sup>53</sup>.
86. The cost of providing insolvency protection would be different for different businesses. The main determinant of businesses' expenditure on insolvency protection would be the amount of packages that they sell which require protection. The more packages they sell, the more the institution protecting travellers against their insolvency would have to pay in the event a package organiser becomes insolvent. Other factors such as the business' financial strength and collateral available, amongst other things, would affect the rate they receive. The amount they pay would be determined through the bonding and insurance market. A survey done by ABTA on its members found that the cost of bonds issued for non-flight packages ranged from a few hundred to a few hundred thousand. The median annual cost of bonding was approximately £4,200 per business. This was only a small survey consisting of 62 ABTA members, of which not all completed every question. It is not a conclusive representation of the cost of providing insolvency protection across all industries and businesses. In addition, it does not assess the costs of the different methods of providing insolvency protection - insurance or monies in trust. However, we would assume these methods of insolvency

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<sup>44</sup> Table 2. Based on the assumption that 75% of one-trader packages are covered by PTD 1990.

<sup>45</sup> Table 2. Based on the assumption that 25% of one-trader packages are covered by PTD 1990.

<sup>46</sup> Table 2. Based on the assumption that 50% of one-trader packages are covered by PTD 1990.

<sup>47</sup> Data extracted on 10/11/16 from CAA current ATOL holder's database.

<sup>48</sup> 2,042 Travel Agents that are members of ATOL \* 50% of businesses sell one-trader \* 25% (as 75% of one-trader packages are covered by PTD 1990.)

<sup>49</sup> 2,042 Travel Agents that are members of ATOL \* 50% of businesses sell one-trader \* 50% of one-trader packages are covered by PTD 1990.

<sup>50</sup> 2,042 Travel Agents that are members of ATOL \* 50% of businesses sell one-trader \* 75% (as 25% of one-trader packages are covered by PTD 1990).

<sup>51</sup> 2,799 other businesses (Table 2) + 255 travel agents

<sup>52</sup> 3,575 other businesses (Table 2) + 766 travel agents

<sup>53</sup> 3,197 + 511

protection cost a similar amount to bonding or else businesses would only provide insolvency protection through the cheapest method. In the absence of detailed information on the cost of providing insolvency protection, we use the estimate obtained from the ABTA survey as the cost all businesses face for protecting non-flight packages.

87. We estimate the total cost to businesses of providing insolvency protection would be between £12.8 million<sup>54</sup> to £18.2 million<sup>55</sup>, with our best estimate being £15.5 million<sup>56</sup>. As we estimate that 10.2 million<sup>57</sup> packages would new in scope of PTD 2015, the cost to providing insolvency protection would be equivalent to £1.52 per package<sup>58</sup> based on our best estimate.

**88. We welcome comments from stakeholders on the cost businesses would face of providing insolvency protection for packages in scope of PTD 2015.**

#### Linked Travel Arrangements

89. Traders facilitating linked travel arrangements would be required to provide insolvency protection for the refund of payments they receive only to the extent that services are not provided due to the LTA facilitator's insolvency, and if responsible for the transport of passengers, for the repatriation of travellers stranded abroad. This is a lower requirement compared to businesses who sell packages. Therefore the cost of insolvency protection for businesses who facilitate LTAs are likely to be lower than that of businesses who sell packages. We do not have any available information on the cost to businesses of providing insolvency protection for LTAs so we have not attempted to monetise this.

**90. We welcome comments from stakeholders on the cost businesses would face of providing insolvency protection for LTAs.**

#### Restriction on alterations in price after a package has been booked

91. Businesses may alter the price of a package after it has been purchased by a traveller if their costs change as a result of changes in exchange rates, transportation costs and taxes or fees. They would have to allow for price decreases as well as price increases. Businesses that wish to have this as an option must include it as a clause in the contract made with the traveller. These requirements are the same as in PTD 1990. Additionally, businesses would be constrained by a price increase threshold of 8% whereby once breached the traveller can cancel the package without paying a termination fee. In PTD 1990 the threshold was higher at 10%.

92. These requirements would affect businesses that are in scope of PTD 1990 and businesses that would be new in scope of PTD 2015. Businesses that are in scope of PTD 1990 would be impacted minimally. The only change they would face would be a reduction in the price increase threshold where a traveller can cancel without paying a cancellation fee. Businesses that would be new in scope of PTD 2015 would be affected more. These restrictions on price alterations after a package has been purchased would be new. However, these restrictions are unlikely to affect businesses that would be new in scope too much. Reputable businesses would be unlikely to have terms much different than those imposed through restrictions in PTD 2015 as unfavourable contract terms for travellers could deter demand and damage their reputation. In addition, they would have to comply with other legislation covering contract terms which would restrict their practices such as unfair contract terms law.

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<sup>54</sup> 3,054 businesses affected \* £4,200

<sup>55</sup> 4,341 businesses affected \* £4,200

<sup>56</sup> 3,698 businesses affected \* £4,200

<sup>57</sup> Table 1 based on our best estimate that 50% of one-trader packages are in scope of PTD 1990.

<sup>58</sup> £15.5 million / 10.2 million packages protected

93. Costs for businesses may increase as they may have a higher number of cancellations as a result of the price increase threshold whereby travellers can cancel once it is breached. Cancellations of packages can cause costs for businesses of administration costs of processing the cancellation, loss of any fixed costs (e.g. unutilised staff) and loss of potential revenue (i.e. empty rooms or seats). However, they could minimise costs by reselling the package to another traveller. In addition, costs of cancellations are likely to be small.
94. The total impact on businesses would be small. Many businesses would not offer an option where prices can change after agreement of a contract with the traveller and hence would not be affected at all. For those businesses that do include a clause on price alterations, it is likely only a small number of packages would increase in price over the 8% threshold between the time the traveller books and departure, hence allowing the traveller to cancel their package for free which would constitute the biggest costs of this provision to businesses. In addition, it is likely only a small number of eligible travellers would exercise their right to cancel and retailers are able to resell packages to offset costs. Therefore we would expect costs to businesses to be minimal.
95. Comprehensive data regarding price changes of packages, consequent traveller cancellations and the number of contracts that include the possibility of price alterations are not available. In the absence of any available information, we assume a minority of packages would be cancelled as a result of these requirements which would impose a negligible cost on businesses.
- 96. We welcome comments from stakeholders on the expected number of businesses that would be affected by restrictions imposed on price alterations and the costs these businesses would face.**

#### Performance of the package, price reductions and compensation

97. The organiser of the package would be liable for its performance. The organiser is required to remedy any lack of conformity with the contract unless it is impossible to do so or costs would be disproportionate taking into account the lack of conformity and the value of the travel services affected. If the organiser is unable to address the problems then the traveller will be entitled to an appropriate price reduction, and compensation if appropriate. This would only be a new requirement for businesses new in scope of PTD 2015, as liability for performance was assigned in PTD 1990. We estimate there would be between 7.0 million<sup>59</sup> to 13.4 million<sup>60</sup> new packages in scope of PTD 2015 with our best estimate being the midpoint 10.2 million<sup>61</sup>.
98. Being responsible for the performance of the package would place additional costs on the organiser. Additional costs the organiser may face are, but not limited to, compensating for personal or material damages, financial damages (e.g. unnecessary expenditure by traveller, loss of earnings), providing alternative arrangements or services when a contracted supplier fails to fulfil the contract, and providing compensation for non-performance of the contract (e.g. no hot water in hotel). Where alternate arrangements are supplied they should be of equal or better value than the original. If they are not, the traveller may be entitled to a price reduction in the value they paid for the package or compensation.

