

<b>Title:</b> Package Travel Regulations and Linked Travel Arrangements; Updating the Framework. <b>IA No:</b> DBT029(C)-23-CCP <b>RPC Reference No:</b> N/A <b>Lead department or agency:</b> Department for Business and Trade	<b>Impact Assessment (IA)</b>			
	<b>Date:</b> 8/08/2023			
	<b>Stage:</b> Consultation			
	<b>Source of intervention:</b> Domestic			
	<b>Type of measure:</b> Secondary legislation			
<b>Contact for enquiries:</b> Matilda Curtis				

<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> N/A
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Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
N/A	N/A	N/A	N/A

**What is the problem under consideration? Why is government action or intervention necessary?**

The 2018 Package Travel and Linked Travel Arrangements Regulations fall within scope of the Retained EU Law (Revocation and Reform) Act 2023. As part of His Majesty's Government's (HMG) commitment to review REUL and to seek benefits of regulatory reform, HMG are considering the options available to improve package travel regulations and make them better suited to the needs of the UK. Issues identified in the market include 1) the regulatory burden placed on businesses may be disproportionate to the levels of consumer protection provided, 2) the Regulations' information requirements are over complicated, and 3) it is unclear when a package or Linked Travel Arrangement is formed.

**What are the policy objectives of the action or intervention and the intended effects?**

HMG wants the Regulations to:

- Give consumers appropriate protections when buying package holidays, which are both a significant expense and an important leisure activity for people in the UK;
- Support the travel sector to grow and to innovate by ensuring that regulation is clear and intelligently designed;
- Maintain trust in the travel sector, so consumers have confidence in booking package holidays; and
- Enable some flexibility for business in deciding how to secure consumer protections.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**


The options considered in this consultation stage Impact Assessment are:

- Option 1: Do nothing. Continue with the current Regulations
- Option 2: Remove some or all domestic holidays from the scope of the Regulations
- Option 3: Set a cost threshold, above which the Regulations would apply
- Option 4: Remove Linked Travel Arrangements from the regulations.

For further detail on the options under consideration and how they could work, please refer to the associated consultation document "Package Travel Legislation: Updating the Framework".

<b>Will the policy be reviewed?</b> It will be reviewed.					
Is this measure likely to impact on international trade and investment?			Yes		
Are any of these organisations in scope?		<b>Micro</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> TBC	<b>Non-traded:</b> TBC	

*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 Minister  Date: 18/09/2023

## **Background and context**

1) The 2018 Package Travel and Linked Travel Arrangements Regulations (“the Regulations”) set a series of requirements for organisers of package holidays and Linked Travel Arrangements, which provide bespoke protections for travellers. A package is defined as a combination of two or more of the following four travel services: transport, accommodation, vehicle hire, and “other travel services” such as excursions, ski passes or tickets to events. The Regulations also provide more limited consumer protection in relation to Linked Travel Arrangements, which are a looser set of arrangements than a package, but which involve multiple elements being secured for one trip. Principally, the Regulations provide consumers with protection relating to insolvency, such as requiring organisers of packages to set aside funds to enable refunds and repatriation should the organiser become insolvent.

2) The Regulations fall within scope of the Retained EU Law (Revocation and Reform) Act 2023. As part of His Majesty’s Government’s (HMG) commitment to review REUL and to seek benefits of regulatory reform, HMG are considering the options available to improve package travel regulations and make them better suited to the needs of the UK. As such, now is a sensible time to consult on their future. The “Package Travel Legislation: Updating the framework” consultation will focus on gathering sector-specialist feedback. The proposals within the consultation seek views on measures that aim to reduce the burdens placed on travel companies in order to stimulate innovation and growth, particularly for businesses offering UK based package arrangements. Package arrangements which include flight travel are separately protected by the insolvency provisions of the ATOL scheme (overseen by the Department for Transport) which is out of the scope of this consultation.

3) The proposals in the consultation are in relation to the Package Travel and Linked Travel Arrangements Regulations 2018 (PTRs), which form one part of the legal framework in place to protect consumers. These proposals do not affect existing consumer rights including those provided by the Consumer Rights Act 2015, such as the requirement for businesses to meet contractual obligations and the Consumer Protection from Unfair Trading Regulations 2008 that prohibit unfair commercial practices by businesses towards consumers. In addition, the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 and Consumer Credit Act 1974 set out consumer protections that may also be relevant to consumers in purchasing holidays. They are not affected by the proposals in this consultation.

4) The purpose of the consultation is to gain insights into how the Regulations are working and to seek views on options to simplify and rationalise some aspects. HMG wishes to consider ways to improve the Regulations and make them better suited to the needs of UK travellers and travel organisers, particularly for travel within the UK.

## Problem under consideration

- 5) The following problems were identified and will be discussed in more detail:
- a. The regulatory burden on businesses
  - b. The information requirements are over complicated
  - c. It is unclear when a package or Linked Travel Arrangement is formed
  - d. Changing travel demands

6) **The regulatory burden placed on businesses may be disproportionate to the levels of consumer protection provided:** HMG is reviewing the Regulations to assess whether the regulatory burden placed on businesses is proportionate to the protections necessary to protect consumers. Stakeholder engagement suggests that the burdens imposed by the Regulations can dissuade businesses from offering innovative and cost-effective options to consumers, as being caught by the regime makes these commercially unviable. We want to explore whether changing the regime would encourage businesses to offer new products to the benefit of the consumer whilst ensuring key protections are in place.

7) **The information requirements are over complicated:** Stakeholders have expressed a view that the Regulations are complex, and that difficulty with interpreting the Regulations causes increased costs for businesses as they seek to comply, and imperfect information for consumers as they are unclear on their rights.

8) The current PTRs contain ten schedules outlining the information that the travel organiser needs to provide to travellers. These impose a rigid structure on businesses for when to provide what information, while also potentially preventing consumer understanding due to the sheer volume of information. This potentially adds unnecessary costs to businesses of providing the information which is in turn not valued by consumers. Difficulty in applying the information requirements risks consumers not receiving the information they need and are entitled to. The regulations confuse some consumers about their rights who therefore seek extra insurance, at greater cost, to obtain protections.

9) **It is unclear when a package is formed:** The circumstances in which a package is formed by combining 'other tourist services' with another service (i.e. accommodation, vehicle hire, or transport) are unclear. The effect of the Regulations (regulation 2(6)(a)) is that a travel package is formed between a service and 'another tourist service' if the latter is either an essential feature or a significant proportion of revenue. However, the current wording uses a double negative and therefore some businesses understood that both conditions need to be met for a package to be formed. Stakeholders further said that a value-based rule of thumb was less helpful than focusing on the 'essential feature' element, particularly due to fluctuating ticket prices affecting the threshold for a 'significant proportion'.

10) **It is unclear when a Linked Travel Arrangement is formed:** Business stakeholders have also told us that they found the circumstances under which Linked Travel Arrangements (LTAs) are formed confusing. LTAs are a looser model of combining travel services than a package. They are a combination of different types of travel services purchased for the purpose of the same trip or holiday but through a separate selection of and payment for each travel service. Specifically, LTAs can be formed when:

- a) a consumer buys travel services separately (i.e. two checkout/payment processes) but in a 'single visit' to the trader; or
- b) a consumer books one travel service and the trader then refers the consumer's details on to another trader, causing the consumer to book another travel service within 24 hours of the first

Businesses found route (b) especially confusing and felt that it discourages them from referring consumers to other traders as the referrer becomes responsible for the delivery and quality of a product outside of their control, therefore it is rarely used.

11) **Changing travel demands:** A European Commission consultation<sup>1</sup> on the Package Travel regulations in 2022 found that 57% of companies and business associations, 57% of consumer organisations, 45% of public authorities and 45% of EU citizens stated that the Package Travel Directive is not well adapted to market trends. HMG aims to ensure the regulatory framework reflects the current and future market situation and opportunities for UK businesses and consumers.

12) Recent market developments including the coronavirus pandemic and the rising cost-of-living have caused an increase in demand for lower-cost packages and domestic holidays. The current level of regulatory burden may be preventing consumers from benefitting from lower prices as businesses pass on the cost of complying with the Regulations to consumers. Reducing the regulatory burden on businesses will enable increased competition in the market, which may lead to benefits to consumers in the form of lower prices and/or higher quality.

13) The coronavirus pandemic and associated travel restrictions altered the location in which many consumers were able to go for their holidays. Due to travel restrictions across the globe, a greater number of consumers took their holiday domestically. Visit Britain figures show that 118.9m domestic overnight tourism trips were taken by Great Britain residents from April-December 2021<sup>2</sup>, approximately 158.5m on an annualised basis. This was an increase on the annual average number of overnight domestic tourism trips for residents of Great Britain<sup>3</sup> between 2011 and 2019 which was 121.74m. Post pandemic, International travel is also expected to increase. ONS figures<sup>4</sup> show UK residents made 15.3m visits abroad in 2023Q1, up from 9.6m in 2022Q1. Therefore, HMG is seeking opportunities to ensure the Regulations perform effectively.

