

## Written evidence submitted by ABTA - The Travel Association

Rt Hon Mel Stride MP  
Chair, Treasury Select Committee  
House of Commons  
London  
SW1A 0AA

Sent by email  
Members of the Treasury Select Committee

21 June 2021

Dear Mr Stride,

### **ABTA – supplementary written evidence**

Following the Treasury Committee's evidence session, I am writing today to thank you and your colleagues for the opportunity to highlight the economic impact of coronavirus on the travel industry, and ABTA's response to the 17 May re-opening of international travel. I also wanted to address, in more detail, a couple of issues raised by the Committee, and to provide you with some additional evidence to support your inquiry (see Annex attached to this letter).

As I mentioned during the Committee session, overall ABTA welcomed the announcement of a risk-based 'traffic light' system to restart international travel from 17 May, which follows 15 months of inconsistent and unstable rules that have resulted in minimal income for many travel businesses. The situation for travel is a lot bleaker than for other sectors, and ONS data highlight that travel is the sector that was earliest and hardest hit by the pandemic, with revenues down between 86-90% monthly compared to previous levels. As the domestic economy is starting to reopen, international travel has not been allowed to recover meaningfully. As it stands, only 0.5% of trade is available, based on the proportion of international travel in 2019 that was accounted for by Iceland and Gibraltar, which are on the green list. This is already leading to tour operators announcing further cancellations of their programmes into the critical summer season and is increasing the financial strain on the industry. Travel agents have also been particularly affected, as they receive their income in the form of commission close to the time when people travel. This business model, which is common and longstanding, has meant that many travel agencies have little or no income for more than a year. Indeed, as these businesses have been required to process refunds and rebookings many will have been running considerable losses.

To date, Government financial support measures, while welcome, have not been adequate for the scale of the challenge faced by the travel industry. HMRC's data show that take up of furlough by travel agencies and tour operators up to 30 April 2021 was only 49%, compared to 70% in hospitality, for example, which is because staff need to be at work to deal with re-bookings and refunds for holidays that can no longer go ahead due to government restrictions and requirements. The industry recognises that further flexibility has been built into the furlough system, as you raised during the evidence session. However, with many travel companies being SMEs, and in the case of travel agencies often Owner-Director operated or having only a single member of staff, the employment support schemes have still not worked for many companies in the travel industry. ABTA had encouraged the Treasury to allow a system more like those in other European countries, and Australia, whereby workers can receive support while undertaking their roles. We have particularly argued for a more permissive approach as relates to non-revenue raising activities, such as postponements and cancellations.

Furthermore, the principles behind Government grant funding have been predicated on an ability to operate based on restrictions to physical premises, i.e. closure of premises usually open to the public, or reduction in capacity due to social distancing measures (aimed at retail, hospitality, leisure and personal care). As a result, business grant funding has been patchy and inconsistent for travel businesses, many of whom have been subject to a financial support ‘postcode lottery’ – entirely dependent on the interpretations of guidance by their local authorities. So far, grant schemes have failed to consider the services sold and provided by travel businesses, and that their revenue has been minimised due to prohibitions and restrictions on foreign holidays, for example, quarantine requirements. Discretionary funding has not been sufficient to alleviate this oversight.

ABTA Members are looking for a complete step change in the Government’s approach to supporting the industry both on restarting travel and recognising the need for tailored financial support. We are urging the Chancellor to:

- **Retain existing furlough and self-employed income support** for businesses operating in international travel, without tapering, for a minimum of six-months from 17 May, with future reviews.
- **Extend full business rates relief for travel companies** (agents and operators) operating from rateable premises for a minimum of six-months from 17 May, with future reviews.
- **Create a new sector-specific ‘recovery grants’ regime** for travel agents, tour operators and travel management companies that are reliant on international travel for their revenues.

The summer season is two thirds of travel companies’ income. The industry is looking towards the strategic review on 28 June, and ABTA is pressing for the following:

- **Exempt fully vaccinated travellers from testing requirements for travel to green countries** – IATA has shown that more than twenty countries across the world, including the EU and US, are already relaxing travel restrictions for those that have been fully vaccinated. The success of the UK vaccine rollout should be capitalised on to enable those who have been fully vaccinated to travel again safely.
- **Use NHS lateral flow tests in place of PCR for green countries** – lateral flow tests are currently widely used in educational and medical settings, as well as to facilitate international cross-border freight. We believe that the Government should enable people to use NHS lateral flow tests when travelling to green countries, which are assessed to be low risk.
- **Cooperate with international partners on digital certification** – work with key international partners, especially the EU and US, to ensure facilitation of international travel and interoperability of digital certification systems.
- **Prioritise investment in Border Force and digitisation** – to ensure people feel confident enough to travel and are not deterred from doing so because of an inability to effectively manage passenger flows at the border.

Finally, I also wanted to address a specific point which was raised about the balance between domestic and outbound tourism. ABTA’s 2019 Holiday Habits report demonstrates that the perceived choice between a domestic holiday and an overseas holiday is a false dichotomy. In 2019, 72% of people took holidays within the UK, with people having an average of nearly four holidays a year overall. Nearly half (48%) of British citizens took both UK-based and overseas holidays. Restricting choice for holiday makers – who often choose to travel abroad to experience different cultures, societies, and geographies – would not be best for individuals, for businesses, or for the UK economy.