<sup>59</sup> Table 1. Assumes 75% of one-trader packages protected by PTD 1990.

<sup>60</sup> Table 1. Assumes 25% of one-trader packages protected by PTD 1990.

<sup>61</sup> Table 1. Assumes 50% of one-trader packages protected by PTD 1990.

99. In order to cover liability for proper performance of the contract organisers can take out insurance. The European Commission<sup>62</sup> estimate that the average cost per traveller of insurance covering personal, material and financial damage and additional costs is €2.50. This average cost is for all travellers across the EU and is obtained through consultation with European Travel Agents and Tour Operators Association, German Travel Association and the Association of British Travel Agents. They do not provide a split for individual countries but state that these costs may differ between individual Member States. In the absence of a more informed estimate for the UK, we use the EC's estimate converted into Sterling at an exchange rate of €1: £0.73<sup>63</sup>. There would be a cost to businesses of approximately £1.83<sup>64</sup> per package of providing insurance to cover their performance liability requirement. This would represent a cost to business of between £12.83 million<sup>65</sup> to £24.49 million<sup>66</sup>, with our best estimate being £18.66 million<sup>67</sup>.

## Cancellation of package

100. PTD 2015 gives travellers the ability to cancel packages without paying termination fees in the event of unavoidable or extraordinary circumstances. Situations may include, but not limited to, natural disasters, warfare, outbreak of serious disease and terrorism. As travellers now have the right to cancel in these situations, businesses may face increased cancellations. This is a new provision to PTD 2015, having not been included in PTD 1990. This would therefore be a new requirement affecting all businesses in scope of PTD 2015. There would be a total of 33.9 million packages in scope of PTD 2015<sup>68</sup> that would be affected.

101. Giving travellers the ability to cancel packages free of charge in the event of unavoidable or extraordinary circumstances may increase the number of cancellations of packages. Cancellations of packages can cause costs for businesses of administration costs of processing the cancellation, loss of any fixed costs (e.g. unutilised staff) and loss of potential revenue (i.e. empty rooms or seats). Retailers are unlikely to be able to offset any costs by reselling packages cancelled as a result of an unavoidable or extraordinary circumstance as they would be unattractive to other travellers. However, organisers of the package have the right to cancel the package without paying a termination fee in the event of unavoidable or extraordinary circumstances as well. Therefore businesses would only be imposed with additional costs as a result of this legislation in situations where the traveller deems the occurrence of an event worthy enough to cancel a package but the organiser does not. In this situation previously the traveller would face a cancellation fee which could help offset an organisers or retailers cost of cancellation. We assume these situations where the traveller would cancel but the package organiser wouldn't cancel are rare.

102. Occurrences of events of unavoidable or extraordinary circumstances are very uncertain. They are hard to predict in frequency and magnitude. It is therefore difficult to monetise the costs businesses may face through increased cancellations. However, as we predict situations where travellers would cancel and the organiser wouldn't, would be rare, we assume these costs to businesses would be negligible on an annual basis.

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<sup>62</sup> European Commission (2013) *Commission Staff Working Document Impact Assessment Accompanying the document on package travel and assisted travel arrangements, amending Regulation (EC) No 2006/20041 and Directive 2011/83/EU and repealing Council Directive 90/314/EEC*

<sup>63</sup> 2015 annual average exchange rate sourced from the Bank of England.

<sup>64</sup> €2.50 \* 0.73

<sup>65</sup> £1.83 cost per package to provide performance liability insurance \* 7.0 million new packages in scope of PTD 2015

<sup>66</sup> £1.83 cost per package to provide performance liability insurance \* 13.4 million new packages in scope of PTD 2015

<sup>67</sup> £1.83 cost per package to provide performance liability insurance \* 10.2 million new packages in scope of PTD 2015

<sup>68</sup> Table 1

**103. We welcome views from stakeholders on the estimated cost and frequency of cost of travellers having the right to cancel packages in the event of unavoidable or extraordinary circumstances.**

**Possibility to contact the organiser via the retailer**

104. Travellers may book packages with retailers who sell a package trip on behalf of an organiser. If a traveller requires assistance or has any issues over the performance of a package, they must contact the organiser of a package whom holds the responsibility over these. PTD 2015 includes a provision that allows the traveller to contact the organiser of a package through the retailer. This is a new provision to PTD 2015. There is no equivalent in PTD 1990. It would therefore be a new requirement on all businesses in scope of PTD 2015.

105. This provision could impose increased staff costs of processing correspondence from travellers and contacting the correct organiser. However, these costs are likely to be minimal. Retailers may have costs of dealing with correspondence from travellers already. They may already act as a point of contact for travellers on many issues or, for travellers that contact retailers, inform them to contact the organiser instead. Therefore requiring retailers to act as a point of contact for travellers is likely to introduce minimal additional costs. We assume the cost to business of this provision is negligible.

**Obligation to provide assistance**

106. PTD 2015 includes a provision that enforces all organisers of packages to provide assistance to travellers in difficulty. Travellers may require assistance for health reasons example. Businesses that are in scope of PTD 1990 are already required to provide assistance to travellers in difficulty. This provision would therefore only cause additional costs to businesses that would be new in scope of PTD 2015. We estimate there would be between 7.0 million<sup>69</sup> to 13.4 million<sup>70</sup> new packages in scope of PTD 2015 with our best estimate being the midpoint 10.2 million<sup>71</sup>.

107. Providing assistance for travellers in difficulty would be an annual cost for businesses. The European Commission<sup>72</sup> estimate that this would cost businesses €1-2 per traveller. This is based on their assumption that the average cost of assisting travellers in difficulty is €100 - €200 per case and that only 1% of travellers require assistance. These costs are for the EU as a whole. It is not possible to disaggregate their figure for the UK. However, travellers from all countries are likely to require the same assistance requirements and hence we assume these are representative for the UK. In UK Sterling these costs would equate to £0.73 to £1.46 per a package<sup>73</sup> with the midpoint being £1.10.

108. Organisers are able to reclaim the cost of providing assistance to travellers when it arises through the fault of the traveller or through their negligence. There is no available information on the proportion of situations where assistance is required that are a result of fault of the traveller. In the absence of available information we assume only a minority (10%) of situations where assistance is required are the result of fault or negligence of the traveller. Therefore businesses face the costs of providing assistance for 90% of situations where it is required.

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<sup>69</sup> Table 1. Assumes 75% of one-trader packages protected by PTD 1990.