14) The cost-of-living pressures may continue this trend, as consumers are seeking cheaper alternatives for holidays, such as domestic holidays. Visit England's domestic Sentiment tracker<sup>5</sup> shows that more consumers are planning a UK overnight stay in the next 12 months (76%) than an overseas night trip (58%), with the cost-of-living crisis meaning the majority (67%) of UK adults are 'cautious and very careful' (49%) or 'hit hard and cutting back' (18%) due to the cost-of-living crisis.

## **Rationale for intervention**

15) The market failures outlined below provide the rationale for government intervention.

### Regulatory failure

16) A potentially excessive burden is placed on small and/or domestic businesses as a result of including low risk packages in the regulations. Packages which could be said to be of lower risk, such as domestic holidays where it is easier and less costly for the traveller to return home or packages which do not include travel, are given the same level of protection as an all-inclusive package holiday abroad. This means the regulatory obligation on businesses of providing lower-risk packages is the same as for high-risk packages,. Businesses face costs of complying with regulatory obligations for relatively low-risk events, which may be disproportionate in protecting consumers against these low-risk events. HMG is seeking to assess whether the balance between regulatory cost and consumer protections is comparable to other markets which involve payments in advance, which do not have bespoke protections, like furniture or cars. Reducing this regulatory

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<sup>1</sup> European commission- Summary report of the online public consultation in relation to the revision of the Package Travel Directive.

<sup>2</sup> 2021 Great Britain Tourism Survey (GBTS)

<sup>3</sup> 2019 Great Britain Tourism Survey (GBTS)

<sup>4</sup> ONS- Overseas travel and tourism

<sup>5</sup> Visit Britain- Domestic Sentiment Tracker. <https://www.visitbritain.org/domestic-sentiment-tracker>

burden on lower-risk packages would reduce compliance costs for businesses and potentially result in lower cost packages for consumers.

17) An example of this regulatory failure is when a company providing a low value product, such as cheap accommodation, becomes liable for services outside of their control, such as an expensive theatre show, which may be costly to insure against. This may result in small firms taking on undue risk for travellers and higher prices for consumers for travel. Alternatively, businesses may be discouraged from offering complementary services to travellers and consumers may lose out from the convenience of a package. With regulatory reform this cost could be reduced as businesses would no longer be liable for travel costs, consumers in turn may save money from lower cost of packages e.g. as a result of lower business insurance liability.

### Imperfect Information

18) Part of the rationale for the existing Regulations is the asymmetric information between the providers and users of packages; sellers of packages have more information than consumers about the quality of holidays and the reliability of the providers. In addition, a package holiday can involve a number of suppliers put together as a package by a provider, where it is difficult for the consumer to understand who is responsible for problems. The regulation therefore requires businesses to provide key information to consumers that helps them to understand what they are purchasing and what protections they are entitled to. However, the current regulations are not working effectively. A public poll<sup>6</sup> conducted by Chartered Trading Standards Institute shows that almost 1 in 5 (18%) of the public falsely felt they are more protected when booking an LTA compared to a package and that 88% of respondents support a review of LTAs or did not express support for them.

19) The confusion around the current design and application of the Regulations can act as a barrier to consumers fully understanding their rights. Reform to the Regulations would allow consumers to better understand what they are entitled to receive throughout the process and therefore enable them to make better informed decisions on the products available to them.

### **Rationale and evidence to justify the level of analysis used in the IA (proportionality approach)**

20) The proportionate analysis used in this Impact Assessment is designed to assess the impact of the proposals using available information, whilst highlighting evidence gaps. Evidence gaps include: the level of burden to businesses of a potential lack of clarity in the Regulations; the burden to businesses of including domestic packages in the Regulations; and the extent to which consumers benefit from the Regulations.

### **Description of options considered**

21) The options considered in this consultation stage Impact Assessment are listed below. For further details on the options under consideration and how they could work, please refer to the associated consultation document "Package Travel Legislation: Updating the Framework".

- Option 1: Do nothing. Continue with the current regime
  - The Regulations would be part of UK law as they currently exist. This is the counterfactual against which other options are compared.
- Option 2: Remove some or all domestic holidays from the scope of the Regulations
  - The Regulations would only apply to foreign holidays, with domestic holiday packages becoming subject to reduced regulation.
- Option 3: Set a cost threshold, above which the Regulations would apply
  - This threshold could be based on the total cost, cost per head, deposit size or some other criteria.

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<sup>6</sup> Chartered Trading Standards Institute- [Wish you were clear!](#)

- This option seeks to balance the benefits of reducing the cost to business of complying with regulations, whilst providing consumers with protection for high-risk packages.
- Option 4: Discontinue LTAs
  - This option removes the LTA category as a whole and therefore simplifies the interpretation and application of the Regulations. An arrangement would either qualify as a package and be subject to the PTRs or be subject to standard consumer law regulations.

22)The options outlined above are analysed separately, although a combination of policies may be pursued to achieve optimal outcomes. The costs and benefits of each option are set out below, and impacts have been estimated quantitatively where possible. The analysis uses tentative assumptions which are subject to change. Further analysis will be undertaken as further evidence is collected during consultation.

### Policy objective

23)HMG wants the Regulations to:

- Give consumers appropriate protections when buying package holidays, which are both a significant expense and an important leisure activity for people in the UK;
- Support the travel sector to grow and to innovate by ensuring that regulation is clear and intelligently designed;
- Maintain trust in the travel sector, so consumers have confidence in booking package holidays; and
- Enable some flexibility for business in deciding how to secure consumer protections.

24)Figure one shows how the problem identified is addressed by the policy, and the expected impacts.

**Figure 1: Logic model outlining the process of achieving the policy objectives.**

<b><u>Problem:</u></b>	<b><u>Solutions:</u></b>	<b><u>Consequences:</u></b>	<b><u>Outcomes:</u></b>	<b><u>Impacts:</u></b>
<p>Complex design of regulations are preventing consumers from understanding the different levels of protection on their purchases.</p> <p>Regulatory rules impose disproportionate costs on businesses of providing domestic and/or low-cost packages. . not value.</p>	<p>Changes to legislation to provide clarity to consumers and ensure they are aware of the protections associated with each purchase.</p> <p>Regulatory reform to amend the scope of the Regulations.</p>	<p>Increased consumer knowledge on the benefits of different options.</p> <p>Reduced costs to businesses of providing domestic or low-value packages, allowing more small businesses to offer packages and compete with larger firms.</p>	<p>Consumers make better informed decisions.</p> <p>Businesses provide domestic and low-value packages at lower cost and/or increased quality.</p>	<p>More efficient allocation of consumer spending.</p> <p>Increased competition leading to improvement in value for money.</p>

## Costs and benefits of each option (including administrative burden)

25) This section describes the costs and benefits associated with each option and quantifies them where possible. We welcome feedback on the approach and assumptions, and further evidence to support the analysis.

### Option 1: Do nothing. Continue with existing regulations

26) The Regulations would continue as they are now. This option would maintain the current levels of regulatory burden and consumer protection. This is the baseline counterfactual against which regulatory reform options are assessed.

#### Number of UK businesses that sell travel packages

27) We base our estimates of the number of affected businesses on the 2018 PTR Impact Assessment<sup>7</sup>. That IA estimated that 80%<sup>8</sup> of travel agents and tour operators sell packages and were therefore in scope for the 2018 Package Travel Regulations. Further, it estimated that 12.5% of hotels, car rentals, and all other transport services (i.e. rail, other land transport and water transport) offer packages and are in scope of the PTR 2018. While these assumptions used some non-UK evidence, we are not aware of existing UK-specific figures and consider further research on the matter not to be cost effective. In the absence of better evidence and to be consistent with the PTR 2018 IA, we consider these assumptions to be reasonable.

28) We have also identified further industries whose businesses could offer travel packages<sup>9</sup>. These were not covered by previous Impact Assessment and we have not found comparable other evidence, so it is unclear what share of these industries' business offer packages. To account for uncertainty, we assume that 25% of these businesses offer travel packages – less than travel agencies and tour operators (for whom packages are a core service) but around double that of hotels and transport services.