ABTA also strongly rejects any implication that outbound tourism – which in normal times directly contributes nearly £6.4 billion to the Exchequer annually and supports the employment of more than 526,000 people across the UK – has a negative impact on the UK economy. Furthermore, the ONS Tourism Satellite Accounts note that UK residents spent more than £53 billion on outbound tourism related expenditure prior to their trips within the UK economy in 2019, and the outbound sector also plays a critical role in sustaining the UK’s extensive regional and international aviation networks, which underpin both trade in goods and inbound travel. Every element of the UK’s tourism mix (domestic, inbound, and outbound) brings enormous benefits to the UK economy, UK businesses, and UK residents. We would discourage seeing these sectors as being in competition with one another.

Please do not hesitate to contact me if I can be of further assistance or provide you with additional information on any of the points raised during my evidence.

Yours sincerely,



Mark Tanzer  
**CHIEF EXECUTIVE**

## **ANNEX: the economic impact of coronavirus on the travel industry**

### **Introduction**

1. ABTA is the largest travel association in the UK, with over 1,000 Members operating from more than 4,000 locations across the country. Our Members range from small, specialist tour operators and independent travel agencies specialising in business and leisure travel, through to publicly listed companies and household names, from call centres to internet booking services to high street shops.
2. Established in 1950, ABTA represents the majority of the UK’s travel brands, acting to advance their collective interests through giving a strong and united voice to the travel industry and supporting a successful and sustainable sector.
3. Our Members represent £40 billion of consumer and business travel, and range from major corporations to SMEs. They constitute more than 4,300 consumer brands, with a workforce of some 80,000 employees and a further 16,000 self-employed independent travel agents.
4. In ordinary circumstances outbound travel is worth more than £37 billion a year to the UK economy and supports the employment of more than 526,000 people across the UK.
5. The overall estimated annual contribution to the Exchequer from UK-based outbound travel businesses is around £6.4 billion in a normal year.

### **General impact of COVID-19**

#### **Effectiveness of Government support**

6. The industry acknowledges the unprecedented nature of the package of support that has been extended throughout the COVID-19 pandemic, including the furlough scheme, and government-backed loans. However, these measures are not tailored or targeted where support is most

needed, and some have had limited effectiveness in the travel industry. The Government needs to now consider the specific challenges facing businesses in the travel industry, especially as the roadmap removes restrictions on the domestic economy.

7. Examples:
  - While our Member Surveys show that nine in ten businesses in the travel sector have used furlough to some extent, many travel agents and tour operators have been unable to fully maximise their use of the scheme because their staff have been required to issue refunds and manage rebooking requests on behalf of clients.
  - There is also a high percentage of owner-directors in the industry, who have found themselves unable to benefit from any of the income support systems, either because they have been unable to furlough themselves due to workload, or due to their structure as limited companies and their income primarily being derived through dividend payments.
  - Loan support has also been more difficult to secure for travel businesses, which typically operate very low margins, reducing the appeal of the sector for lenders.
  - Grant funding has also failed to recognise the impact of unique restrictions placed on international travel, and the impact of this on travel agents and tour operators, with existing schemes instead focusing on the physical constraints of COVID-19 regulations, e.g., closure of premises to the public, and reduction in capacity due to social distancing.

### **Economic impact on the travel industry**

8. The travel sector has been one of the hardest-hit economic sectors by the pandemic, with ONS data showing the industry has seen revenues down between 86-90% monthly versus February 2020.
9. ABTA's own Member Survey, conducted in March 2021, found that, on average, Members reported revenue loss of 90% across the year March 2020-March 2021. This includes booking volumes and values down around 85% in the critical months of July and August 2020.
10. Following a survey of ABTA Members in March 2021, we estimated that 195,000 people had either lost their job, or were at risk of losing their job, in the UK outbound travel industry and wider supply chains. More than 81,000 of those are in outbound travel directly (agents, tour operators, travel management companies and other roles directly dependent on the industry). That is 37% of all roles in the industry, for context.
11. In addition, at the time, 57% of SME travel agents did not believe they had the cash to survive more than six months based on current trading conditions and available Government support. 87% of SME travel agents believed they would fail within a year.
  - The figures on liquidity across all Members are 50% indicating less than six-months liquidity, and 83% indicating less than a year, based on current bookings and Government support.
  - The above demonstrates the serious risk of more business failures in the coming months in the absence of targeted support, and as existing support such as furlough and business rates relief is withdrawn in line with the domestic roadmap.
12. The Government has been setting the trading conditions for the international travel industry over the last year, and the traffic-light system makes clear it will continue to do so for many months to come. The sector has already experienced over a year of depressed demand – with businesses impacted by a combination of 'stay at home' orders, closure of non-essential retail, frequently changing travel corridor policy, and FCDO Travel Advice against all but essential travel. It is vital that where measures to control the pandemic place significant constraints on

the trade of businesses operating in certain sectors of the UK economy, those businesses are offered commensurate levels of financial support.

