

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT PACKAGE TRAVEL AND LINKED TRAVEL  
ARRANGEMENTS REGULATIONS 2018

*Monday 14 May 2018*

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**The Committee consisted of the following Members:**

*Chair:* STEWART HOSIE

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|--|--|
| † Charalambous, Bambos ( <i>Enfield, Southgate</i> ) (Lab)   | Hendrick, Sir Mark ( <i>Preston</i> ) (Lab/Co-op)        |
| Cryer, John ( <i>Leyton and Wanstead</i> ) (Lab)   | † Penning, Sir Mike ( <i>Hemel Hempstead</i> ) (Con)     |
| † Day, Martyn ( <i>Linlithgow and East Falkirk</i> ) (SNP)   | † Prisk, Mr Mark ( <i>Hertford and Stortford</i> ) (Con) |
| † Double, Steve ( <i>St Austell and Newquay</i> ) (Con)  | † Robinson, Mary ( <i>Cheadle</i> ) (Con)                |
| † Eagle, Maria ( <i>Garston and Halewood</i> ) (Lab)   | † Smith, Nick ( <i>Blaenau Gwent</i> ) (Lab)             |
| † Furniss, Gill ( <i>Sheffield, Brightside and Hillsborough</i> ) (Lab)  | † Spelman, Dame Caroline ( <i>Meriden</i> ) (Con)        |
| † Griffiths, Andrew ( <i>Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy</i> ) | † Tomlinson, Justin ( <i>North Swindon</i> ) (Con)       |
| † Hair, Kirstene ( <i>Angus</i> ) (Con)  | Vaz, Keith ( <i>Leicester East</i> ) (Lab)               |
| † Harris, Rebecca ( <i>Lord Commissioner of Her Majesty's Treasury</i> )   | Yohanna Sallberg, <i>Committee Clerk</i>                 |
|  | † <b>attended the Committee</b>                          |

## Second Delegated Legislation Committee

Monday 14 May 2018

[STEWART HOSIE *in the Chair*]

### Draft Package Travel and Linked Travel Arrangements Regulations 2018

4.30 pm

**The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Andrew Griffiths):** I beg to move,

That the Committee has considered the draft Package Travel and Linked Travel Arrangements Regulations 2018.

It is a pleasure to serve for the first time under your chairmanship, Mr Hosie. The regulations will update and replace existing legislation by implementing the requirements set out in the 2015 European package travel directive.

Package travel regulations have provided protection to travellers for many years, but they were introduced in 1992 and much has changed since then. The way people purchase holidays has changed. Where once people would buy their package holiday from a travel agent on the local high street—or, the more adventurous, by the exciting new technology of Teletext—increasingly they now purchase holidays online via a computer, tablet or smartphone. That increased choice and flexibility in the travel market, allowing consumers to mix and match components of a holiday to suit them, has also brought about changes in what people purchase: fewer packages and more bespoke travel.

People are empowered to choose from a wider range of accommodation, transport and excursions. According to a recent survey by the Association of British Travel Agents, 83% of consumers bought holidays online in the last 12 months. Such rapid change has left new methods of packaging holidays outside the scope of the regulations, and we want to afford new protections to consumers. It has not always been clear what is in scope of the existing regulations, which has led to an uneven regulatory environment in which traditional package organisers are subject to a level of regulation that many of their online competitors are not. In many cases, the consumer is left unprotected if a company goes bust or something goes wrong. I draw attention to our estimate that, should the regulations not be brought into force, consumers will be at risk of losing out on £90 million of protection each year.

The regulations will address the gap. They are being introduced to ensure that people who book package holidays through travel sites online enjoy the same rights and protections as those who book with a traditional travel agent. That requires a broader definition of “package holidays” to capture modern booking models.

The regulations will introduce a new concept of linked travel arrangements. Those are looser commercial connections than a package holiday, so they have fewer requirements. We are making it a requirement that package travellers be given clear information on what they are agreeing to and what their rights are. We have also strengthened insolvency protection so that consumers can get their money back or be returned home if the company that arranged a package goes bust.

Traders who put such packages together, including those operating through online sites, will now be responsible for the entire holiday, even if services are provided by third parties. One requirement is that the UK must designate central contact points to supervise UK-established package organisers selling into other EU member states. After careful consideration and consultation, we have agreed that the Civil Aviation Authority will take on that role from July. Enforcement of the regulations will be as before, with responsibilities taken on by either the CAA or trading standards.