<sup>70</sup> Table 1. Assumes 25% of one-trader packages protected by PTD 1990.

<sup>71</sup> Table 1. Assumes 50% of one-trader packages protected by PTD 1990.

<sup>72</sup> European Commission (2013) *Commission Staff Working Document Impact Assessment Accompanying the document on package travel and assisted travel arrangements, amending Regulation (EC) No 2006/20041 and Directive 2011/83/EU and repealing Council Directive 90/314/EEC*

<sup>73</sup> Converted €1-2 into UK Sterling at exchange rate of €1 : £0.73.

109. The total cost to businesses of providing assistance for new packages in scope of PTD 2015 would be between £4.6 million<sup>74</sup> and £17.6 million<sup>75</sup> with our best estimate being the midpoint £10.1 million<sup>76</sup>.

**110. We welcome comments from stakeholders on the cost of providing assistance to travellers and the proportion of situations where assistance is required as a result of fault or negligence of the traveller.**

## Travel for the purpose of business

111. Travel booked for the purpose of business through travel management companies (TMCs) via general agreement would be out of scope of PTD 2015. This is typical for how large businesses book their travel. These businesses are 'consumers' of packages. For work-related packages booked through this method that are covered by PTD 1990 they would no longer receive the protection granted by the Directive under PTD 2015. However, these travellers generally do not require this protection as it is similar to provisions that would likely be included within their general agreement with a TMC. Therefore we estimate that there would be a negligible cost to businesses that consume packages through not having the protection granted through PTD 1990.

**112. We welcome comments from stakeholders on the cost to businesses of losing protection granted by PTD 1990 for packages booked for the purpose of business through TMCs.**

## Benefits

### Businesses

#### Travel for the purpose of business

113. Travel booked for the purpose of business via general agreement would be out of scope of PTD 2015. This is typical for how large businesses book their travel. Organisers of packages would not be obliged to provide protection for these travellers stipulated under PTD 2015 such as insolvency protection, proper performance of the package, assistance for travellers in difficulty and standard information provisions. However, this protection is usually already provided for business travellers under their general agreement contracts. They would therefore already supply the required protection but not as a result of PTD 2015. Therefore we estimate that there would be a negligible benefit to businesses that sell packages through not having to provide the protection granted through PTD 1990 to business travellers.

**We welcome comments from stakeholders on the benefit to businesses of not being required by PTD 2015 to provide protection for packages booked for the purpose of business through TMCs.**

#### Information Requirements

114. PTD 2015 would remove the requirement contained in PTD 1990 on the information that brochures must contain. Businesses covered by PTD 1990 that provide brochures are required to include information on prices and other general information such as itinerary, meal plan, and characteristics of transport. PTD 2015 removes the requirement that where a brochure is provided, it should contain all the required information, provided that the traveller has access to the information by other means prior to agreeing any contracts.

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<sup>74</sup> 7.0 million \* £0.73 \* 90% of assistance claims businesses face the costs

<sup>75</sup> 10.2 million \* £1.46 \* 90% of assistance claims businesses face the costs

<sup>76</sup> 13.4 million \* £1.10 \* 90% of assistance claims businesses face the costs

115. By providing less information in brochures, it is possible that businesses may save costs of reprinting their brochures to update the information. Other law means that information used for marketing purposes such as brochures should be correct and must not for example provide misleading information. Therefore when information is outdated they should update it which entails costs of reprinting brochures. By having less requirements on what information must be included in a brochure, businesses can include a lower amount of information. It is likely that the less information a brochure contains the less frequent it will require updating. However, it is likely in practice that businesses would not decrease the level of information supplied in brochures as it is key information related to the package. Brochures used for marketing packages but not providing key information would negatively affect their effectiveness. We therefore assume that businesses would not materially decrease the level of information supplied in brochures. They would therefore continue reprinting brochures at a similar rate and hence would not save any costs.

**116. We welcome comments from stakeholders on the amount that businesses would benefit from having fewer requirements on what information must be included in brochures where they are used.**

### Obligation to provide assistance

117. PTD 2015 allows organisers to reclaim the cost of providing assistance to travellers when it arises through the fault of the traveller or through their negligence. Organisers would only be allowed to claim an amount up to the value of the cost they face from providing this assistance. This would be a benefit for organisers that are in scope of PTD 1990 whom are restricted from claiming any money from travellers when providing assistance.

118. Our best estimate for the number of packages covered by PTD 1990 is 23.7 million<sup>77</sup>; however this may range from 20.5 million<sup>78</sup> to 26.9 million packages<sup>79</sup>. As calculated earlier, the cost of providing assistance to travellers on average is £0.73 - £1.46 per package. Our best estimate is the interval midpoint, £1.10. This is calculated using the European Commission's assumptions that 1% of travellers require assistance at an average cost of €100 to €200.

119. There is no available information on the proportion of situations where assistance is required due to the travellers fault or negligence. In the absence of available information we assume that 10% of situations where assistance is required are the result of fault or negligence of the traveller. Travellers would therefore have to refund businesses for providing assistance for 10% of occurrences. Assuming that all businesses would reclaim costs from travellers when they are entitled to, this would represent a total benefit to businesses of between £1.49 million<sup>80</sup> and £3.92 million<sup>81</sup>, with our best estimate being the midpoint £2.59 million<sup>82</sup>.

### Mutual recognition of insolvency protection and administrative co-operation

120. All Member States would recognise the insolvency protection of a trader that is taken out in the Member State where they are established. This would mean that UK businesses that have insolvency protection registered in the UK, would have their

<sup>77</sup> Table 1 Based on assumption that 50% of one-trader packages are protected by PTD 1990.

<sup>78</sup> Table 1 Based on assumption that 25% of one-trader packages are protected by PTD 1990.

<sup>79</sup> Table 1 Based on assumption that 75% of one-trader packages are protected by PTD 1990.

<sup>80</sup> 10% of assistance claims are as a result of traveller fault or negligence \* 20.5 million packages in scope of PTD 1990 \* £0.73 cost of providing assistance.

<sup>81</sup> 10% of assistance claims are as a result of traveller fault or negligence \* 26.9 million packages in scope of PTD 1990 \* £1.46 cost of providing assistance.

<sup>82</sup> 10% of assistance claims are as a result of traveller fault or negligence \* 23.7 million packages in scope of PTD 1990 \* £1.10 cost of providing assistance.



insolvency protection recognised across the EU. This would simplify the process of businesses purchasing insolvency protection. It would improve clarity on insolvency protection for businesses that operate across various countries in the EU. This may help facilitate cross-border trade. It is not clear how much businesses value improved clarity and the effects on trade are highly uncertain as there are a variety of factors affecting it. However, we would expect that this regulation would have minimal effect on trade. We are unable to monetise the benefits of potential increased cross-border trade and improved clarity for businesses. In the absence of available information, we assume these benefits are negligible.