29) According to the 2022 ONS Inter-Departmental Business Register<sup>10</sup>, the UK travel market comprised of 4,765 travel agents<sup>11</sup>, 2,030 tour operators<sup>12</sup>, 10,000 hotels<sup>13</sup>, 3,625 car rental services<sup>14</sup>, 5,595 other transport services<sup>15</sup> (i.e. rail, other land transport and water transport), and 24,560 other businesses. In combination with the above assumptions we estimate that 3,812<sup>16</sup> travel agents, 1,624<sup>17</sup> tour operators, 1,250<sup>18</sup> hotels, 453<sup>19</sup> car rentals, 699<sup>20</sup> other transport services, and 6,140<sup>21</sup> other businesses sell package travel and are therefore in scope. Overall, and as summarised in Table 1, we estimate that around 14,000 businesses are therefore in scope for the proposed regulatory changes to PTR regulations.

<sup>7</sup> 2018 Package Travel IA. <https://www.gov.uk/government/consultations/updating-consumer-protection-in-the-package-travel-sector>

<sup>8</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>9</sup> These are: SIC 9001: Performing arts, SIC 9004: Operation of arts facilities, SIC 9102: Museums activities, SIC 9103: Operation of historical sites and buildings and similar visitor attractions, SIC 9104: Botanical and zoological gardens and nature reserves activities, SIC 9311: Operation of sports facilities, SIC 9329: Other amusement and recreation activities, SIC 9321: Activities of amusement parks and theme parks

<sup>10</sup> ONS Inter-Departmental Business Register (IDBR) available at <https://www.ons.gov.uk/aboutus/whatwedo/paidservices/interdepartmentalbusinessregisteridbr>

<sup>11</sup> 2007 SIC Code: 7911

<sup>12</sup> 2007 SIC Code: 7912

<sup>13</sup> 2007 SIC Code: 5510

<sup>14</sup> 2007 SIC Code: 7711

<sup>15</sup> 2007 SIC Codes used to estimate the number of businesses under this definition: 4910, 4931, 4939, 5010, and 5030.

<sup>16</sup>  $5,005 * 80\% = 4,004$

<sup>17</sup>  $1,920 * 80\%$

<sup>18</sup>  $9,600 * 12.5\%$

<sup>19</sup>  $3,350 * 12.5\%$

<sup>20</sup>  $5,830 * 12.5\%$

<sup>21</sup> SIC 9001, 9004, 9102, 9103, 9104, 9311, 9329 & 9321

**Table 1: estimated number of UK businesses in scope of package travel changes**

Name	No. of businesses in the UK	Share of businesses that sell travel packages	No. of UK businesses selling packages
Travel agency activities	4,765	80%	3,812
Tour operator activities	2,030	80%	1,624
Hotels and similar accommodation	10,000	12.5%	1,250
Renting and leasing of cars and light motor vehicles	3,625	12.5%	453
Other transport	5,595	12.5%	699
Other activities	24,560	25%	6,140
<b>Total excl. LTAs</b>	<b>50,575</b>		<b>13,979</b>

### Estimate of compliance cost with the Regulations

30) The European Commission's Impact Assessment 2013 estimated an average cost for businesses of complying with the Package Travel Directive (PTD)<sup>22</sup> of between €10.5 and €12.5 per package<sup>23</sup>. The breakdown of these costs is presented in table 2. The Regulations were a modernisation of the PTDs and cover an increased number of package types compared to PTD, such as dynamic packages<sup>24</sup> and LTAs. It is assumed that the costs of compliance for the PTD remain similar to the cost of compliance with the Regulations, as the key difference between the legislations is the number of packages within the market they cover.

31) To estimate the cost of compliance with the Regulations, the costs from the European Commission's Impact Assessment are uplifted into 2022 prices<sup>25</sup> and converted into pounds sterling<sup>26</sup> for this Impact Assessment. Table 2 shows the cost per package of each cost used in this analysis. This Impact Assessment uses the European Commission's lower bound cost estimates as the baseline, as it is believed that the compliance cost for domestic holidays, lower value packages and LTAs are better approximated by the lower bound as issues with such holidays are cheaper to resolve compared to more expensive and/or abroad holidays.

<sup>22</sup> The PTD 1990 was implemented in to UK law with the Package Travel, Package Holidays and Package Tours Regulations 1992.

<sup>23</sup> European Commission- [Impact Assessment](#) on package travel and assisted travel arrangements, amending Regulation (EC) No 2006/2004 and Directive 2011/83/EU and repealing Council Directive 90/314/EEC

<sup>24</sup> In which travellers create 'Multi-Trader' packages (often online) by combining services different components of a trip from more than one trader but from a single point of sale

<sup>25</sup> Uplifted by 1.097364, based on EU annual inflation data, World Development Indicators, World Bank & IMF.

<sup>26</sup> Converted using the annual average Exchange Rate (1.1732) in 2022, Euro-Sterling. [ONS](#)



**Table 2: Estimated cost of compliance per package for different elements of the Regulations.**

Costs associated with:	European Commission's 2013 compliance cost <sup>27</sup> per package	Compliance cost per package used in this assessment	Source which compliance cost is based upon:
Obtaining insolvency protection	€3-3.5	£1.81	BEIS, 2018 Package Travel Directive IA
Administrative costs-providing information to consumers	€3	£2.81	European Commission, 2013 Package Travel Directive IA
Assisting consumers in difficulty	€1-2	£0.94	European Commission, 2013 Package Travel Directive IA
Proper performance of the contract	€2.5	£2.34	European Commission, 2013 Package Travel Directive IA
Contract changes - essential terms (and other)	€1-1.5	£0.94	European Commission, 2013 Package Travel Directive IA
<b>Total</b>	<b>€10.5-12.5</b>	<b>£8.83</b>	

#### Cost of insolvency protection

32) Organisers of packages are required to obtain security in the form of insolvency protection 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.

33) The 2018 IA<sup>28</sup> estimated a cost to business of obtaining insolvency protection<sup>29</sup> of £1.52 per package covered by the Regulations. Reducing the number of packages which require this insolvency protection will provide a cost saving to businesses. It is assumed that the cost of insolvency protection estimated in the 2018 IA remains appropriate and so this IA estimates an insolvency cost per package of £1.81<sup>30</sup>. This cost is likely to vary with the value of package, however in the absence of evidence the average cost is used. Evidence on how this cost varies with package value is welcomed to inform future analysis.

#### Administrative costs

34) The administrative costs reflect the costs businesses incur when providing the information they are obliged to under the Regulations to consumers, through elements such as updating brochures, explaining the rights organisers provide to consumers and providing contracts.

#### Assisting consumers in difficulty

35) This cost reflects the cost to businesses of complying with their obligation to pay to rectify consumer's issues if they occur. The European Commission's lower estimate of €1 cost per package of providing assistance to consumers in difficulty was based on an average cost of €100 per case requiring assistance and a 1% payout rate (i.e. 1 in 100 cases requiring assistance). The higher figure of €2 was based on a €200 cost per case of providing assistance.

#### Proper performance of the contract

36) The package organiser is required to take responsibility for all aspects of the package i.e. those carried out by a range of suppliers. Where suppliers do not provide the services in the manner and to the quality

<sup>27</sup> European commissions' (2013) baseline compliance costs incurred to comply with Package Travel Directive regulations.

<sup>28</sup> 2018 Package Travel IA. <https://www.gov.uk/government/consultations/updates-consumer-protection-in-the-package-travel-sector>

<sup>29</sup> This figure was based on an ABTA survey and reflects the cost all businesses face for protecting non-flight packages

<sup>30</sup> £1.52 adjusted into 2022 prices

that they were described, the organiser is responsible. Any refunds or compensation will be provided by the organiser, who can then seek the funds from the supplier. This cost reflects business' liability for the proper performance of the contract, assuming that package providers contract specific liability insurances. The cost of €2.5 per package was estimated based on information provided by industry stakeholders on liability insurance against issues such as; personal or material damages, financial damages, rescue and alternative services.

#### Contract change costs

37) This cost reflects the issues businesses may encounter when a consumer purchases a package. This is because the price the consumer pays is set, however the price the business pays can change closer to the delivery date. Issues can occur within contract changes which cause extra costs to businesses such as; price revisions and alterations, changes to essential terms of the contract and cancellation of the contract.

### **Option 2: Remove domestic packages from scope of the regulations**

38) Repatriation is assumed to be easier for domestic packages compared to packages abroad. It is assumed that consumers are subject to less risk as they are closer to home, able to speak the language of the nation they are in, have better access to communication and information and are more familiar with transportation options. Therefore, this option removes domestic packages from the Regulations.

39) There is no data on the number of domestic travel packages sold per year in the UK. Therefore, this is approximated using the proportion of spending on domestic packages and number of domestic travel trips. Information which challenges or informs this assumption is welcomed.