The Department’s impact assessment, published alongside the regulations, estimates a net cost to businesses of about £100 million a year. However, the changes will level the regulatory environment for all businesses selling travel packages. Companies providing packages not previously covered will be subject to the full range of protections under these regulations, including the organiser taking on liability for all services provided under the contract and providing cover against insolvency.

Right hon. and hon. Members can be reassured that, on the day we leave the European Union, we will maintain our high standards of consumer protection, delivering the stability and continuity consumers need and desire. It is our objective to have effective protections in place for consumers purchasing goods and services cross-border, now and into the future. The way that consumer protections will apply when buying across borders is still a matter for negotiation, but the Government are determined to co-operate closely with our EU partners on matters of consumer protection.

The draft regulations before the Committee have been welcomed as a positive step by the travel industry. Throughout the consultation process and the development of the policy, we sought to strike a balance between increased protections for consumers and minimised burdens on businesses. The measures will ensure a level playing field for businesses and greater clarity and protection for consumers for, we estimate, an extra 10 million package holidays a year. Confident businesses and consumers are an important part of an economy that works for everyone, and these measures will achieve those ends.

4.36 pm

**Gill Furniss** (Sheffield, Brightside and Hillsborough) (Lab): It is a pleasure to serve under your chairpersonship, Mr Hosie.

Consumers often buy package holidays a long time in advance. They often spend a considerable amount of money on a holiday, including flights and hotels, and sometimes more, such as car rentals. According to the data in the impact assessment for the draft regulations:

“Households spend on average £22.10 per week on package holidays which constitutes 33% of total spending on recreation and culture.”

Indeed, with the rise of the internet and the boom in low-cost airlines, the way we book our holidays has changed significantly since the original package travel directive was introduced in 1990.

However, the risks involved are ever present, including the risk of insolvency of the trader, leaving consumers stranded; accommodation providers going bust; and difficulty accessing information, help or redress, to name but a few. It is therefore fitting that the law should change and modernise, to catch up with the changes in technology and in the attitudes and habits of consumers, so that they are protected from such risks.

In a nutshell, the draft regulations will widen the definition of a package holiday to encompass modern methods of purchasing package holidays, particularly online. They will create a new concept of linked travel arrangements, which are looser combinations of travel services, and introduce limited protection for consumers who purchase them. Bookings defined as limited travel arrangements will require financial protection against the risk of a company going into insolvency but will not carry the liabilities of a package.

An important element of the draft regulations is the mutual recognition of insolvency protection. Insolvency protection was an important feature of the 1990 directive and the 1992 regulations. It remains an important feature of the PTD 2015, but has now been overhauled to provide for mutual recognition of insolvency protection schemes between member states. The 1990 directive required only that member states have an insolvency protection regime. As a result, implementation across the EU was inconsistent. The PTD 2015 requires member states to recognise each other's insolvency protection schemes and prohibits the imposition of additional requirements on foreign organisers. That means that organisers will be required only to comply with the insolvency protection scheme in the member state in which they are established, and in doing so will be deemed to be compliant across the EU.

However, the effect that mutual recognition of insolvency protection will have on regulatory behaviour is unclear. Fears have been raised that member states will engage in a deregulation arms race to attract business, to the detriment of consumers. What assessment has the Minister made of the effect of mutual recognition on regulatory behaviour? How can he assure us that this will not in any way hamper consumer choice and protection?

As the impact assessment outlines, businesses will have to become familiar with the changes in PTD 2015 to comply with the regulations. It also estimates that "businesses offering packages that would be new in scope of PTD 2015 would face costs of £20.88 million for ensuring proper performance of a package."

I understand that the Department for Business, Energy and Industrial Strategy will develop guidance to inform stakeholders and businesses.

During the scandal that resulted in the cancellation of thousands of flights by Ryanair and Monarch Airlines in 2017, an undercover Which? investigation discovered that vital ATOL—air travel organisers' licence—protection is misunderstood at some travel companies, including Thomas Cook, one of Britain's best-known agents. At the time, Which? travel editor, Rory Boland, said:

"Atol registered companies need to improve the accuracy of the information they are providing to their customers, and companies registered abroad must do more to inform customers in the UK about what protections they will be covered by."

How will the Minister ensure and enforce the policy, so that companies are providing up-to-date and accurate information to consumers? What steps will he take to check whether these standards are being upheld? If they are not, what action will he take against companies that do not provide accurate and correct information?