### **Impact on specific business models**

13. There are entire sectors of the industry that have been entirely closed over the last year, including international cruises and the school travel sector, both of which were subject to Government advice (FCDO Travel Advice against cruise travel and Department for Education advice against school trips, respectively).
14. Travel agents have also been particularly affected, as they receive their income in the form of commission close to the time when people travel. This has meant many of these businesses, that have had to work hard over the last year processing refunds and postponing bookings for later dates, have had very little, or even no, income for over a year.
15. Tour operators have also been hit hard, with the restrictions in place across the world limiting their ability to offer travel arrangements. The current situation means that there is very limited opportunity to trade, and prospects look uncertain, especially for those operators specialising in destinations that face a longer road to recovery, or where there are enhanced restrictions, such as South America or Africa. There are also many operators, as previously referenced, such as those offering school tours that are not able to trade at all currently, and where different Government Departments are offering contradictory advice on the prospect of restart (the traffic light system (DFT) and FCDO Travel Advice says you can travel, but the Department for Education retains guidance advising schools not to even book trips).
16. SMEs are especially hard hit too, as they are often less able to benefit from economies of scale in terms of securing flexible arrangements with suppliers, which leaves them vulnerable to last minute changes, such as destinations shifting to the amber or red lists. They have also been less able to secure preferential testing arrangements, which many larger operators have done, which again harms their competitiveness and ability to trade successfully.

### **Financial support for the travel sector– international case studies**

#### General support

17. The majority of countries across Europe have recognised the pressures facing travel agents and tour operators by putting in place specific financial support packages. For example, both France and Italy have implemented revenue replacement schemes, which seek to replace a proportion of lost revenues through a grant regime.
18. In addition, earlier this year both the Scottish Government and the Northern Ireland Executive announced a round of tailored grants support for travel businesses. The earlier scheme addresses both travel agents with physical premises and tour operators, while the latter doesn't include tour operators but does extend support to homeworkers.
19. On 11 March 2021, the Australian Government announced a \$1.2 billion support package for the tourism and aviation sector. This support includes two rounds of a COVID-19 Consumer Travel Support program, providing one-off grants in each round to eligible travel agents and tour arrangement service providers.

#### Employment support

20. Australia also introduced more targeted systems of salary support to aid the economic recovery from COVID-19. ABTA has urged HM Treasury to consider a similar approach in the UK, which not only compensates for hours that employees do not work, to also keep people in work while businesses are experiencing cash flow difficulties.
21. In addition, most EU Member states have introduced job retention schemes.

- In France, the French Government previously paid 100% of “wages for temporary unemployed” in the tourism sector.
- In the German Kurzarbeitergeld (KUG) Scheme, the employer pays for the actual working time and the Federal Employment Agency contributes a short time working allowance of 60% of the missing net wage. This increases to 67% if the worker is a parent.
- In Sweden, there is a short-term layoff scheme in place for the rest of 2020. Depending on financial losses of the employer, employees can receive 20%, 40% , 60% or 80% of their salary. The reduction in working hours can be made at three fixed levels: 20%, 40% or 60% and leads to reduced costs for the employer.
- In the Netherland, depending on the loss of turnover, up to 90% of wages is paid by the Government.
- In Ireland, Short-Time Work Support is a form of jobseeker’s benefit intended for those who have been temporarily placed on a shorter working week by their employer. If an employee’s working week has been reduced from a five-day work pattern to a three-day work pattern, they may receive a Jobseeker’s Benefit payment for the other two days.

### **Current size of the travel industry, insolvencies, and projection for recovery**

22. The industry has been remarkably resilient to date, in terms of overall business failures, with around 34 company failures – including 29 within the ABTA Membership.
23. However, as noted above, around 57% of all SMEs across both travel agencies and tour operators have suggested that they have less than six-months liquidity in the absence of recovery of the international travel industry and/or further Government support.
24. However, we have seen some significant failures, such as Cruise and Maritime Voyages, a cruise operator based in Tilbury, Essex, and STA Travel, which specialises in student travel. We also lost the hotel and coach operator, Specialist Leisure Group, which included well-known brands such as Shearings – although the business has since been relaunched.
25. In addition, we are seeing many larger travel agency businesses, with multiple stores, look to reduce the scale of their retail operations. It is difficult to put an exact number on this currently, but indications are that around a quarter of all high street travel retail outlets could have been forced to close already, as a result of the pandemic. Combined with the above figure which shows SMEs at risk, this once again demonstrates how the failure to restart the industry in a meaningful way and to bring forward tailored support packages could alter the travel landscape.
26. We also are aware of many cases where travel agents have been forced to find alternative work during the pandemic in order to put food on the table, which again demonstrates the way that Government support has failed to address the circumstances many business owners have found themselves in – as even when their stores have been open, as they are now, there is effectively very limited product available to sell due to severe restrictions imposed by the traffic-light system.