- 121. We encourage comments from stakeholders on the value of benefits that would result mutual recognition of insolvency protection and administrative co-operation.**

### Harmonisation in EU laws

122. PTD 1990 allowed broad discretion to Member States in transposition to domestic legislation. Additionally, some Member States have introduced more legislation in some areas. This has resulted in different levels of protection across Member States. Differences in legislation can impose costs on travel businesses operating in numerous Member States as they may be subject to different levels of requirements (i.e. provide different levels of information). PTD 2015 would harmonise Member States legislation. This would decrease costs for businesses operating across Member States which could help facilitate cross-border trade. The effect on cross-border trade is uncertain with a variety of factors affecting it. It is difficult to quantify the benefit of increased cross-border trade to the UK. Hence we are unable to monetise these benefits but assume it would be a small benefit for the UK.

- 123. We encourage comments from stakeholders on the value of benefits that would result from a common legal position across the EU.**

## Travellers

### Expansion in scope

124. PTD 2015 would expand the coverage of packages protected compared to PTD 1990. PTD 2015 would include dynamic packages in addition to traditional pre-arranged packages that are covered by PTD 1990. LTAs would also be covered but to a lesser extent. Our best estimate is that PTD 1990 covered 23.7 million packages<sup>83</sup>. PTD 2015 would increase the number of packages protected to 33.9 million<sup>84</sup>. Expanding protection to cover dynamic packages would improve clarity for travellers as they would be entitled to the same level of protection for all packages that they have become accustomed to when booking traditional pre-arranged packages.
125. Travellers would benefit from the expansion of coverage of packages that are required to have insolvency protection, restricted in alterations in prices that can occur after being purchased, have a legal framework to establish who is responsible for the performance of the package, and oblige the organiser of a package to provide assistance to travellers in difficulty. Travellers would receive benefits by being able to receive price reductions and compensation when suppliers go insolvent or packages are poorly performed, cancel packages for free where prices increase over an 8% threshold after they have been purchased, and receive assistance when they need it. This would give travellers greater confidence in the travel market and decrease detriment. The European Commission estimate that consumer detriment from dynamic

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<sup>83</sup> Table 1. Based on the assumption that 50% of one-trader packages are covered by PTD 1990

<sup>84</sup> Table 1

packages is €1.065 billion per year for EU-27 travellers, of which €114.9 million is for UK travellers<sup>85</sup>. A large proportion of this detriment is the result of problems that PTD 2015 would seek to address, in addition to other issues such as delayed transport.

126. It is difficult to monetise the benefit to travellers of improved clarity by ensuring all packages are protected to the same extent and the benefit travellers would enjoy from restrictions on alterations in price. In the market, these benefits might be revealed through increased sales (i.e. travellers are more likely to make a purchase given that they have the clarity of these protections and are more assured on the price of the package). Currently some risk averse travellers may be deterred from booking packages as they do not have these assurances. However, disentangling the benefits of restrictions on alterations in price and increased clarity on sales are difficult as there are a number of factors affecting it. Therefore we have been unable to monetise the benefit to travellers. However, we assume the benefit to travellers of these benefits is small.
127. The cost faced by organisers of ensuring proper performance of the package would be a transfer to travellers in the form of a benefit in terms of having access to redress for harm that they would otherwise not have been able to access. We estimate that businesses offering packages that would be new in scope of PTD 2015 would face costs of £18.66 million<sup>86</sup> of ensuring proper performance of a package. This estimate is based on the cost to organisers of taking out insurance to cover package performance obtained from the European Commission who worked in consultation with European Travel Agents and Tour Operators Association, German Travel Association and the Association of British Travel Agents. As we assume that this is a transfer to travellers, we estimate that travellers would benefit by £18.66 million. This is likely to be higher than the value of substitute services and compensation travellers receive as a result of poor performance of a package as insurance companies will take a cut. However, this would be the cost travellers would face of insuring their package trips for proper performance.
128. The expenditure of businesses on providing assistance to travellers in difficulty would be similar to the value of benefit received by travellers. If businesses didn't provide assistance to travellers in difficulty then travellers would face the costs themselves. Travellers would face time costs and the cost of resources used to research information on health services, local authorities and consular assistance; make distance communications; and make alternative travel arrangements. The cost to businesses of providing assistance is therefore a transfer benefit to travellers. Our best estimate of the cost to businesses of providing assistance to travellers in difficulty is £10.08 million<sup>87</sup>. As we assume that this is all transferred to travellers in the form of a benefit, travellers would benefit by £10.08 million. This could be an underestimate as the cost to travellers of providing their own resolutions when in difficulty may be more expensive. Travellers may not have the time or resources necessary to effectively provide their own resolutions when they are in difficulty.
129. Organisers of packages would be required to provide effective security for the refund of all payments to travellers if a service included in a package is not performed due to insolvency. The costs faced by businesses of providing insolvency protection would be transferred to travellers in the form of a benefit. We estimate that the total cost to businesses of providing insolvency protection is £15.53 million<sup>88</sup>. We assume that this is all transferred to travellers in the form of a benefit. Therefore travellers

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<sup>85</sup> The European Commission (2009) Study on Consumer Detriment in the area of Dynamic Packages [http://ec.europa.eu/consumers/archive/rights/docs/study\\_consumer\\_detriment\\_dyna\\_packages\\_en.pdf](http://ec.europa.eu/consumers/archive/rights/docs/study_consumer_detriment_dyna_packages_en.pdf)

<sup>86</sup> Calculated in the costs section of this IA

<sup>87</sup> Calculated in the costs section of this IA

<sup>88</sup> Calculated in the costs section of this IA

would benefit by £15.53 million. Although this is likely to be higher than the total amount that travellers receive as a refund as intermediaries such as insurance companies take a cut, it would be the cost that travellers would face of insuring their packages against insolvency. In addition, the true benefit to travellers may be higher than amount they would receive as a refund taking into consideration that travellers generally dislike risk. The economics of insurance show that generally individuals would pay a premium to avoid risk.

130. We estimate that the total benefit to travellers of expanding the provisions included in PTD 1990 to cover all dynamic packages would benefit the traveller by £44.27 million<sup>89</sup>.

### Information requirements

131. PTD 2015 includes new information provisions that organisers and retailers would be required to provide for the traveller. This would help improve travellers' awareness and knowledge. It would help travellers to make better informed decisions when purchasing packages or linked travel arrangements. This could help decrease traveller detriment. There is no available information available on the value travellers place on better information in package travel and hence we are unable to monetise this benefit.

### Cancellation of package

132. Travellers would benefit from increased rights over being able to cancel holidays without paying a termination fee in the event of an unavoidable or extraordinary circumstance. This would save travellers from losing money when unavoidable or extraordinary circumstances occur and the package is not cancelled by the organiser. Given the nature of these situations being unpredictable in scale and frequency, it is difficult to monetise the benefit to travellers. However, we assume situations where the traveller would cancel but the organiser would not in the event of an unavoidable or extraordinary circumstance would be rare. Therefore we assume the benefit to travellers would be negligible.