Part 7 of the draft statutory instrument deals with the enforcement of the regulations. Under this provision, trading standards will be responsible for the enforcement of the following provisions of information: content of package, insolvency protection and offence arising from

breach of regulation. The regulations contain a number of criminal offences in relation to failure to provide, and the authority to enforce the regulation falls largely on local authority trading standards departments. Local trading bodies, however, have particularly suffered severe cuts since 2010, when this Government came to power. The Government's own consumer Green Paper admitted that this has diminished their ability to enforce consumer rights adequately. On page 57 it says that

"the capacity of Local Authorities to take national cases has reduced. Two-thirds of English local authorities have reported not having the expertise to cover fully the range of statutory duties required of trading standards teams."

Will the Minister announce further funding specifically for trading standards bodies, so that the regulation is properly enforced? If not, the implication is that it might not be adequately monitored and enforced.

As the UK leaves the EU in March 2019, what will this mean for such legislation? Will the Minister outline what representation he is making to the member of the Cabinet negotiating on Brexit with regard to such vital consumer protections? How will they be enforced following our departure? While Labour Members support the objectives and content of the measure, I would be grateful if the Minister responded to the questions I have raised.

4.42 pm

**Martyn Day** (Linlithgow and East Falkirk) (SNP): It is a genuine pleasure to serve under your chairmanship, Mr Hosie. I thank the Minister and the Opposition spokesperson for their contributions. I do not think these regulations are in any way contentious and I am happy to associate myself with the comments that have already been made; I am broadly supportive of them. I have one admission to make, however: I have never booked a traditional package holiday. I have, however, booked many holidays myself and am glad to see that the legislation is catching up with the practice that many of my constituents and I participate in.

4.43 pm

**Maria Eagle** (Garston and Halewood) (Lab): It is a great pleasure to serve under your chairmanship, Mr Hosie. I agree very much with what has already been said by my hon. Friend the Member for Sheffield, Brightside and Hillsborough, the hon. Member for Linlithgow and East Falkirk and, indeed, some of what was said by the Minister. The intention and implementation of these regulations are welcome across the Committee, although I seek one or two further points of clarification from the Minister, which I am sure he will be able to provide.

My hon. Friend the Member for Sheffield, Brightside and Hillsborough has already raised the issue of enforcement and the extent to which those who will be responsible for enforcing these new, more complex and extended regulations will be able so to do. She asked whether there will be specific moneys given, in particular to local trading standards departments, to ensure that they can enforce these new and more complex regulations. I want to reiterate that point.

My experience of local trading standards departments is that they are very hard pressed to meet their current statutory obligations, not to mention having to take on new and complex obligations. I wonder whether the Minister can be precise about the extent to which his

[*Maria Eagle*]

Department will, under the new burdens principle, provide some resource to those hard-pressed organisations for them to be able properly to meet the new obligations they are to have under these regulations. He did not say that there would be new money, or give us any idea of how much was going to be available.

In similar vein, the CAA is the new central contact point. Clearly, it will also have new obligations under these regulations and a new function to fulfil across the country, and will therefore have to incur extra costs properly to carry out that function. Will the Minister be clear as to whether it, too, will receive commensurate extra resource to carry out the extra responsibilities that the regulations impose on it? The explanatory memorandum says that there is no impact on the public sector, but there are certainly impacts on those two organisations—local authority trading standards and the CAA—which will be expected to carry out further functions.

The directive's new requirement for mutual recognition of insolvency protection arrangements across borders aims primarily at ensuring that cross-border trade is stimulated, and that when people are booking packages and putting together visits online in various ways, they can be assured and confident that, if there is insolvency around, they will be protected by whatever the arrangements are and that there will be mutual recognition of those arrangements across borders.

The Minister, to his credit, made some reference to Brexit, which is more than some of his colleagues do when considering the issues that face us in the coming reality of Britain leaving the EU. He expressed some hope that it will all be fine when we get to that point, but we need more information about the extent to which his Department has so far succeeded in making plans for after the UK leaves the EU, to ensure that the mutual recognition requirement is ongoing and can still be effective. He did not really give us any detail about the point that his Department has got to in the negotiations or the state of contacts with our EU colleagues. Although Labour Members note that he is hopeful, I am afraid that he has not given us any reason to be hopeful that the arrangements will be carried over in reality. Perhaps he will say more about that before he asks us to agree the motion.

4.48 pm

**Andrew Griffiths:** I thank all Committee members for their positive contributions. I hope that I can shed a little more light to clarify some of the concerns and to reassure the Committee that we are in a good place in relation to protecting the rights of consumers when travelling in the UK and abroad.