### **Re-opening of the economy**

#### **Effectiveness of Government communication on the re-opening of the economy**

27. Government communication around international travel has been a consistent problem for travel companies throughout the last year, but this has been particularly challenging for travel businesses around the restart of international travel.
28. Following the publication of the Government’s roadmap for unlocking the economy, in February 2021, which re-established the Global Travel Taskforce to consider the risk-based return of international travel, we have seen a series of mixed messages around international travel that

have damaged consumer confidence and provided additional barriers to the recovery of the sector.

29. The Global Travel Taskforce report on 9 April 2021 confirmed the implementation of a traffic light system that would use existing mitigation measures, such as self-isolation and testing, to provide a robust system to enable the travel industry to restart in a risk-managed, controlled, and gradual manner. The report also confirmed three strategic reviews of the system – to take place on 28 June 2021, 31 July 2021, and 1 October 2021, alongside three-weekly reviews of the country-lists (red, amber and green). However, the restart date was not confirmed at this stage – which is significant as retail travel agencies reopened their stores on 12 April without any certainty around the rules for international travel. They were effectively open but with nothing to sell at this point.
30. On 7 May, the Government finally confirmed that international travel could resume from 17 May. However, the Global Travel Taskforce report makes clear that recovery will be a gradual process, and the initial green-list, containing just 12 destinations and only one of significant value to the sector – Portugal [although this has since been removed] – has meant the sector remains significantly constrained.
31. In addition, the Government has warned about queues due to compliance checks at the border and also offered mixed messaging around travel to amber destinations, which have served to significantly undermine confidence in their own regime, and to damage consumer demand, further damaging the industry and resulting in a position where travel agents and tour operators have yet to be able to recover in a meaningful way.
32. It is important to recall, when considering the lack of rationale for the Government’s confused messaging on amber destinations, that alongside the traffic light system, the FCDO continues to operate their longstanding system of Travel Advice, which advises UK nationals on the safety of visiting countries, and areas within those countries, around the world.
33. FCDO Travel Advice considers COVID risks to UK travellers in-destination, and the FCDO typically advises against all non-essential travel where an area is considered high-risk, either because of prevalence of the virus, the existence of variants of concern, or other relevant factors such as the local healthcare system. The FCDO currently advises against all non-essential travel to the red-list countries.
34. As such, there are two robust regimes in place, and it is difficult to understand the rationale for mixed messaging around visiting amber countries. It is ABTA’s view the system should be allowed to operate as intended, and that people should be allowed to visit amber destinations for holidays, or any other purpose, provided they are prepared to do so in compliance with the rules set out, including the need to self-isolate and undertake additional testing.
35. Constraining international travel for any other purpose, such as concerns around the ability to adequately staff the border, would be completely inappropriate.
36. There have also been operational difficulties for businesses in relation to the 3-week review of the country lists – as the DfT refused to confirm in advance when the review/implementation would take place.
37. On 3 June, the details of the country lists were leaked to the press prior to official ministerial statement later that evening. To date, no country ‘watchlists’ have been implemented, despite countries moving onto different lists after the 3-week review period (e.g. no warning for Portugal move from Green to Amber).

### **Views on the traffic-light system**

38. The “cautious” re-opening of international travel outlined by the Transport Secretary on 7 May 2021, especially in the context of the statement that people should not travel to ‘amber’ destinations for leisure purposes, has done significant damage to consumer demand for travel.

39. The traffic light system, which the industry supported and helped to develop alongside public health professionals, needs to be fully implemented to allow a risk-based restart of international travel.
40. The publication of the first green list included only 12 destinations – many of which (with the exception of Portugal) are either not major tourism destinations, or have significant restrictions on the entry of UK travellers, for example Australia and New Zealand.
41. In total the destinations on the original green list represented less than 5% of all visits from the UK in 2019, and with the removal of Portugal, the list now represents around 0.5% of all visits from the UK in 2019 – you simply cannot build the recovery of a multi-billion pound industry on that level of trade.
42. Currently, international travel, even to green list countries, remains uncertain and heavily encumbered, which means many travel agents and operators are unable to reopen at all and of those that can reopen most will not be able to resume normal trade in 2021 and 2022.
43. ABTA is asking for the following to be prioritised ahead of the first strategic review on 28 June:
  - **Exempt fully vaccinated travellers from testing requirements for travel to green countries** – IATA has shown that more than twenty countries across the world, including the EU and US, are already relaxing travel restrictions for those that have been fully vaccinated. The success of the UK vaccine rollout should be capitalised on to enable those who have been fully vaccinated to travel again safely.
  - **Use NHS lateral flow tests in place of PCR for green countries** – lateral flow tests are currently widely used in educational and medical settings, as well as to facilitate international cross-border freight. We believe that the Government should enable people to use NHS lateral flow tests when travelling to green countries, which are assessed to be low risk.
  - **Cooperate with international partners on digital certification** – work with key international partners, especially the EU and US, to ensure facilitation of international travel and interoperability of digital certification systems.
  - **Prioritise investment in Border Force and digitisation** – to ensure people feel confident enough to travel and are not deterred from doing so because of an inability to effectively manage passenger flows at the border.