#### **Number of domestic travel packages**

40) Visit Britain figures show that 118.9m overnight tourism trips were taken by Great Britain residents within Great Britain from April-December 2021<sup>31 32</sup>, corresponding to an annualised figure of 158.5m. These are the latest figures available at time of writing but they do not include the first 3 months of 2021 due to coronavirus restrictions. Due to the potential impact of coronavirus on tourism, both international and domestic, pre-covid figures are used. The annual average number of overnight domestic trips for residents of Great Britain<sup>33</sup> between 2011-2019 was 121.74m. Tourism GB<sup>34</sup> figures show that in ;2019, 2.58m (2.10%) of the domestic trips were package/inclusive trips and 120.13m (97.84%) of these trips were non package/inclusive trips<sup>35</sup>. These figures also show that there were 2.17m (3.59%) domestic holiday package trips out of a total 60.45m holiday trips. It is unclear which figure, i.e. domestic package/inclusive trips or domestic holiday package trips, is the best representation of the number of domestic packages and therefore both figures are taken forward as scenarios.

41) To include Northern Ireland in the analysis, figures are adjusted by a factor of 1.03<sup>36</sup>. Therefore, for the UK there is an estimated annual average of 125.4m domestic tourism trips, of which 2.7m are domestic package trips. Further information on the number of domestic travel trips and proportion of which are packages is welcomed.

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<sup>31</sup> 2021 Great Britain Tourism Survey (GBTS)

<sup>32</sup> The published reports define any overnight trip away from home for at least one night for any purpose as a tourism trip. For the purpose of this analysis, tourist trips shall refer to trips done for holiday purposes and exclude business trips and visits to friends and relatives.

<sup>33</sup> 2019 Great Britain Tourism Survey (GBTS)

<sup>34</sup> The GB Tourist- Annual report 2019.

<sup>35</sup> 0.06% of the survey responded as 'Don't know'

<sup>36</sup> This figure was calculated based on the population difference between the UK and Great Britain, with the UK population (inc NI) 1.03 times bigger than the Great British (exc NI).

42) The amount of domestic packages which include flights and are therefore subject to ATOL protections and out of scope of the Regulations is estimated at 8%. This is the average of the percentage of overnight trips in the UK which used a plane to get to destination<sup>37</sup> for 2022 (6%) and 2023 (10%). Therefore, the number of domestic packages in scope of the Regulations is estimated at 2.44m. This number is used as the basis for ongoing aggregate costs and benefits.

**Proportion of spending on domestic travel packages.**

43) ONS figures<sup>38</sup> show that total UK weekly household expenditure on package holidays in FY20/21 was £22m (£1,144m annualised) and £142m (£7,384m annualised) for domestic and overseas holidays respectively. Therefore, 86.6% of consumer spending was on overseas packages and 13.4% on domestic packages. However, these figures are highly likely to be impacted by the coronavirus pandemic, which limited opportunities to travel abroad. To illustrate the potential coronavirus effect, in FY2019/20, the total weekly expenditure on package holidays was £53m (6.9%) for domestic holidays and £713m (93.1%) for abroad packages<sup>39</sup>. To account for the effect of the coronavirus pandemic, the figure of 6.9% of spending on domestic packages of the overall package travel market is used as the medium level throughout this Impact Assessment, with the figure of 13.4% used as an upper limit, as this is likely to have been significantly impacted by travel restrictions.

**Number of UK businesses which sell domestic travel packages**

44) It is not known how many businesses sell domestic packages. As in table 1, we estimate there are 13,979 UK businesses who sell packages. This Impact Assessment uses a high, medium and low estimate of the number of businesses selling domestic packages.

45) The high and medium estimates of the number of businesses selling domestic packages are based on the share of household expenditure on domestic packages. The percentage of household expenditure on domestic packages is used as a proxy for the proportion of businesses within the market who sell domestic packages. So, the FY20/21 value of 13.4% is used for the high value estimate, equating to 1,875 UK businesses selling domestic travel packages. The pre coronavirus figure of 6.9% equates to 967 UK businesses selling domestic packages for the medium estimate.

46) The low estimate of number of UK businesses selling domestic packages is based on the proportion of domestic holiday package trips of total holidays. This figure of 3.59% is used as a proxy for market share and equates to 502 UK businesses selling domestic packages and thus being affected by exempting domestic packages from the Regulations.

47) These figures, outlined in table 3, are estimates. They are primarily used to estimate one-off costs on businesses from the changes. Any information on the number of businesses which offer domestic packages would be welcome.

**Table 3: Estimated number of UK businesses in scope of domestic package travel changes**

Number of UK businesses selling packages	Estimate	Proportion of the market	Number of UK businesses selling domestic travel packages
13,979	High	13.4%	1,875
13,979	Medium	6.9%	967
13,979	Low	3.59%	502

<sup>37</sup> Visit England, 2023

<sup>38</sup> ONS- Family spending in the UK: April 2020 to March 2021.

<sup>39</sup> Family spending in the UK: April 2019 to March 2020

## Cost-Benefit analysis

**Table 4: Outline of estimates for identified impacts associated with the removal of domestic packages from the scope of regulations.**

Impacted party	Cost or benefit	Type	Description	£ per unit	Cost estimate based on	High (£m)	Medium (£m)	Low (£m)
Business	Benefit	On-going (annual)	Reduced cost of insolvency protection	£1.81	Number of packages	£4.4	£4.4	£4.4
		On-going (annual)	Reduced administration costs	£2.81	Number of packages	£6.8	£6.8	£6.8
		On-going (annual)	Reduced need to provide assistance	£0.94	Number of packages	£2.3	£2.3	£2.3
		On-going (annual)	Reduced need to ensure proper performance of the contract	£2.34	Number of packages	£5.7	£5.7	£5.7
		On-going (annual)	Reduced contract changes costs	£0.94	Number of packages	£2.3	£2.3	£2.3
		On-going (annual)	Diversification into new markets	-	Not quantified	-	-	-
		On-going (annual)	Indirect effect of increased domestic holidaymakers	-	Not quantified	-	-	-
		Total quantified business benefit				£8.83	-	£21.5
Consumer	Benefit	On-going (annual)	Lower cost of domestic holidays	-	Not quantified	-	-	-
		On-going (annual)	Increased package variability	-	Not quantified	-	-	-
Total quantified consumer benefit				-	-	-	-	-
Business	Cost	One-Off	Familiarisation	£88	Number of businesses	£0.2	£0.1	£0.0
		One-Off	IT systems	£33,888	Number of direct businesses	£30.4	£15.7	£8.1
Total quantified business cost				£33,976	-	£30.6	£15.8	£8.1
Consumer	Cost	On-going (annual)	Loss of PTR security	N/a	-	-	-	-
		On-going (annual)	Loss of assistance when required	£0.94	Number of packages	£2.3	£2.3	£2.3
		On-going (annual)	Loss of insurance against contract issues	£2.34	Number of packages	£5.7	£5.7	£5.7
Total quantified consumer cost				£3.27	-	£8.00	£8.00	£8.00

48) Table 4 summarises the expected impacts for this option. This table shows the quantifiable annual benefits to business is estimated at £21.5m and the total annual cost to consumers is estimated at £8m. The one-off implementation costs for businesses are estimated at £8m, £16m and £31m for the low, medium and high scenarios respectively. These estimates are subject to change and information to challenge them are welcomed.

## **Benefits to business**

49) Initial quantification of some of the benefits associated with this option are below. The benefits to business of diversification into new markets and increased domestic holidaymakers are deemed unquantifiable at this stage. The central quantified benefit to businesses is the removal of the need to provide protections for domestic packages and the direct and administrative costs associated with them.

### Reduced regulatory burden

50) The removal of domestic packages from the Regulations would mean the cost to businesses of complying with the Regulations would be reduced. The Regulations make the organiser of package holidays liable for the performance of travel services which make up the package. Removing domestic packages from the Regulations is therefore expected to reduce the administrative and compliance costs of the Regulations to businesses. Elements of this burden are quantified below, however information to challenge these categories or figures to inform future analysis is welcomed.

### Reduced cost of insolvency protection

51) Reducing the number of packages which require insolvency protection by removing domestic packages from the Regulations, is expected to result in a cost saving to businesses. The 2018 IA<sup>40</sup> estimated a cost to business of obtaining insolvency protection of £1.52 per package covered by the Regulations. It is assumed that this cost of insolvency protection remains proportionate to the current market situation and so this IA estimates an insolvency cost per package for the average PTR of £1.81<sup>41</sup>. Therefore, the removal of 2.44m<sup>42</sup> domestic packages is estimated to save businesses a total of £4.4m per year.

52) However, this insolvency protection average cost includes overseas travel, which is likely to upward bias this figure. In the absence of information on the average cost of insolvency protection for domestic travel, this cost is assumed equal in this assessment. However, we welcome views on this assumption.