### Possibility to contact the organiser via the retailer

133. Travellers would be able to contact the organiser of a package, who has responsibility for the package performance and providing assistance to the traveller, through the retailer. This would be useful in situations where a traveller books a package through a retailer and they are under the impression the retailer is organising the package or do not know who the organiser of their package is. It would make resolving any issues that arise easier for the traveller. We assume that the majority of retailers already forward on any correspondence they receive which is in the remit of the organiser. Therefore we assume the benefit to travellers is negligible.

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<sup>89</sup> 18.66 + 10.08 + 15.53

## Summary of costs

Table 4: Summary of costs to businesses

Cost description	Unit cost	Total costs (millions)	
		Transition	Annual
<b>Businesses</b>			
Information requirements			
Updating websites			
Businesses that are in scope of PTD1	£1,200	£2.80	-
Businesses new in scope of PTD2	£1,800	£5.74	-
Businesses that facilitate LTAs	£1,200	£2.84	-
Providing info face-to-face or over the phone	£0.35	-	£1.03
Printed copy of contract	-	-	-
Insolvency protection	£4,200	-	£15.53
Restriction on alterations in price after a package has been booked	-	-	-
Performance of the package, price reductions and compensation	£1.83	-	£18.66
Traveller ability to cancel packages in unavoidable/extraordinary circumstances	-	-	-
Possibility to contact the organiser via the retailer	-	-	-
Organiser provides assistance to travellers in difficulty	£1.10	-	£10.08
Exclusion of business trips purchased through travel management companies on the basis of general agreement	-		-
<b>Total transition and annual cost to businesses</b>		<b>£11.37</b>	<b>£45.30</b>
<b>Total</b>			
<b>Total costs to businesses</b>		<b>£11.37</b>	<b>£45.30</b>

## Summary of Benefits

Table 5: Summary of benefits to businesses and travellers

Benefit description	Unit cost	Total benefits (millions)	
		Transition	Annual
<b>Businesses</b>			
Exclusion of business trips purchased through travel management companies on the basis of general agreement	-	-	-
Removal of requirement on the information contained in brochures		-	-
Organiser can reclaim costs of providing assistance if it is caused through the fault of the traveller	£1.10	-	£2.59
Mutual recognition of insolvency protection and administrative co-operation	-	-	-
Harmonisation in EU laws	-	-	-
<b>Total transition and annual benefit to businesses</b>		-	<b>£2.59</b>
<b>Travellers</b>			
Clarity that all packages would be protected	-	-	-
Restrictions on alterations in price after a package has been booked	-	-	-
Performance of the package, price reductions and compensation	£1.83	-	£18.66
Organiser provides assistance to travellers in difficulty	£1.10	-	£10.08
Increased amounts of information	-	-	-
Insolvency protection	£4,200		£15.53
Traveller ability to cancel packages in unavoidable/extraordinary circumstances	-	-	-
Possibility to contact the organiser via the retailer	-	-	-
<b>Total transition and annual benefit to travellers</b>		-	<b>£44.27</b>
<b>Total</b>			
<b>Total benefits to businesses and travellers</b>			<b>£46.86</b>

## Risks and assumptions

Table 6: Main assumptions within this impact assessment. **We welcome comments from stakeholders on these assumptions.**

Key Assumptions	Source
Scope of coverage	
25% - 75% of one-trader packages are in scope of PTD 1990	European Commission
25%-75% of businesses that sell one-trader packages are in scope of PTD 1990	Own assumption
82.5% of business travel is bought through travel management companies on the basis of general agreement	The Guild of European Business Travel Agents
80% of travel agents and tour operators sell packages, half of which sell one-trader packages	European Commission
12.5% of hotels, car rental and all other transport services sell multi-trader packages	European Commission
10% of businesses facilitate LTAs	Own assumption
Cost of providing information requirements	
£1,200 cost of updating websites for information requirements in PTD 2015 for businesses that are in scope of PTD 1990	Civil Aviation Authority (CAA)
£1,800 cost of updating websites for information requirements in PTD 2015 for businesses that were not in scope of PTD 1990	Own assumption (CAA estimate * 1.5)
Cost of altering website for LTA information requirements is £1,200.	Civil Aviation Authority (CAA)
35% of packages booked by phone or face-to-face	CAA
One booking is made for approximately four travellers	Own assumption
It takes 2 minutes to relay information for bookings made over the phone or face-to-face	Own assumption
A small minority of LTAs are facilitated face-to-face or over the phone	Own assumption
Cancellation of a package	
Situations where a traveller would cancel a contract due to unavoidable or extraordinary circumstances but the package organiser wouldn't are rare	Own assumption
Proper performance of the package	
It will cost £1.83 per package to ensure proper performance of a package	European Commission
Possibility to contact the organiser via the retailer	
The majority of retailers forward on correspondence to the organiser of a package if it is in the organisers remit to deal with	Own assumption
Obligation to provide assistance	
It costs £1.10 per package to provide assistance to travellers (This is based on an average cost of €100 to €200 of assisting travellers in difficulty and assuming 1% of travellers enter difficulty)	European Commission
10% of assistance claims are a result of fault from the traveller or through their own negligence	Own assumption

## Monitoring and compliance

134. We will review this policy post implementation after 5 years in accordance to standard Government protocol.

## Business Impact

### The BIT and Qualifying Regulatory Provisions

135. Section 21 of the Small Business, Enterprise and Regulatory Reform Act 2015 (SBEE) established a duty on the Secretary of State to publish a target for Government in respect of the economic impact on business activities of qualifying regulatory provisions which come in or cease during the relevant time period. The Business Impact Target (BIT) established in March 2016 was for a saving of £10bn for business and voluntary or community bodies from qualifying measures that come in to force or cease during the Parliament<sup>90</sup>.
136. “Qualifying regulatory provisions” are broadly defined as provisions concerning the regulation of activities of business and community and voluntary bodies, except where they are undertaken by public bodies or as part of delivery of public services<sup>91</sup>.
137. The proposals outlined in this impact assessment are a direct transposition of an EU directive into UK law. Under the Better Regulation Framework Manual paragraph 1.9.9, European Directives that are transposed without any gold-plating are exempt from the One-In, Three-Out framework<sup>92</sup>. For the same reason the proposals are also a Non-Qualifying-Regulatory-Provision (NQRPA) and therefore the EANDCB will not score against the Business Impact Target.

### Small and Micro Business Assessment

138. Under the Government’s Better Regulation Framework guidance, the default option for new regulatory measures is for small and micro businesses to be exempted from new regulatory measures. Small and Micro businesses would not be exempted from this regulation. If small and micro businesses were exempted the policy would not achieve one of its main objectives of providing travellers with clear and effective protection when purchasing packages and LTAs. Small and micro businesses represent 94%<sup>93</sup> of all businesses in the travel sector.
139. Small and micro businesses are likely to not be affected severely more than larger businesses from this regulation. They may spend slightly more for insolvency protection per traveller and insurance against package performance per traveller as the market will determine these rates. These rates may be less favourable to small and micro businesses as they may have lower collateral and financial strength.

## Wider Impacts

### Equalities impact

140. The costs and benefits of the policy would not be expected to fall disproportionately on any of the protected groups.