### View on vaccine passports

44. It is important to remember that proof of vaccination status for international travel is an existing norm, it is not something new. For example, people have to prove vaccinations status when visiting yellow-fever destinations today, and there are also various other vaccinations that people are advised to take and to be able to evidence for travel around the world. This is a distinct from the debate around the use of vaccine passports in a domestic setting.
45. In terms of the practicalities, there are two sides to this – firstly following the science, understanding whether vaccines are effective against new variants and whether if you have been vaccinated you can transmit the disease, and to what degree. Of course, this work is ongoing, but all signs to date appear to be encouraging in this regard.
46. Secondly, there is how you facilitate travel once people have been fully vaccinated. Having the option to obtain some sort of vaccine certificate is important because it is likely to be part of the way to fully re-open travel in the future.
47. The Government's use of the NHS app to provide vaccine certification in time for 17 May, therefore, was a positive step forward. We need to ensure this is compatible with destination government's entry requirements.
48. We already know that the EU and the US have taken steps to agree to allow quarantine-free travel for vaccinated tourists and visitors from countries deemed 'safe', and it would be good to see the UK Government making progress in this area too.



49. ABTA is clear, however, that vaccine certification should be voluntary and used as an enabling tool (for example, to reduce certain restrictions such as testing or quarantine). That would be a real incentive to get people travelling again. But it should not be used to discriminate between travellers. That is why it is still important to ensure testing is appropriate and affordable, to allow those who are yet to be vaccinated to travel.

### **COVID-19 business support**

#### **Potential impact of rent arrears/lifting of ban on evictions**

50. ABTA polled Members on this ahead of the evidence session. A third of respondents to our poll declared that they are in arrears to commercial landlords, and 30% said they would be concerned about the potential removal of protections from their commercial landlords.
51. It is clearly the case that for businesses such as independent high street travel agents the removal of such protections would leave them vulnerable. These businesses have, in many cases, been operating now for over a year with little income, while still having to pay staff and meet overheads because they're helping customers with refunds and re-bookings. In the absence of a meaningful restart and tailored financial support, removing protections will doubtlessly lead to some insolvencies within the sector.

#### **Corporate debt – effectiveness of the various Government-backed loan schemes**

52. While many businesses in the industry have accessed loan support, including through CBILs, Bounce Back loans and other mechanisms, we have had reports from Members that they have had difficulty accessing such schemes. This is likely down to the low-margin nature of the industry, which serves to dampen the appetite of lenders for the sector. In our recent poll, more than a fifth (22%) of Members reported they had difficulties accessing loans under the Government schemes. There is now growing concern around the risk of payment defaults – due to the lack of a meaningful restart for the sector. For example, with the Bounce Back Loans first repayments became due from May 2021 onwards, and many CBILs would have required payment from April too.
53. Our recent poll found that 20% of businesses with loans are already having to repay these.
54. While Pay as you Grow allows for the possibility of six-month extension, until November 2021, even by then it is unclear what level of recovery these businesses will have enjoyed – particularly if the critical summer season for the UK travel industry is missed.

#### **Business grant funding**

55. It is worth noting that grant funding is Devolved, and our comments are focused especially on the treatment of businesses in England, which HM Treasury is directly responsible for – although any scheme adopted by the UK Government could have ramifications in terms of money allocated to the Devolved Administrations for COVID support.
56. Our overriding view of the grants support is that it has failed to adequately take account of the unique circumstances facing UK travel businesses, with no specific funding packages to address the impact of the ever-increasing restrictions placed on international travel.
57. In general, the principles behind Government grant funding to date have been predicated on an ability to operate based on restrictions to physical premises, i.e. closure of premises usually open to the public, or reduction in capacity due to social distancing measures (aimed at retail, hospitality, leisure and personal care).
58. As a result, business grant funding has been patchy and inconsistent for travel businesses, many of whom have been subject to a financial support 'postcode lottery' – entirely dependent on the interpretations to guidance from their local authorities. For example:

- The original Retail, Hospitality and Leisure Grant, the LRS (Open) and LRS (Closed), business rates relief, and Restart Grants have not been available to travel agents who are home workers, online agents, or tour operators (who operate from office premises).
  - Meanwhile, the Additional Restrictions Grant (ARG) – which is discretionary – has not been sufficient to mop up the shortfall in funding, and the guidance was only amended to explicitly reference tour operators and other travel companies not covered by the main grants scheme this April – more than a year into the crisis.
59. The Government has fundamentally failed to consider the different types of travel businesses that have been affected – which include travel agency businesses with a shop premises open to the public, home workers (generally self-employed), online agents, and tour operators. Too often they have confused the sector with aviation, rather than recognising it as a distinct sector.
- To put this into context, hairdressers could re-open from 12 April and were eligible for up to £18,000 in Restart Grants, despite unprecedented levels of demand – with many reporting order books full for many weeks after reopening. Whereas, travel agent shops, who also reopened to the public on 12 April, were only eligible for up to £6,000 (we know that most of our Members received far less - £2,667 - based on their rateable values), yet at the time of reopening were still faced with very significant restrictions on trade. For example, as of 12 April, we had no restart date for international travel and no list of countries that people would be able to travel to. These businesses were effectively open but with nothing to sell.
60. While ABTA recognised the Government’s need to implement schemes quickly at the start of the pandemic, there have been plenty of opportunities to address gaps in support over the last 15 months.
61. Indeed, the Government has recognised the need to provide financial support to specific businesses in other business sectors, as referenced above with the increased support for hospitality businesses which were not able to reopen until 17 May, and then at reduced capacity. It would seem to us that the travel sector is in exactly the same place as that – the restart date was 17 May, and there are considerable restrictions in place. Yet, no such tailored support has been extended.
62. The Government has provided a number of different financial support packages tailored to the hospitality sector, for example, one-off Christmas Support Payment for pubs, reduced VAT rates for hospitality and Eat Out to Help Out. We do not dispute these were necessary, and indeed welcome the support offered to an important part of the UK economy, but it is inexplicable why another important part of the economy – international travel, which is worth around £65bn in economic contribution, when considering inbound and outbound, and which employs close to a million people across the country, is being neglected and ignored.
63. More generally, ABTA is urging the UK Government to reconsider its approach to financial support, and is asking the Chancellor to:
- **Retain existing furlough and self-employed income support** for businesses operating in international travel, without tapering, for a minimum of six-months from 17 May, with future reviews.
  - **Extend full business rates relief for travel companies** (agents and operators) operating from rateable premises for a minimum of six-months from 17 May, with future reviews.
  - **Create a new sector-specific ‘recovery grants’ regime** for travel agents, tour operators and travel management companies that are reliant on international travel for their revenues.

#### Impact on businesses in high COVID/restriction areas

64. Anecdotally, in areas where retail has been allowed to remain open, but international travel is restricted, we know of many cases where travel agents, tour operators and other travel companies, have been unable to access LRS funding. This is despite the government issuing guidance instructing their customers, effectively, not to use their services.

65. In the period of localised and then national lockdowns, in November, there were difficulties for retail travel agent Members accessing funding in England, as the main grant schemes for closed businesses still failed to recognise that travel agents, classed as non-essential retail by the Department for Business (BEIS), were required to close and would therefore be unable to obtain any income in many cases.
66. BEIS explained this decision was due to an assessment by officials that high street travel agencies, as with other services businesses such as accountants or solicitors, could simply move to trade entirely online. ABTA disputed this and provided evidence that 84% of all high street agents were entirely dependent on in-person trade – and we also highlighted that at the time severe restrictions were in place limiting international travel, which were not being taking into account.
67. BEIS did eventually reverse their decision, by enabling agents to access the LRSO Closed scheme from January 2021. However, there remained no consideration of international travel restrictions, and the delay left many agents out of pocket for the two months prior, as many local councils refused applications under the Additional restrictions grants at that time.

## **Employment**

### **Impact on employment**

68. On average, in March 2021 Members reported that they had either made redundant or placed at risk 37% of their workforce, using employment figures from 1 March 2020 as a baseline.
  - This equates to an estimated 81,770 jobs lost or at risk in the outbound travel sector directly and an additional 112,850 roles in the wider supply chain.
  - This figure represents a rise of 6% since the previous ABTA Member Survey conducted at the end of October 2020.
69. While the Coronavirus Job Retention Scheme has been a vital support throughout the COVID-19 pandemic, many of the Government's schemes are not tailored or targeted where support is most needed, and some have had limited effectiveness in the travel industry. For example, many travel agents and tour operators have been unable to maximise their use of furlough because staff have been required to continue non-revenue raising activities, such as issuing refunds and managing rebooking requests on behalf of clients, rendering them ineligible for furlough.
70. HMRC has produced new data this month on the use of the CJRS which includes an analysis by sector. The data is up to 30 April 2021 (prior to Step 3 in the roadmap), and shows that take up by travel agency and tour operator businesses at this point was only 49%. This was at a time when international travel was still illegal – travel businesses were not selling many holidays at the time, and corroborates our argument, based on anecdotal evidence, that travel has not been able to fully benefit from the furlough scheme.
71. The tapering of the scheme from July (next month), and the end of both furlough and the Self-Employed Income Support Scheme (SEISS) in September 2021 also predates expectations for widespread recovery in the sector, and are tied to Step 4 of the Roadmap.
  - This also coincides in the reduction of business rates relief from July 2021 and end of VAT deferral on 21 June 2021.
  - In addition, protections from statutory demands – under the Corporate Insolvency and Governance Act, and protections from commercial landlords are also both due to be lifted from the end of this month. 45% of Members responding to our recent poll expressed concern at the removal of this protection.
72. ABTA believes that such schemes, in relation to travel agents and operators, should instead be tied to the outcomes of the Global Travel Taskforce report which confirms that travel agents and operators cannot restart at all or can only restart gradually subject to trading restrictions.
73. Many (SME) independent travel businesses have also fallen through the gaps in current Government support. For example, ABTA has previously supported calls for the introduction of a

support scheme specifically for company directors who have not been able to access either furlough or SEISS.