### Reduced administrative costs

53) As previously outlined, there is an estimated £2.81 cost per package associated with administration costs of the Regulations. Therefore, the removal of 2.44m<sup>43</sup> domestic packages is estimated to save businesses a total of £6.8m per year.

### Reduced obligation to provide assistance

54) The cost to businesses of providing assistance to consumers in difficulty is estimated at £0.94 per package. Removing 2.44m packages is therefore estimated to save businesses £2.3m per year.

### Reduced responsibility for overseeing all aspects of the contract

55) The estimated cost of ensuring proper performance of the contract, to the package travel business, is estimated at £2.34 per package. This is generated by the organiser being responsible for all aspects of the package, such as those provided by a range of suppliers which are out of the direct control of the organiser. Removing 2.44m domestic packages is therefore estimated to reduce total annual costs to business by £5.7m.

### Reduced contract changes costs

56) The estimated cost of contract changes on businesses is estimated at £0.94 per package. Removing 2.44m packages is therefore estimated to save businesses £2.3m per year.

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<sup>40</sup> 2018 Package Travel IA. <https://www.gov.uk/government/consultations/updating-consumer-protection-in-the-package-travel-sector>

<sup>41</sup> £1.52 adjusted into 2022 prices

<sup>42</sup> As calculated in para 42

<sup>43</sup> As calculated in para 42

### Diversification into new markets

57) The reduced burden and business risk could lead to businesses offering new or alternative domestic packages which they are unable or unwilling to within current regulations. This may allow firms to increase revenues as they diversify across different sectors of the market due to reduced regulatory risk. For example, currently a B&B who wishes to offer overnight accommodation plus tickets for a local attraction or include a meal at a local restaurant as part of the same booking would fall into the scope of the PTRs. We hear that small UK tourism businesses are deterred from offering these arrangements due to administrative burdens and risk of non-compliance.

### Indirect effect of increased domestic holidaymakers

58) It has been suggested by industry representatives that reducing the number of holiday trips that fall under the Regulations would lead businesses to offer more cost-effective domestic packages, and it is expected that a reduction in the complexity and costs of regulations would make the domestic package travel market more competitive. Regulatory reform which leads to a more competitive market, as more firms are able and/or willing to offer packages, should lead to benefits to consumers in the form of reduced prices and/or greater choice/quality.

59) A secondary benefit to businesses, both those who directly offer packages and those who have tourists as customers, would be the potential increase in consumers who choose to holiday in the UK. As prices of domestic holidays fall and choice/quality of holidays increase, more consumers may choose to holiday in the UK and therefore there would be increased customers for complementary goods, thus providing benefit to local businesses.

### **Benefits to Consumers**

60) It is not possible to quantify the benefits to consumers at this stage of analysis. It is not appropriate to quantify the benefits to consumers associated with increased competition within the market as the degree of change that may occur in relation to product price, quality and choice as a result of the reforms is not known. We welcome views on the degree to which prices of domestic packages which consumers pay would change with regulatory reform.

### Lower cost of domestic holidays

61) It is expected that the cost saving to business of providing domestic packages may be passed on to consumers. The extent to which consumer prices may fall is unknown but consumers may benefit from being able to afford a greater quality of package or to pay less for their chosen package. Furthermore, the increased competition associated with this regulatory change would mean firms compete to provide higher quality packages and/or lower cost packages.

### Increased package choice

62) The removal of regulations and associated diversification of business products should increase the choice of holiday packages available to consumers. This could also benefit consumers if they are able to book more of their holidays with one retailer, thus saving them the time of comparing individual costs of items.

### **Cost to businesses**

63) The Regulations place obligations on the organiser of a package to provide specific information before and after the sale has been made. There will be transition costs to businesses as a result of removing domestic packages from the Regulations, including familiarisation costs. Other costs include the administrative costs of adjusting websites, staff time etc to comply with the reforms. Further detail on the below estimates or other areas to be considered is welcomed.

### **One-Off implementation costs**

### Familiarisation costs

64) It is assumed that there will be a cost to business of familiarising themselves with the amended regulations. In absence of further information, the familiarisation assumption from the 2018 IA<sup>44</sup> is used. Department for Transport<sup>45</sup> estimated that a senior corporate manager would require 3 hours of online training to become familiar with regulatory change. ONS' Annual Survey of House and Earnings (ASHE) data<sup>46</sup> shows the median wage for Corporate managers and Directors is £24.47 per hour, a total cost per hour to business of £29.29 per hour<sup>47</sup>. Therefore, the average cost per business to familiarise themselves with regulations is estimated as £87.87.

65) The total familiarisation cost of to business is estimated at £0.16m, £0.08m and £0.04m for the high, medium and low scenario of number of domestic package travel businesses respectively. Information to challenge these estimates or assumptions is welcomed.

### Cost of updating IT systems

66) The 2018 IA<sup>48</sup> estimated a cost of £56,052 per business of updating their IT software and booking systems based on 8 staff working on four sets of 2-week sprints. It is assumed that removing this capability for domestic packages would involve the same number of professionals but take half as long. Information to challenge this assumption and inform analysis is welcomed.

67) It is assumed that the IT systems costs are only relevant for those businesses which are likely to have IT systems in place for booking package travel, these are Travel agencies, Tour operators and Hotels and similar accommodation. The Car rental, transport and 'other' activities are excluded as they are unlikely to incorporate these directly in their systems.

68) Table 5 shows the calculations of this cost to business, resulting in a total one-off cost of £33,888 per business of updating IT systems.

**Table 5: estimated cost to UK business of updating IT systems**

Activity	Quantity of staff	Number of work weeks (days) necessary	Weekly wage cost <sup>49</sup>	Total Weekly costs including non-wage costs <sup>50</sup>	Total cost to business
Development resource <sup>51</sup>	2	4 (20)	£866	£1,036	£8,292
IT Business analyst <sup>52</sup>	1	4 (20)	£958	£1,147	£4,588
IT Project manager <sup>53</sup>	1	4 (20)	£1,000	£1,196	£4,786
System (DMS) resource <sup>54</sup>	2	4 (20)	£958	£1,147	£9,176

<sup>44</sup> 2018 Package Travel IA. <https://www.gov.uk/government/consultations/updates-consumer-protection-in-the-package-travel-sector>

<sup>45</sup> This assumption was used based on Department for Transport's estimated cost of businesses familiarising themselves with the PTR regulations using evidence provided by the Civil Aviation Authority (CAA).

<sup>46</sup> ONS- Annual Survey of House and Earnings- 2022. Table 3.5a, Hourly pay, UK. Code 11.

<sup>47</sup> Assumed 19.7% of wage cost for non-wage costs such as social security obligations, Eurostat wage data.

<sup>48</sup> 2018 Package Travel IA. <https://www.gov.uk/government/consultations/updates-consumer-protection-in-the-package-travel-sector>

<sup>49</sup> Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14

<sup>50</sup> Figure of 19.7% for non-wage costs such as social security obligations, Eurostat wage data.

<sup>51</sup> SOC code 2134

<sup>52</sup> SOC code 2133

<sup>53</sup> SOC code 2131

<sup>54</sup> SOC code 2133

Testing resource <sup>55</sup>	2	4 (20)	£736	£881	£7,047
Total			£4,518	£5,408	£33,888

69) Therefore the total cost to businesses of updating IT systems is estimated to be £30.4m, £15.7m and £8.1m for the high, medium and low estimates of number of businesses in scope.

### **On-going costs**

70) It is assumed that there will be no additional on-going costs to businesses of exempting domestic packages as there is no additional requirement placed on them.

### **Costs to Consumers**

#### Reduced protections in event of issue with package

71) The regulatory reform of removing domestic packages would result in reduced protections for domestic travel packages, placing a cost on consumers as a result of the reduced security. This would mean that in the event of any issues with their domestic package consumers would be less protected relative to PTR regulations, as they would rely on general consumer protections<sup>56</sup>.

72) It is assumed that the benefit to business of 'reduced need to provide assistance' and 'reduced cost associated with contract changes' are direct costs to consumers. This is because the cost of any assistance and change in contract would be altered from a business cost to consumer cost, as business are assumed to not provide these protections in absence of the Regulations. Note that this assumption covers the average financial cost of removing regulations and does not reflect the utility which consumers derive from knowing they are protected.

73) The worst-case scenario is that a business which provides a package becomes insolvent and consumers rely on general protections<sup>57</sup> instead of the unique Regulations which currently exist. Depending on the stage at which this happens it would mean consumers lose their pre-payments or become stranded at their destination. However, there is assumed to be lower risk associated with domestic packages, as there is a smaller distance to home and reduced uncertainty when being able to speak native language, which reduces the reward from protection. The services offered by the individual suppliers within such a package may still come under insolvency protections, for example if they were booked on a credit card. Furthermore, as domestic packages are lower-value the pre-payments are likely to be smaller. Information on the extent to which this assumption is valid, the frequency of insolvency protection cases and the extent of general consumer protections replacing PTRs within domestic packages are welcome.