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<sup>90</sup> <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-03-03/HCW574/>

<sup>91</sup> Section 22 of SBEE

<sup>92</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/468831/bis-13-1038-Better-regulation-framework-manual.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/468831/bis-13-1038-Better-regulation-framework-manual.pdf)

<sup>93</sup> ONS Inter Departmental Business Register (IDBR)

## **Families Test**

141. The costs and benefits of the policy would not be expected to affect families or their formation.

## **Summary and implementation plan**

142. The new Package Travel Directive was published in the Official Journal of the European Union on 11 December 2015. The UK has to transpose the requirements of this Directive into UK law by 1 January 2018, and then has a further 6 months up to 1 July 2018 for these requirements to come into force.
143. The Department for Transport launched a consultation on 28 October focusing on changes necessary for ATOL to comply with PTD 2015, some of which will require primary legislation. This consultation will close on 24 November and will be followed by a BEIS consultation in early 2017 looking at the over-arching proposals for implementing PTD 2015 that are covered in this Impact Assessment as well as proposals for non-flight insolvency arrangements. A response to this consultation will be published in the Spring.



# Annex

## Annex 1: Number of trips and businesses in scope of PTD 1990 and PTD 2015

### Potential number of trips in scope of PTD 2015

144. UK residents took approximately 147 million domestic and foreign trips<sup>94</sup> within the EU27 in 2012<sup>95</sup>. Only a proportion of these trips are packages and hence in scope of PTD 2015.
145. Business trips bought through travel management companies on the basis of a general agreement would be excluded from PTD 2015. UK residents took approximately 23 million business trips in 2012 to an EU27 country<sup>96</sup> (including domestic business trips within the UK). This represents 16%<sup>97</sup> of total trips taken in 2012. The European Commission in consultation with The Guild of European Business Travel Agents<sup>98</sup> estimate that 80 – 85% of business trips are purchased through travel management companies on the basis of general agreement. This is an estimate for all European countries and there is not an estimate for solely the UK. In the absence of an estimate for only the UK we assume the midpoint of the European Commission's interval, 82.5%, as our best estimate. Therefore we estimate that there are 19.0 million trips<sup>99</sup> that are bought on the basis of general agreement and hence not in scope of PTD 2015.
146. Excluding 19.0 million business trips bought on the basis of general agreement from the total number of trips taken by UK residents, equates to 128.0 million trips<sup>100</sup>. We estimate that 128.0 million trips are potentially in scope of PTD 2015.
147. The European Commission Impact Assessment for PTD 2015 included an estimate of the market segmentation of different types of holiday product<sup>101</sup>. 23 per cent comprised pre-arranged packages where a combination of at least two out of transport, accommodation and other tourism services comprising a significant part of the package (e.g. car rental) were bundled in advance by an organiser, and so would represent the traditional package in scope of PTD 1990. 17 per cent comprised one-trader arrangements where at least two of the above services were purchased but travellers could customise the content of the trip through one website or high street travel agent rather than having it bundled together. 3 per cent comprised multi-trader arrangements, whereby consumers could customise the content of the trip but the package involves more than one trader, where the traveller's name or details needed to conclude a booking transaction were transferred between the traders. 3 per cent comprised of linked travel arrangements, which involved separate transactions but one trader facilitated the purchase of services from another through linked arrangement. The Commission estimated that 54 per cent of the holiday market comprised independent travel arrangements, where a travel service such as flight, accommodation or car rental was purchased independently as a stand-alone product, and so would be out of scope of PTD 1990 and PTD 2015.

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<sup>94</sup> One trip would include outward and return travel arrangements

<sup>95</sup> Eurostat Tourism Database

<sup>96</sup> Eurostat Tourism Database

<sup>97</sup> (23 million business trips divided by 147 million total trips)\*100

<sup>98</sup> European Commission (2013) *Commission Staff Working Document Impact Assessment Accompanying the document on package travel and assisted travel arrangements, amending Regulation (EC) No 2006/20041 and Directive 2011/83/EU and repealing Council Directive 90/314/EEC*

<sup>99</sup> 23 million business trips\* 82.5% of trips bought on the basis of general agreement.

<sup>100</sup> 147 million UK resident trips a year –19.0 million business trips bought on the basis of general agreement.

<sup>101</sup> European Commission (2013) *Commission Staff Working Document Impact Assessment Accompanying the document on package travel and assisted travel arrangements, amending Regulation (EC) No 2006/20041 and Directive 2011/83/EU and repealing Council Directive 90/314/EEC*

148. The scope of PTD 1990 covers all pre-arranged travel arrangements, and potentially some one-trader arrangements, whilst multi-trader travel arrangements and LTAs would be out of scope along with independent travel arrangements. The European Commission estimate that between 25 and 75 per cent of one-trader arrangements are covered by PTD 1990<sup>102</sup>.

Table 7: Estimated market segmentation across EU<sup>103</sup>

Market segment	Share of market	Number of trips (millions)	Percentage covered by PTD 1990
Pre-arranged packages	23%	118	100%
"One-trader" packages	17%	87	25 to 75%
"Multi-trader" travel arrangements	3%	1.5	0%
Linked travel arrangements <sup>104</sup>	3%	1.5	0%
Independent travel arrangements	54%	277	0%

149. The Commission's estimate was for the full EU market, and was based on the Commission's own analysis of the Flash Barometer 328<sup>105</sup> and Study on Consumer Detriment in the area of dynamic packages<sup>106</sup>. It is not clear how this could be disaggregated for the UK market, so in the absence of other evidence, we have assumed the same proportions for the UK.

150. Applying the European Commission's estimates on market share to the 128.0 million trips by UK residents that could potentially be in scope of PTD 2015 would lead to the estimated market segmentation for the UK shown in Table 8.

Table 8: UK trips by market segment

Market Segment	Share of market	Number of trips (millions)
Pre-arranged packages	23%	29.4
One-trader packages	17%	21.8
Multi-trader packages	3%	3.8
Linked travel arrangements	3%	3.8
Independent travel arrangements	54%	69.1
Total	100%	128.0

<sup>102</sup> Estimates are based on information provided the European Travel Agents and Tour Operators Association.

<sup>103</sup> European Commission (2013) *Commission Staff Working Document Impact Assessment Accompanying the document on package travel and assisted travel arrangements, amending Regulation (EC) No 2006/20041 and Directive 2011/83/EU and repealing Council Directive 90/314*

<sup>104</sup> This is defined in the EC impact assessment as multi-trader assisted travel

<sup>105</sup> [http://ec.europa.eu/public\\_opinion/flash/fl\\_328\\_en.pdf](http://ec.europa.eu/public_opinion/flash/fl_328_en.pdf)

<sup>106</sup> [http://ec.europa.eu/consumers/archive/rights/docs/study\\_consumer\\_detriment\\_dyna\\_packages\\_en.pdf](http://ec.europa.eu/consumers/archive/rights/docs/study_consumer_detriment_dyna_packages_en.pdf)

151. Using the European Commission's assumption that 25% to 75% of one-trader packages are covered by PTD 1990, this would imply that between 34.9 million<sup>107</sup> and 45.8 million<sup>108</sup> packages are covered by PTD 1990 and would still be covered by PTD 2015. As PTD 2015 is to extend the scope of coverage to include all one-trader packages and multi-trader arrangements, a total of 55.1 million<sup>109</sup> packages would be covered. This means there would be between 9.3 million<sup>110</sup> and 20.2 million<sup>111</sup> new packages in scope of PTD 2015.