### **Future risk of redundancy**

74. In ABTA's March 2021 Member survey, we asked respondents to consider a range of hypothetical restart dates, taking into account the announcement that furlough will be tapered from 1 July 2021, and asked them to indicate how these dates would impact their need to consider further redundancies in their business.
75. Only 15% of travel businesses did not envisage the eventual restart date would have any impact on the need to make further redundancies. If you consider that 57% of SMEs and 50% of all Members reported expectations of liquidity issues within six-months in the absence of meaningful restart or tailored financial assistance, it is not surprising that further job losses would be forthcoming in the sector.
76. Of those businesses that indicated that they may need to make further redundancies, 44% said they might need to do so even if travel restarts by 1 July 2021.
77. A significant review of staffing levels is also likely if travel does not restart by October 2021, which would likely be driven by the expectation that all furlough support is scheduled to be removed at that time. However, another factor will be that this is when winter-focused businesses will begin to enter a period that is critical for planning the early part of their season.

### **Industry labour shortages**

78. It has not been indicated to ABTA that this is currently an issue for the outbound sector, but this position reflects the much slower recovery trajectory that the industry is facing.
79. One employment issue we are aware of is the uncertainty that exists now around the ability to move tourism professionals into Europe, especially for longer periods exceeding 90 days in any 180-day period. The trade agreement struck between the UK and the EU does not currently provide any route of entry for these staff, and businesses could have difficulties fulfilling holidays if they are unable to recruit staff into critical support roles. Prior to January 2021, around 20,000 UK workers were posted in Europe for periods exceeding 90 days every year.
80. As a partial solution, we have proposed the extension of the Youth Mobility Scheme, which is already in existence and operating with many countries – and enables people under 20 to spend up to 2 years in the signatory countries without the need for a visa, but critically without extending any longer-terms rights of residence for the individual. We believe such an approach is consistent with the Government's new immigration strategy and both the commitment to end Freedom of Movement, but also to have a system that does not discriminate based on nationality.
81. Last October, we received confirmation that the Government is looking into this specific matter, but we haven't had any progress update since. With restrictive rules in place in many Member States, businesses will soon be faced with considerable additional red tape and costs, which could hamper the ability to offer some holidays and raise costs for UK travellers.

### **Budget 2021**

#### **Budget 2021 measures – response**

82. ABTA's central response to the Budget was that, once again, there was almost no recognition of the unique challenges facing businesses and staff working in the UK travel industry. We had put forward a number of proposals, including a submission on recovery grants for the sector, which was based on international and domestic comparisons, and we were disappointed not to see tailored packages of support offered at this time.

83. A number of our Members have reported concerns with plans to increase corporation tax to 25% from 2023, especially with the industry on a much slower recovery trajectory.
84. In addition to the recovery grants that ABTA proposed, which would have taken account of the unique challenges faced by international travel, ABTA also supported a temporary reduction, or holiday, in relation to Air Passenger Duty. The UK levies one of the highest departure taxes in the world and this is one of very few levers available to the Government to stimulate demand for air travel.
85. We have seen cuts to VAT to benefit the domestic tourism sector, but these have no impact on companies selling package holidays or the outbound travel sector. APD is the only comparable measure that HM Treasury has at its disposal. Longer-term, ABTA is committed to a fair tax on the travel industry, which reflects the economic benefits of the sector and recognises the environmental impacts of travel too. As such, we are supportive of fundamental reform of APD, which is not – and has never been – an environmental tax.

### **Business rates reform**

86. ABTA has previously supported reforms to the current business rates system, recognising the current system fails to tax businesses operating in online and offline environments in a similar way. It is important that a system is found that does not continue to disadvantage high street retailers, which are an important part of communities across the country.

### **Insurance industry**

#### **Business interruption insurance (BII)**

87. The Members ABTA has advised regarding BII are predominantly travel agents, and most of these have shop premises which allow for walk in trade. Such walk-in trade was not possible during national lockdown or, in some cases, periods of local lockdowns and restrictions when shop premises were closed, notwithstanding the depressed market for holidays and travel services. Members lost income directly because people weren't allowed to take overseas holidays (during national lockdowns) or to travel out of area (due to local lockdowns/restrictions).
88. While our recent poll found that 58% of Members had BII at the start of the pandemic, it appears only a very small percentage of Members have been able to claim under their policies.
89. We can only provide anecdotal data for ABTA Members. The below summary is based on approx. 10-15 Members who have approached us directly for advice on this matter.
90. Of the Members whose BII claim has been accepted, we are only aware of one case where the BII claim has been settled and the BII payment has been received. In one further case, we are aware that a Member has received an interim payment pending the final assessment of the BII claim. Another Member has also been offered an interim payment.
91. We know from our Members whose insurers have accepted BII liability, that the insurers have sought to deduct furlough payments and, in some cases, business rates relief. The deduction of Government support from the insurer's assessment and calculation of our Members' BII claims is disappointing.
92. Not least because, after the Supreme Court's judgment, the FCA wrote to the CEOs of insurance companies (January 2021) and told them that to treat policyholders fairly and that they expect insurers to have considered the treatment of government support at Board level and for this consideration and the conclusions reached to be appropriately documented. Our Members have not been provided with an explanation or evidence from Insurers of such Board level decisions.
93. We would like the Government to request insurers, when calculating BII claims, not to deduct any form of Government support paid to policyholders during the pandemic.