I am grateful to the Committee for its consideration of the regulations. We all agree that booking package holidays and ensuring that people's rights are protected, whichever way they book, can be a significant issue for consumers, and one on which we need to offer extra protection.

I thank the hon. Member for Sheffield, Brightside and Hillsborough for the positive way in which she engaged in the debate, as always. It is always a pleasure to debate with her. She asked a number of questions, first about analysis of the effect of organisations in the EU selling into the UK under the mutual recognition principle.

The directive will raise the level of insurance protection across the EU and give greater protection. The new directive is far more robust about what insolvency protection must legally be in place. In addition, the central contact points, which I will come on to in a minute, and about which there were several questions, will provide a mechanism for us to monitor other member states' insolvency regimes, so, in effect, there is extra protection as a result of these regulations.

There were some questions in relation to mutual recognition. Let me be clear: if a UK trader sells a package holiday into another EU member state, he can use the UK insolvency regime, rather than having to comply with the regime of the individual member state. The new mutual recognition principle that is introduced by these regulations makes it easier for UK businesses to sell package holidays across the EU.

**Maria Eagle:** Can the Minister tell us whether that will remain the case after the UK leaves the EU? What assurance does he have that it will?

**Andrew Griffiths:** The hon. Lady will know that, way above my paygrade, detailed negotiations are taking place. She will also know the phrase, "Nothing is agreed until everything is agreed," which I must repeat. I reassure her that the UK has a great reputation and tradition of being at the forefront of protecting consumer rights. We do not need the EU to tell us how to protect the rights of our citizens and our consumers. We were at the forefront of the free market and of bringing in these protections.

I reassure the hon. Lady not only that these regulations will be copied across, as it were, on the day that we leave the European Union, but that ongoing and positive discussions are taking place to ensure that our consumers are protected when travelling abroad and buying packages or linked travel arrangements across the EU, and that European tourists can have confidence in buying packages from UK operators in future, knowing that their rights will be protected. UK consumer protection rights are based on EU law and they will be retained wherever practical.

There were a number of questions in relation to trading standards departments and their adequacy in providing the resources to support consumers in future. The hon. Lady will know that, through my Department, trading standards receives an annual budget of approximately £40 million, which has been pretty static in recent years. I agree that there are increasing demands on trading standards in a more complex world, in relation to package travel as well as consumer protections and safety. That is why the Government took the bold decision to set up the Office for Product Safety and Standards, which we debated last week, to give extra resource to trading standards across the country and act as a repository of information and expert advice. This year, the Government are putting an additional £9 million into that office and, in future, that budget will be £12 million. I reassure the Committee that the Government are putting extra resources into supporting our trading standards officers across the country.

**Gill Furniss:** I would like to ask the Minister what I probably asked him last week when we debated product safety. Clearly, the £9 million is intended to support the functions of the new office, not the functions of the thing that we are actually debating.

**Andrew Griffiths:** That is absolutely true, but it is an additional resource for trading standards to try to lighten its burden. If we have a repository of information, expertise and advice in relation to product safety that trading standards officers across the country can access, that will make their job easier and, hopefully, free up their time to support their residents on issues such as those covered by the draft regulations.

I will make some progress. Trading standards and the CAA will enforce this legislation—there was a question about that. Their role is to take action where a number of consumers have been put at risk, such as where the provider has committed a serious criminal offence by failing to put in place appropriate insolvency cover or packages. We have not provided additional ring-fenced funding for that purpose. As the Committee will know, the funding of local trading standards is a matter for local authorities.

Let me move on to consumer protection rights post Brexit. We are committed to maintaining our track record of high levels of protection for consumers, and we do not need to be part of the EU to do that.

The Government are committed to implementing the 2015 PTD. It will provide greater protection to UK holidaymakers by bringing more modern methods of booking package holidays, such as through websites, into scope and giving extra protections. The changes in the regulations will ensure that consumers are better protected. The enhanced regulation will protect an extra 10 million UK package holidays each year.

I recognise that you will spend all your recess in Dundee East, Mr Hosie, serving your constituents, and that you will not have time to take a holiday because you are so committed to them. However, if you are able to do so, you can be sure that, because of the regulations, you can book linked travel packages with greater clarity and certainty. I am sure that that will make for an even more enjoyable holiday. I commend the regulations to the Committee.

*Question put and agreed to.*

4.56 pm

*Committee rose.*