Table 9: Number of trips in scope of PTD 1990 and PTD 2015 (millions)

	Low (25% of one-trader packages covered by PTD 1990)	Best (50% of one-trader packages covered by PTD 1990)	High (75% of one-trader packages covered by PTD 1990)
Trips in scope of PTD 1990	34.9	40.3	45.8
New trips in scope of PTD 2015	20.2	14.7	9.3
<b>Total trips in scope of PTD 2015</b>	<b>55.1</b>	<b>55.1</b>	<b>55.1</b>

152. This impact assessment covers non-flight packages. DfT are covering flight packages in a separate impact assessment. The CAA currently protects 25.2 million trips through ATOL<sup>112</sup>. The majority of these are traditional packages and one-trader packages but some independent flights are also covered. However, these independent flights make up only a minority of ATOL protected flights. We therefore assume that all ATOL flights are either traditional packages or one-trader packages.

153. To calculate the number of trips in scope of PTD 2015 that this impact assessment will assess, we need to subtract ATOL packages that are dealt with by the DfT. Some of these ATOL packages may be business trips which we have already excluded from our estimate. To avoid double counting we need to calculate the number of ATOL packages excluding business trips. We assume that the proportion of ATOL flights that are for business purposes is the same proportion as the total trips that are for business purposes (16%)<sup>113</sup>. Therefore we estimate there are 21.2 million<sup>114</sup> ATOL packages excluding those for the purpose of business. We do not have any information on the proportion of these that are pre-arranged packages or one-trader packages. In the absence of available information we assume that 58%<sup>115</sup> of ATOL protected trips are pre-arranged packages and 42%<sup>116</sup> are one-trader packages which are based on the relative number of packages taken per year. Therefore we estimate 12.2 million<sup>117</sup> and 9.0 million<sup>118</sup> ATOL protected trips are pre-arranged packages and one-trader packages respectively. We subtract these from the figures contained in Table 8 to calculate the number of trips in scope of PTD 2015 that this impact assessment will cover. These estimates can be found in Table 10.

<sup>107</sup> 29.4 million pre-arranged packages + (25% \* 21.8 million one-trader packages)

<sup>108</sup> 29.4 million pre-arranged packages + (75% \* 21.8 million one-trader packages)

<sup>109</sup> 29.4 million pre-arranged packages + 21.8 million one-trader packages + 3.8 million multi-trader packages

<sup>110</sup> (25% \* 21.8 million one-trader packages) + 3.8 million multi-trader packages

<sup>111</sup> (75% \* 21.8 million one-trader packages) + 3.8 million multi-trader packages

<sup>112</sup> [https://publicapps.caa.co.uk/docs/33/ATT\\_Accounts\\_2016%20signed.pdf](https://publicapps.caa.co.uk/docs/33/ATT_Accounts_2016%20signed.pdf)

<sup>113</sup> Paragraph 146

<sup>114</sup> 25.2 million – (25.2 million \* 16%)

<sup>115</sup> 29.4 million pre-arranged packages / (29.4 million pre-arranged packages + 21.8 million one-trader packages)

<sup>116</sup> 21.8 million one-trader packages / (29.4 million pre-arranged packages + 21.8 million one-trader packages)

<sup>117</sup> 21.2 \* 58%

<sup>118</sup> 21.2 \* 42%

Table 10: UK trips by market segment (excluding ATOL trips)

Market Segment	Number of trips (millions)
Pre-arranged packages	17.3 <sup>119</sup>
One-trader packages	12.8 <sup>120</sup>
Multi-trader packages	3.8
Linked travel arrangements	3.8
Independent travel arrangements	69.1

154. Using the European Commission's assumption that 25% to 75% of one-trader packages are covered by PTD 1990, this would imply that between 20.5 million<sup>121</sup> and 26.9 million<sup>122</sup> packages are covered by PTD 1990 and would still be covered by PTD 2015. As PTD 2015 is to extend the scope of coverage to include all one-trader packages and multi-trader arrangements, a total of 33.9 million<sup>123</sup> packages would be covered. This means there would be between 7.0 million<sup>124</sup> and 13.4 million<sup>125</sup> new packages in scope of PTD 2015. This does not include trips booked through LTAs as they are covered to a lesser extent and hence treated separately. There are 3.8 million packages booked via LTAs.

Table 11: Number of trips in scope of PTD 2015 (excluding ATOL trips)

	Low (25% of one-trader packages covered by PTD 1990)	Best (50% of one-trader packages covered by PTD 1990)	High (75% of one-trader packages covered by PTD 1990)
Trips in scope of PTD 1990	20.5	23.7	26.9
New trips in scope of PTD 2015	13.4	10.2	7.0
<b>Total trips in scope of PTD 2015</b>	<b>33.9</b>	<b>33.9</b>	<b>33.9</b>

#### Potential number of businesses in scope

155. The UK travel market comprises of 6,435 travel agents and tour operators, 9,595 hotels, 3,230 car rental services, and 6,460 other transport services<sup>126</sup>. Only a proportion of these businesses are covered by the original PTD. Not every business in the UK travel market sell packages and of those that do, not all of them are in scope of PTD 1990. Depending on the business model that businesses employ, would depend on whether the packages they sell are covered by PTD 1990 or would be covered by PTD 2015. Businesses that only sell traditional pre-arranged packages would have to fully comply with PTD 1990. Some businesses that sell one-trader packages would be covered by PTD 1990 but businesses that sell multi-trader packages are not covered by PTD 1990. It is possible that businesses sell a range of different types of packages.

<sup>119</sup> 29.4 – 12.2

<sup>120</sup> 29.4 - 9

<sup>121</sup> 17.3 million pre-arranged packages + (25% \* 12.8 million one-trader packages)

<sup>122</sup> 17.3 million pre-arranged packages + (75% \* 12.8 million one-trader packages)

<sup>123</sup> 17.3 million pre-arranged packages + 12.8 million one-trader packages + 3.8 million multi-trader packages

<sup>124</sup> (25% \* 12.8 million one-trader packages) + 3.8 million multi-trader packages

<sup>125</sup> (75% \* 12.8 million one-trader packages) + 3.8 million multi-trader packages