94. We have travel agent Members, whose insurers have denied BII liability because cover was only available if there was Covid-19 suffered by a person at the business premises which, due to the lack of testing at the start of the pandemic, is difficult to evidence.
95. With the insurers who have accepted BII liability, they have requested a significant amount of information from Members for the purpose of assessing loss of income for the insured period. Insurers have requested previous years' business accounts plus details of customer bookings for travel services which did not take place due to the interruption suffered. This has included details of travel date, destination, reason for cancellation (e.g. national lockdown and UK restrictions on travel, disinclination to travel), and the Member's refund policy. When assessing loss of income from travel services bookings, some insurers have ignored local lockdowns which prohibited travel out of the local area or local restrictions which prevented a policyholder with a travel agent shop from opening. When calculating loss of income, our Members' experience is that insurers will not cover loss of income from travel bookings which could not go ahead due to some events directly caused by the pandemic, e.g. closure of destination borders, borders being closed to UK nationals, quarantine in managed facility on arrival at destination.
96. Generally, the BII claims process has been complex for Members (and required support from solicitors or accountants) and not quick enough. There is a lot of back and forth with the loss adjuster to challenge the assessment and calculation of the claim.

### **Financial protection mechanisms**

#### **Travel insurance industry**

97. The travel insurance sector as a whole has responded in very different ways to the pandemic. A significant number of, generally lower cost, travel policies with pandemic exclusions have continued on sale, but providing no COVID-19 related medical or cancellation protection. It is a matter of concern whether these policies are currently fit for purpose.
98. A number of travel insurers had effectively stopped sale, but are now returning to the market. Better quality policies, albeit with some conditions and pricing changes are becoming more readily available.
99. Growing confidence in the vaccination programme is severely tempered by great concern over the consistency of Government advice through the traffic lights system and the propensity for stop start decisions, which effects insurers approach as well as consumer confidence.
100. Some more comprehensive business travel products are available, as a cost, for essential business travel, medical and aid workers.
101. Clarity on cover and consistency of approach has been a barrier to consumer confidence, both to book (cancellation risks) and to travel (medical risks).

#### **Chargeback – dispute resolution mechanism**

102. Over the past year, traders in the travel industry, and particularly SME businesses, have been experiencing difficulties in relation to the card payments chargebacks regime, specifically with regards to the apparent failure of the dispute resolution mechanism.
103. While ABTA has consistently stated our support for the chargebacks system, which in ordinary times acts to ensure consumers can enforce their rights under the Consumer Credit Act, it is clear to us that there has been a systemic failure recently and that proper scrutiny is not being applied during the COVID-19 crisis.
104. In October 2020 ABTA launched a call for evidence amongst our Members, asking that evidence be shared relating to chargebacks where the appeals of ABTA Members have been denied, where the trader involved in the claim believes this decision has been erroneous. We have seen several trends emerging from the submissions of evidence. Most commonly, Members are reporting evidence of so-called "double-dipping" on behalf of consumers. This is where the

customer has received a refund from the trader, in line with their consumer rights, but has also been awarded a chargeback claim against the trader, essentially resulting in the consumer receiving more money than they should have been entitled to under the relevant consumer law. It is ABTA's view that this is very often not an attempt to commit fraud on behalf of the consumer, but rather a sign of desperation to recoup money that has been spent, at what is a financially challenging time for everyone.

105. In addition, we have had several Members report to us late notification on behalf of their merchant acquirer. In some cases, the trader has been notified of the existence of a chargeback claim against their business after the deadline supplied for appealing the decision, while in many other cases notification has been very late, affecting the ability of the trader to gather the necessary evidence to launch an effective appeal. We have also been made aware of many cases where ordinary processes appear to have been abandoned.

### **ATOL scheme liability**

106. It is also worth highlighting the enormous strain currently placed on the ATOL scheme, which is a financial liability that ultimately sits with the UK taxpayer. ABTA estimates that the current liability could be up to £4.5 billion. Supporting the recovery of the travel industry is a win-win scenario, which would benefit businesses, their employees, their customers, and the taxpayer.

### **Future of the travel industry**

107. It is probably too soon to tell at this stage what the longer-term impacts of the crisis will be on the travel patterns of individuals, or businesses, but we have seen trends that indicate there is not a shift to online over physical retail – indeed surveys have shown that people have been more likely to seek out a physical travel agent as a result of the pandemic because of the ability to speak to a human, to get advice and support in-person, and to have somewhere to go should there be any problems.

108. In terms of business travel, it is important to remember – because many of the current restrictions are focused on leisure travel, that this sector has also faced very serious difficulties and that the businesses in this part of the travel industry do also require ongoing financial support. It is inevitable that in a global pandemic companies have been more restrictive in terms of their travel policies, and of course the advances in teleconferencing services such as Zoom and Teams will likely have some impact on demand for the future, but face-to-face meetings will always be a vital part of business interactions and we do remain confident the sector will return.

### **ENDS**

For further information, contact: [publicaffairs@abta.co.uk](mailto:publicaffairs@abta.co.uk)

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