#### Loss of PTR security

74) Removing domestic packages from the Regulations would result in reduced protections to consumers and therefore consumers lose out on the utility benefit they gain from knowing they are protected. This utility is in addition to the financial guarantees provided to consumers as it represents the value consumers place on knowing they are protected, in addition to the financial benefits of protection.

<sup>55</sup> SOC code 2136

<sup>56</sup> This proposal does not affect existing consumer rights including those provided by the Consumer Rights Act 2015, Consumer Protection from Unfair Trading Regulations 2008, Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 and Consumer Credit Act 1974.

<sup>57</sup> Such as those provided by the Consumer Rights Act 2015 and rules on unfair trading (currently in the Consumer Protection from Unfair Trading Regulations 2008 but which are to be replaced by the Digital Markets, Competition and Consumers Bill). In addition, the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 and Consumer Credit Act 1974 set out consumer protections that may also be relevant to consumers in purchasing holidays.



### **Option 3: Set a cost threshold, above which the Regulations would apply.**

75) Currently the Regulations apply to all packages and linked travel arrangements regardless of the monetary value of those arrangements. This means that, other things equal, a firm offering a low-cost package is bound to comply with the same regulatory requirements under the Regulations as one offering a higher value one. HMG is seeking views on the benefits of an alternative approach whereby it would exempt from the Regulations non-flight packages below a minimum threshold.

#### Multi-Criteria decision analysis: Options of how to set the threshold

76) The point in the purchasing process at which the threshold should be measured and changes in price are accounted for is also to be determined. There could be particular issues for those packages that are near the threshold and where normal price fluctuations could lead to the same package being above the threshold in one circumstance and below it in another. The threshold point would need to be clear or it could add to complexity for travellers and organisers in determining when a package had been formed.

77) There are practical questions in implementing a threshold such as what value the threshold should be set and how and when that threshold should be reassessed. The threshold could refer to:

- the total price of the package booked,
  - this would implement a cost threshold above which the Regulations would apply and below which the package would be exempt.
- average price of the package per person,
  - this would implement a cost per person threshold, above which the Regulations would apply and below which the package would be exempt.
- deposit size either based on the monetary value or proportion of the total package cost
  - this would implement a deposit size threshold, above which regulations would apply.

78) The options for the threshold are considered below against the key decision criteria. We welcome views on the criteria and the weight attached to each.

#### Criteria

79) Future proof: The extent to which the threshold will remain relevant over time. For example, any cost-related threshold would need to be uplifted over time to account for inflation.

80) Ease of understanding and implementation: The ability of consumers and businesses to understand the threshold level and how easy it would be for businesses to implement.

81) Unintended consequences: The potential for adverse effects on consumers and/or businesses within the market.

**Table 6: Multi-Criteria decision analysis: Assessment the perceived risk level of different options of threshold setting against selected criteria**

Criteria	Relative importance:	Option		
		Total price	Average cost per person	Deposit size
Future proof	High	Medium-High	Medium-High	Medium-High
Ease of understanding and implementation	Medium	Low	Low	Medium
Unintended consequences	Medium	Medium-High	Medium-High	High

### Total price

82) A threshold based on total price would be relatively easy for all parties involved to understand and for businesses to implement. The benefit to consumers and cost to businesses depends on the level at which the threshold is set, with greater consumer benefit and business cost occurring with a lower cost threshold.

83) This option is assessed as 'medium-high' for future proofing, as setting a threshold at a set monetary value would present issues in the long term due to inflation, as if the threshold value for qualification stays the same but prices of packages increase, a greater proportion of packages would fall in scope of the Regulations over time. A possible mitigation for this would be to adjust the threshold at a set time interval to reflect inflation, however this would reduce the ease of understanding and implementation.

84) The unintended consequence of setting a minimum threshold based on total price would be the potential for consumers to decide to book packages above the threshold in order to benefit from protections. This may mean that costs of package holidays rise as businesses choose to price packages which were previously below the threshold at a level above the threshold in order to match consumer demand, therefore meaning that consumers pay more for the same level of protection for a similar holiday as in the current market, after a threshold has been implemented.

### Average cost per person

85) Setting a threshold subject to average cost per person is assessed to be similar to setting subject to total cost. However, a key difference is that protection would be based on the cost per traveller rather than the overall package. This would mean a package for 2 travellers may qualify for protections, but the same value package for 4 travellers would not.

### Deposit size

86) A threshold based on deposit size, either monetary value or proportion of total cost, would be harder to implement and understand than total price or cost per person options. It is more complicated than basing qualification on cost as it focuses on when the payments are made. This would require the consumer and business to spend more time relative to the other threshold options to understand the Regulations and so may be more costly and complicated to implement.

87) Issues with future proofing are present as once more the value at which the deposit is protected is subject to inflation, or the percentage of overall value to qualify would need to be revisited.

88) There are potentially several unintended consequences as a result of implementing a threshold based on deposit size. Firstly, consumers may choose packages based on up-front payments instead of overall cost, potentially leading to sub-optimal performance of the market forces.

Secondly, businesses may decide to reduce the number of packages they provide which would qualify for protections to reduce their compliance costs by manipulating consumers payment structures and thus reducing consumer protection.

**Assumptions around the number of packages excluded through a low-value threshold**

89)ONS data states that in 2019 there were 23.792m ‘inclusive tour’ visits abroad from UK residents<sup>58</sup>. As previously outlined, based on Tourism GB<sup>59</sup> figures there is an estimated annual average of 2.7m domestic package trips. This amounts to 26.450m total package trips within the UK and abroad. The amount of these packages which include flights and are therefore subject to ATOL protections and out of scope of the Regulations is unknown. The below analysis focuses on excluding different proportions of the overall package market. Evidence to inform this assessment and the proportion of packages subject to ATOL protections is welcomed.

90)Whilst the level at which the threshold would be set is to be determined, Table 7 below shows estimates of the number of packages which would be excluded based on the percentage of the market removed from scope of the Regulations. Each threshold option discussed above could be set at a level which would exclude the proportion of the market outlined below. The scenarios used in this assessment are 10%, 20% and 30% for the low, medium and high respectively. These scenarios were set to take into account the fact that many packages in the market are covered by ATOL regulations and therefore out of scope of reform to the Regulations and would continue to be covered by ATOL protections. Information to inform the level at which the threshold should be set is welcomed.

**Table 7: Outline of estimates for reduced costs of insolvency protection associated with the removal of different proportions of the overall package travel market from the scope of regulations.**

Scenario	Percentage of market excluded	Approximate number of packages excluded (m)
Low	10%	2.65
Medium	20%	5.29
High	30%	7.94

**Cost-Benefit analysis**

91) Table 8 summarises the quantitative estimates outlined above for this option. The potential type and level of threshold is to be determined. Views on how and where to set the threshold are welcomed, as well as information on the costs and benefits associated with a threshold.

<sup>58</sup> ONS- Travel trends estimates: UK residents' visits abroad

<sup>59</sup> The GB Tourist- Annual report 2019. Uplifted by 1.03 to include Northern Ireland.

**Table 8: Outline of estimates for identified impacts associated with the removal of packages below a threshold from the scope of regulations.**

Impacted party	Cost or benefit	Type	Description	£ per unit	Cost estimate based on	High (£m)	Medium (£m)	Low (£m)
Business	Benefit	On-going (annual)	Reduced cost of insolvency protection	£1.81	Number of packages	£14.4	£9.6	£4.8
		On-going (annual)	Reduced administration costs	2.81	Number of packages	£22.3	£14.8	£7.4
		On-going (annual)	Reduced need to provide assistance	0.94	Number of packages	£7.4	£4.9	£2.5
		On-going (annual)	Reduced need to ensure proper performance of the contract	2.34	Number of packages	£18.6	£12.4	£6.2
		On-going (annual)	Reduced contract changes costs	0.94	Number of packages	£7.4	£4.9	£2.5
		On-going (annual)	Diversification into new markets	-	Not quantified	-	-	-
		On-going (annual)	Indirect effect of increased domestic holidaymakers	-	Not quantified	-	-	-
Total business benefit				£8.83		£70.0	£46.7	£23.3
Consumer	Benefit	On-going (annual)	Lower cost of holidays	-	Not quantified	-	-	-
		On-going (annual)	Increased package variability	-	Not quantified	-	-	-
Total consumer benefit				-		-	-	-
Business	Cost	One-Off	Familiarisation	£88	Number of businesses	£1.2	£1.2	£1.2
		One-Off	IT systems	£33,888	Number of direct businesses	£226.6	£226.6	£226.6
Total business cost				£33,976		£227.8	£227.8	£227.8
Consumer	Cost	On-going (annual)	Loss of PTR security	-	Not quantified	-	-	-
		On-going (annual)	Loss of assistance when required	0.94	Number of packages	£7.4	£4.9	£2.5
		On-going (annual)	Loss of insurance against contract issues	2.34	Number of packages	£18.6	£12.4	£6.2
Total consumer cost				3.27		26.0	17.3	8.7

**Benefits to business:**

92) The benefits to business of reduced regulatory burden, potential diversification into new markets and the secondary effect of increased holidaymakers outlined in option 2 are applicable to this option. The same logic applies of reducing the time and resource required to comply with regulations resulting in opportunities for businesses to diversify and/or lower costs. These benefits are dependent on the level at which the threshold is set.