<sup>126</sup> ONS Inter Departmental Business Register (IDBR), 2016

156. We apply the same assumptions as the EC on the proportion of these businesses that sell packages<sup>127</sup>. Their assumptions are for the EU as a whole. We are unable to disaggregate these for the UK but use them in the absence of other available information. These percentage assumptions can be found in column 2 of Table 12.
157. The EC estimate that 80%<sup>128</sup> of travel agents and tour operators sell packages. Therefore we estimate that 3,636 travel agents sell packages. There are 2,042<sup>129</sup> travel agents that are members of ATOL. The majority of the costs faced by these businesses are included in the DfT impact assessment. We therefore exclude these businesses from our main estimate of how many travel agents are affected to avoid double counting. Our main estimate of businesses affected in this impact assessment only covers travel agents that are not members of ATOL. These travel agents are likely to only sell trips that do not include a flight. There are 1,594 travel agents<sup>130</sup> that are not members of ATOL and sell packages. Of travel agents that sell packages, the European Commission estimate that half sell only pre-arranged packages. They assume the other half sell a combination of pre-arranged packages and one-trader packages. Applying these assumptions for the UK would mean there would be 2,002 travel agents<sup>131</sup> in the UK that sell packages, of which an equal number 1,001 businesses<sup>132</sup> sell only pre-arranged packages and sell a combination of pre-arranged and one-trader packages.
158. Hotels, car rentals and all other transport services (i.e. rail, other land transport and water transport) are assumed to only offer multi-trader packages if any, as assumed by the EC. The EC estimate that 12.5%<sup>133</sup> of hotels, car rentals and other transport services offer multi-trader packages.

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<sup>127</sup> European Commission (2013) *Commission Staff Working Document Impact Assessment Accompanying the document on package travel and assisted travel arrangements, amending Regulation (EC) No 2006/20041 and Directive 2011/83/EU and repealing Council Directive 90/314/EEC*

<sup>128</sup> This assumption is based on consultations with European Travel Agents and Tour Operators Association, German Travel Association and the Association of British Travel Agents.

<sup>129</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/563943/atol-consultation-impact-assessment.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/563943/atol-consultation-impact-assessment.pdf)

<sup>130</sup> 4,545 travel agents – 2,042 travel agents that are members of ATOL

<sup>131</sup> 80% \* 2,503 travel agents that are not members of ATOL

<sup>132</sup> 50% \* 2,002 travel agents sell packages

<sup>133</sup> 50% businesses have an online presence \* 25% of businesses connect with other websites to allow for multi-trader package purchase

Table 12: Number of UK businesses who sell different forms of packages

	Per cent of businesses	Number of businesses
<b>Travel Agents</b>		
Total no. of travel agents:		4,545
Travel agents that sell packages	80%	3,636
ATOL members		2,042
Travel agents that sell packages (ex. ATOL members)		1,594
<i>Of which only sell pre-arranged packages</i>	50%	797
<i>Of which sell one-trader packages</i>	50%	797
<i>Of which sell multi-trader packages</i>	-	-
<b>Tour Operators</b>		
Total no. of tour operators		1,890
Tour operators that sell packages:	80%	1,512
<i>Of which only sell pre-arranged packages</i>	40%	756
<i>Of which sell one-trader packages</i>	40%	756
<i>Of which sell multi-trader packages</i>	-	-
<b>Hotels</b>		
Total no. of hotels		9,595
Of which sell pre-arranged packages	-	-
Of which sell dynamic packages:		
<i>One-trader packages</i>	-	-
<i>Multi-trader packages</i>	12.50%	1,199
<b>Car Rentals</b>		
Total no. of car rentals		3,230
Of which sell pre-arranged packages	-	-
Of which sell dynamic packages:		
<i>One-trader packages</i>	-	-
<i>Multi-trader packages</i>	12.50%	404
<b>All other transport services (rail, other land transport and water transport)</b>		
Total no. of all other transport services		6,460
Of which sell pre-arranged packages	-	-
Of which sell dynamic packages:		
<i>One-trader packages</i>	-	-
<i>Multi-trader packages</i>	12.50%	808
<b>Total</b>		
Total no. of businesses in travel sector (ex. ATOL protected businesses)		23,678 <sup>134</sup>
Of which sell pre-arranged packages		1,553 <sup>135</sup>
Of which sell dynamic packages:		
<i>One-trader packages</i>		1,553 <sup>136</sup>
<i>Multi-trader packages</i>		2,411 <sup>137</sup>
Total no. selling dynamic packages		3,964 <sup>138</sup>

<sup>134</sup> (4,545 travel agents – 2,042 ATOL members) + 1,890 tour operators + 9,595 hotels + 3,230 car rental services + 6,460 other transport services

<sup>135</sup> 797 travel agents + 756 tour operators

<sup>136</sup> 797 travel agents + 756 tour operators

<sup>137</sup> 1,199 hotels + 404 car rentals + 808 all other transport services

159. The European Commission estimates that 25% to 75% of one-trader packages are covered by PTD 1990. This is an estimate based on the number of packages covered by PTD 1990 and not the number of businesses who sell one-trader packages. Businesses are likely to use the same or similar business model to sell their packages. This determines whether the package is in scope of PTD 1990. Therefore it is likely that a business that sells one-trader packages will either have its entire repertoire of one-trader packages covered by PTD 1990 or none of them. Assuming that the quantity of one-trader packages a business sells is not connected to whether the packages they sell are in scope of PTD 1990, it is reasonable to assume that 25% to 75% of businesses that sell one-trader packages are covered by PTD 1990. Our best estimate is the midpoint, that 50% of businesses selling one-trader packages are covered by PTD 1990. The remainder of businesses selling one-trader packages would be covered by PTD 2015. Businesses that only sell pre-arranged packages are all in scope of PTD 1990 and hence PTD 2015. Businesses that only sell multi-trader packages are not covered by PTD 1990 and would all be new in scope of PTD 2015.
160. Our best estimate is that there are **2,330 businesses<sup>139</sup> in scope of PTD 1990** and there would be **3,187<sup>140</sup> new businesses in scope of PTD 2015**. **There would be a total of 5,517 businesses that would be in scope of PTD 2015**. This total does not include businesses that facilitate LTAs. LTAs are subject to lesser requirements than packages.

Table 13: Number of businesses covered by PTD 1990 and PTD 2015

	Low (25% of one-trader packages covered by PTD 1990)	Best (50% of one-trader packages covered by PTD 1990)	High (75% of one-trader packages covered by PTD 1990)
Businesses in scope of PTD 1990 (ex. ATOL members)	1,941	2,330	2,718
Businesses new in scope of PTD 2015	3,575	3,187	2,799
Total businesses in scope PTD 2015 (ex. ATOL members)	5,517	5,517	5,517

<sup>138</sup> 1,757 one-trader packages + 2,411 multi-trader packages

<sup>139</sup> 1,553 businesses selling pre-arranged \* (50% \* 1,553 businesses selling one-trader packages)

<sup>140</sup> 2,411 businesses selling multi-trader packages \* (50% \* 1,553 businesses selling one-trader packages)

**Annex 2: Median hourly earnings of different professions involved in packages**

	SOC 2010 code	Description	Median hourly wage 2015 (£)
Travel Agents & Tour operators	6212	Travel agents	9.05
Hotels	4216	Receptionist	8.29
All other transport services	6219	Leisure and travel service occupations n.e.c.	8.25
Car Rentals	7115	Vehicle and parts salespersons and advisers	8.74