Reduced cost of insolvency protection

93) As previously outlined<sup>60</sup>, the average cost of providing insolvency protection is estimated at £1.81 per package. This represents a cost saving of not providing insolvency protection of £14.36m, £9.57m and £4.79m per year for the high, medium and low scenarios depending on the number of packages removed from the Regulations.

#### Reduced administrative costs

94) The reduction in administrative costs is estimated at £22.27m, £14.84m and £7.42m per year for the high medium and low scenarios of number of packages excluded.

#### Reduced obligation to provide assistance

95) The cost saving of reduced obligation to provide assistance is estimated at £7.42m, £4.95m and £2.47m per year for the high, medium and low scenarios respectively.

#### Reduced need to ensure proper performance of the contract

96) The cost saving of reduced need to ensure proper performance of the contract is estimated at £18.56m, £12.37m and £6.19m per year for the high, medium and low scenarios respectively.

#### Reduced contract changes costs

97) The reduction in costs as a result of reducing the number of packages in scope of contract change costs is estimated at £7.42m (high), £4.95m (medium) and £2.47m (low) per year.

#### **Benefits to consumers:**

98) The central benefit of this option to consumers is the potential fall in prices of packages if travel organisers pass on the cost savings from reduced regulation to consumers. However, consumers may choose holiday packages above the threshold to ensure they are protected. It is not possible to quantify the expected price change as the extent to which cost savings may be passed on is unknown.

99) The benefit of increased variability outlined previously is expected to apply in this option, with greater potential impact as the market for global packages and number of combinations on offer is much higher.

#### **Costs to businesses of complying with the new regulations**

##### **One-off implementation costs**

##### Familiarisation cost

100) It is expected that there will be a familiarisation cost to business of introducing a threshold. It is assumed that the same cost per business of £87.87<sup>61</sup> is still applicable, assuming the threshold is simple to interpret (i.e. total cost or cost per person). This represents a one-off cost of £1.23m for the 14,000 businesses in scope of the changes.

101) However, if the threshold is more complex then the familiarisation cost is expected to be higher. This is left unquantified as it is not known how large this cost would be. Information to inform this analysis is welcomed.

##### Cost of updating IT systems

102) As outlined previously, the cost per business of updating IT systems is estimated to be £33,888. As Table 1 shows, we estimate that around 14,000 UK businesses sell packages, of which 6,686 are Travel agents, tour operators, hotels and other accommodation, who are assumed to be in scope of the IT system costs. Assuming that implementing a threshold would impact them

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<sup>60</sup> See para 33

<sup>61</sup> As outlined in para 64

all, the one-off cost of updating IT systems is £227m. Evidence on the number of businesses in scope of IT system costs and/or the cost per business of updating is welcomed.

#### Ongoing costs

103) It is assumed there is negligible additional ongoing cost to businesses of the regulatory change as there is no additional requirement placed upon them.

#### **Costs to Consumers**

##### Loss of PTR security

104) Regulatory reform which reduces protection on the packages which are below a threshold would take away the security that is currently offered by the Regulations. Consumers purchasing these lower-value packages would still be covered by other consumer protections, such as in relation to the supply of services. This cost to consumers is expected to be higher for international travel, as consumers are further away from home, often unable to speak the language and unfamiliar with their surroundings and therefore face greater risk.

105) It is assumed that the benefit to business of reduced need to provide assistance and reduced cost associated with contract changes are direct costs to consumers. This is due to these savings to businesses becoming direct losses to consumers as they no longer benefit from these protections. To note that this assumption covers the average financial cost of removing regulations and does not reflect the utility which consumers derive from knowing they are protected and the financial cost estimate may be over-estimated as it relies on the average cost of contract changes and providing assistance.

106) The annual cost to consumers of businesses not providing assistance is estimated at £7.42m, £4.95m and £2.47m for the high medium and low scenarios and the loss of insurance is estimated at £18.56m, £12.37m and £6.19m.

#### **Option 4: Discontinue LTAs**

107) A range of sector voices have indicated that the category of linked travel arrangements is often confusing both for travellers and organisers, is rarely used and is challenging to enforce. Some feedback has suggested either that linked travel arrangements should be removed as a category or that the definition should be simplified. The European Commission's 2022 public consultation into Package Travel regulations found that a majority of respondents consider that the provisions on LTAs have not improved the protection for travellers and not contributed to fair competition (67% regarding LTAs as defined in Article 3(5)(a) of the PTD and 70%, regarding LTAs as defined in Article 3(5)(b) of the PTD)<sup>62</sup>.

108) In practice, this option refers to several broad options of reform to the Regulations, up to and including discontinuing LTAs. This analysis will focus on the most impactful sub-option – discontinuing LTAs altogether. Information on the degree to which these changes would impact businesses and consumers would be welcome. A public poll<sup>63</sup> conducted by Chartered Trading Standards Institute shows that almost 1 in 5 (18%) people/consumers falsely felt they are more protected when booking an LTA compared to a package and that 88% of respondents support a review of LTAs or did not express support for them.

#### **Number of LTA trips booked by UK customers**

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<sup>62</sup> [European commission](#)- Summary report of the online public consultation in relation to the revision of the Package Travel Directive.

<sup>63</sup> Chartered Trading Standards Institute- [Wish you were clear!](#)

109) Given the absence of available information on LTA usage by consumers, the European Commission's assumption of 3% of trips taken across the EU being booked by LTAs is used in this assessment<sup>64</sup> as a proportion of foreign trips which are protected by LTA arrangements. Information to inform this assumption is welcomed.

110) ONS figures show that there were nearly 70m visits abroad from UK residents in 2022, 93m visits abroad in 2019 and 90m in 2018, prior to the pandemic<sup>65</sup>. Therefore, taking an annual average of 90m visits gives an estimated 2.7m abroad LTA trips a year from UK residents.

111) Tourism GB figures show that there were a total 60.45m domestic holiday trips for GB residents in 2019, which adjusted to include Northern Ireland<sup>66</sup> would mean 1.87m domestic holiday trips qualifying for LTAs.

112) Therefore, it is estimated that there are 4.57m LTA qualifying trips per year domestically and abroad for UK residents. This is used to estimate the costs and benefits of this option.

#### **Number of UK businesses that facilitate LTAs**

113) Any business in the UK travel market can facilitate an LTA but we have limited information about how many trips are booked as LTAs or how many businesses offer them. Businesses that sell (full) packages may be less likely to sell LTAs as they already cater for numerous components of a trip and may be more likely to offer the service themselves. However, we expect that package travel businesses may still want to familiarise themselves with the changes to LTAs regardless of whether they currently offer them. We follow the 2018 PTR IA<sup>67</sup> and assume that 10% of UK travel market businesses facilitate LTAs, in line with the European Commission's<sup>68</sup> estimate of the number of trips booked as LTAs as a proxy.

114) As per Table 1, we estimate that there are around 50,000 businesses in the UK travel market. Consequently, we estimate that circa 5,000 businesses will be affected by changes to LTAs specifically. While some of these may also offer full packages, we have no evidence on the potential overlap. It is assumed that removing the LTA arrangements from the scope of the Regulations would remove the estimated 5,000 businesses currently operating in the market completely.

#### **Benefits to businesses:**

115) LTAs are covered by financial protection, though at a lower level than the PTRs. This therefore means that the cost of compliance for LTAs is lower than for PTRs. For example, removing the LTA category is expected to reduce the amount of time and resource businesses devote to compliance compared to the current system.

116) However, no estimates for current or historic compliance costs of LTAs are available. Thus, the savings to businesses from discounting the LTA category are not estimated. Any evidence on the costs of complying with LTA requirements would be welcome to inform future impact estimates.

#### **Benefits to consumers:**

##### Indirect impacts of reduced regulation

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<sup>64</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>65</sup> International Passenger Survey from the Office for National Statistics

<sup>66</sup> This figure was calculated based on the population difference between the UK and Great Britain, with the UK population (inc NI) 1.03 times bigger than the Great British (exc NI).

<sup>67</sup> 2018 Package Travel IA. <https://www.gov.uk/government/consultations/updating-consumer-protection-in-the-package-travel-sector>

<sup>68</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

117) It is judged that there are minimal direct benefits to consumers of removing LTAs, as it is uncertain how much this removal would lower the costs of holidays or increase consumer choice. There are potential second order benefits to consumers, if regulatory reform increases competition within the market, but these are unquantifiable at this stage. Evidence to inform future analysis of the benefits to consumers of reform to LTAs is welcome.

#### **Costs to businesses:**

##### Familiarisation costs

118) As outlined previously, it is assumed there will be a cost per business of £87.87 for familiarisation costs. This amounts to a total cost of £0.444m for the estimated 5,000 UK businesses who offer LTAs.

119) Removing LTAs from the Regulations would mean services offered by the individual suppliers within a package would still most likely be covered by the Consumer Rights Act 2015.

##### Cost of updating IT systems

120) As LTA protections are formed through separate transactions instead of packages, it is not expected that businesses will need to update their systems and therefore there is no associated cost.

##### On-going costs

121) It is assumed that there will be negligible on-going costs added to businesses of removing LTAs entirely, as there should be no need for businesses to explain any regulations as they will no longer be subject to unique regulations.

#### **Costs to consumers:**

##### Loss of LTA security

122) Removing LTAs as a category would reduce the protections available to consumers if the category was removed completely. However, general consumer protections would still apply.

#### **Direct costs and benefits to business calculations**

123) The calculations in this section are based on the quantifiable elements at this stage, and as some key costs and benefits are unable to be estimated they are subject to revision as policy develops. This section is not to be treated as exact, but is still present as the direct costs and benefits to business are largely estimated, so early indications of policy options can be assessed.

124) The Equivalent Annual Net Direct Cost to Business (EANDCB) of option 2, exempting domestic packages from the Regulations, is estimated at -£18.8m in 2019 prices for the 10 year period after implementation. is a tentative estimate based on the assumptions outlined in this IA, the costs and benefits outlined in table 4 and the medium estimates of transition costs. This shows that this policy option is expected to lead to a cost saving to businesses. This is the key benefit of the deregulation of the market associated with this option, as businesses face lower costs and consumers benefit from lower prices and/or greater optionality of packages. The quantifiable Business Impact Target (BIT) score for exempting domestic packages is -94.1.

125) The EANDCB of the quantifiable costs and benefits for option 3, setting a threshold, is estimated at -£20.2m in 2019 prices for the 10 year period after implementation. This is a tentative estimate based on medium estimates, i.e. excluding 20% of the market and the assumptions outlined, represents a cost saving to business. The BIT score is estimated at -100.8. However, the



EANDCB and BIT of introducing a threshold is reliant on the level of threshold and this analysis will be updated based on the consultation evidence of where a potential threshold should be set.

## Risks and assumptions

126) Table 11 sets out the core assumptions used in this impact assessment. Any views from stakeholders on the realism and robustness of the assumptions are welcome. Similarly, any additional evidence to improve the assumptions is welcome.

**Table 11: Table outlining assumptions used, source of assumptions, the assessed confidence in assumptions and the degree of impact on analysis.**

Assumption:	Source:	Confidence in assessment:	Impact on analysis:
80% of travel agents and tour operators sell packages	2018 PTR IA, European Travel Agents and Tour Operators Association, German Travel Association and the Association of British Travel Agents.	Medium	Strong-Medium
12.5% of hotels, car rentals and other transport offer packages	2018 PTR IA	Medium-Low	Medium
25% of further businesses offer packages	SIC codes; SIC 9001, SIC 9004, SIC 9102, SIC 9103, SIC 9104, SIC 9311, SIC 9329, SIC 9321.	Low	Medium
10% of businesses facilitate LTAs	2018 PTR IA, European Commission (2013)	Low	Low
Share of travel package market which is domestic, 7% and 14%, medium and upper estimate respectively.	ONS- Family spending in the UK: April 2020 to March 2021.	Medium	Medium-Low
2.1% of overall domestic trips are package/inclusive trips and 3.59% of domestic holidays are package/inclusive trips	2021 Great Britain Tourism Survey (GBTS)	Medium-Low	Medium-Low
Great Britain figures are adjusted by a factor of 1.03 to adjust to total UK	This figure was calculated based on the population difference between the UK and Great Britain, with the UK population (inc NI) 1.03 times bigger than the Great British (exc NI).	Strong-Medium	Low
Cost of compliance with the Regulations	<a href="#">European Commission- Impact Assessment 2013</a>	Low	Strong
Cost of insolvency protection	2018 PTR IA figure adjusted by CPI inflation.	Medium-Low	Medium
Familiarisation costs	Wage for travel agents- ONS wage data	Medium-Low	Low
IT systems update costs	50% of time taken to update based on full regulations in 2018 IA	Medium	Medium

No additional ongoing regulatory cost associated with deregulation	Own assumption	Strong-Medium	Medium
Lower risk of domestic and low-value packages compared to more expensive and/or abroad holiday	Own assumption	Strong	Medium
3% of trips are booked via LTAs	European commission (2013)	Medium-Low	Low
8% of packages within the Regulations qualify for ATOL protections	Visit England figures 2023	Medium-Low	Strong-Medium

## Impact on small and micro businesses

127) A full small and micro business assessment (SaMBA) has not been conducted at this stage as policy options and analysis is not sufficiently developed. A full SaMBA will be produced in the final Impact Assessment for developed policy options.

128) It is expected that small and micro businesses will benefit from regulatory reform and the options outlined at this stage. Many of the businesses affected by the options outlined will be small or micro businesses, with each option reducing the regulatory burden they are subject to. As these policies are largely based on reducing the number of businesses subject to regulations, there is judged to be no need to consider exempting small and micro businesses. It is not known what proportion of the market, which offers packages, is small and micro businesses, any information which informs future analysis is welcomed.

## Wider impacts

129) The Department is required to comply with the public-sector equality duty (PSED) set out in the Equality Act 2010 (“the Act”). The PSED requires the Minister to have due regard to the need to advance equality of opportunity, eliminate discrimination and foster good relations between those with and without certain protected characteristics. The characteristics that are protected by the Act are: age, disability, gender reassignment, marriage or civil partnership (in employment only), pregnancy. A full PSED is not conducted at this stage as it is deemed that policy options are not sufficiently developed and due to data availability issues. A full PSED will be completed in the final Impact Assessment, informed by the consultation returns. The below sets out some early considerations given to the different characteristics outlined in the Act. Information to inform future assessment is welcomed.

130) There are two potential avenues in which the policy proposals may impact different groups. Firstly, the adjustment of level of protection afforded to different consumers based on their current demand. This is expected to impact those with the highest demand for affected packages that are removed from the scope of the Regulations. Secondly, different groups may value protections afforded to them by the Regulations differently. Therefore removing protections is expected to impact those who value them the highest. Both of these channels will be investigated as policy options develop and further analysis is undertaken.

131) Age: ABTA data<sup>69</sup> shows that younger people are more likely to go on packaged holidays, with 79% of 25-34 year olds having travelled on a package abroad in the last 12 months, compared to 63% of average holiday makers across all age groups. British Airways data<sup>70</sup> shows that 41% of

<sup>69</sup> ABTA Holiday habits report

<sup>70</sup> British Airways Holidays Travel Trends Report

millennials plan on taking an all-inclusive packaged holiday in 2023, more than any other age group.

132) Gender: ABTA Holiday Habits data shows that males and females take package holidays abroad at roughly the same rate, 64% of males and 62% of females had been on a packaged holiday in the past 12 months. However, within the UK, 47% of males had been on a packaged trip and 34% of females had been on a packaged trip.

133) Income: Income is not a protected characteristic but it is deemed worth considering the impact of proposals across different income levels. ONS data<sup>71</sup> shows the highest 10% of disposable income group spend 2.9% of their income on packaged holidays, higher than the average of all households (2.0%), this falls to 1.0% for the lowest 10%.

134) We did not find any information about differences in travel or spending patterns for the other protected characteristics. We would not expect differences based on race/ethnicity, sexual orientation, gender reassignment, marriage status, or religion/belief, beyond these characteristics' potential correlation with income. There may be differences in holiday patterns based on maternity and pregnancy and some types of disability, but we do not hold any relevant data.

## **Monitoring and Evaluation**

135) The plan for monitoring and evaluation will be developed as policy option(s) are determined. This consultation stage IA sets out early thinking around the potential impacts of the options. The options are not sufficiently developed to set out a monitoring and evaluation plan, as the options may be used in conjunction with each other or alternative options taken forwards.

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<sup>71</sup> ONS Family spending